

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF INDIANA**

In re:)	Case No. 04-19866-BHL-11
)	
ATA HOLDINGS CORP, <u>et al.</u> ,)	Chapter 11
)	Jointly Administered
)	
Debtors.)	Hon. Basil H. Lorch
)	

**FINAL FEE APPLICATION OF ERNST & YOUNG LLP FOR COMPENSATION AND
REIMBURSEMENT OF EXPENSES AS AUDITORS AND TAX ADVISORS TO THE
DEBTORS FROM OCTOBER 26, 2004 THROUGH FEBRUARY 28, 2006**

Name of applicant: ERNST & YOUNG LLP

Authorized to provide professional services to: Debtors

Date of retention: February 16, 2005, effective as of October 26, 2004

Period for which compensation and reimbursement is sought: October 26, 2004 to February 28, 2006

Amount of compensation sought as actual, reasonable and necessary \$ 1,079,565.00

Amount of expense reimbursement sought as actual, reasonable and necessary: \$ 2,613.00

This is an: interim final application

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

In re:)	Case No. 04-19866-BHL-11
)	
ATA HOLDINGS CORP, <u>et al.</u> ,)	Chapter 11
)	Jointly Administered
Debtors.)	
)	Hon. Basil H. Lorch
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**FINAL FEE APPLICATION OF ERNST & YOUNG LLP FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES
AS AUDITORS AND TAX ADVISORS TO THE DEBTORS**

Ernst & Young hereby makes its final fee application (the "Application") for the allowance of professional fees incurred as auditors and tax advisors for the above-captioned debtors during the period from October 26, 2004 through February 28, 2006 (the "Final Application Period"). In support of this application, Ernst & Young LLP states as follows:

1. Debtors filed their voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code on October 26, 2004 (the "Petition Date"). This Court, by order dated February 16, 2005, approved the Debtors' retention of Ernst & Young LLP as auditors to the Debtors, *nunc pro tunc* to the Petition Date (the "Ernst & Young LLP Retention Order"). Through the Ernst & Young LLP Retention Order, this Court approved periodic fixed audit fees and reimbursement of actual expenses to Ernst & Young LLP for the rendering of audit services to Debtors, in accordance with the terms of Ernst & Young LLP's Engagement Letter dated December 17, 2004. In addition, the Ernst & Young LLP Retention Order approved fees to

Ernst & Young LLP for the rendering of additional audit services (the “Additional Audit Services”) to the Debtors based upon Ernst & Young LLP’s hourly rates in accordance with the terms of Ernst & Young LLP’s Engagement Letter dated December 17, 2004 and to receive payment for the Additional Audit Services in addition to the fixed audit fees.

2. This Court, by Order dated September 19, 2005, also approved the Debtors’ retention of Ernst & Young LLP as tax advisors for the Debtors (the “Ernst & Young LLP Supplemental Retention Order”). Through the Ernst & Young LLP Supplemental Retention Order, this Court approved flat tax fees to Ernst & Young LLP for the rendering of tax services to Debtors, in accordance with the terms of Ernst & Young LLP’s Engagement Letter dated June 14, 2005. In addition, the Ernst & Young LLP Supplemental Retention Order approved fees to Ernst & Young LLP for the rendering of additional tax services (the “Additional Tax Services”) to the Debtors based upon Ernst & Young LLP’s hourly rates in accordance with the terms of Ernst & Young LLP’s Engagement Letter dated June 14, 2005 and to receive payment for the Additional Tax Services in addition to the flat tax fees.

3. This Court, by Order dated January 23, 2006, also approved the Debtors’ retention of Ernst & Young LLP as auditors to the Debtors (the “Ernst & Young LLP Second Supplemental Retention Order”) with respect to services for the year ending December 31, 2005. Through the Ernst & Young LLP Second Supplemental Retention Order, this Court approved periodic fixed audit fees and reimbursement of actual expenses to Ernst & Young LLP for the rendering of audit services to Debtors, in accordance with the terms of Ernst & Young LLP’s Engagement Letter dated October 10, 2005. In addition, the Ernst & Young LLP Second Supplemental Retention Order approved fees to Ernst & Young LLP for the rendering of additional audit services (the “Additional Audit Services”) to the Debtors based upon Ernst &

Young LLP's hourly rates in accordance with the terms of Ernst & Young LLP's Engagement Letter dated October 10, 2005 and to receive payment for the Additional Audit Services in addition to the fixed audit fees

4. This Application is being filed pursuant to the Order Granting Motion to Approve Procedures for Billings by and Payments to Professionals Retained in These Cases for Fees and Expenses Incurred, entered by the Court on December 10, 2004. This Application filed by Ernst & Young LLP is seeking compensation and reimbursement of expenses incurred for the Final Application Period and payment from the Debtors for such services and expenses as follows:

a. Compensation of \$1,079,565.00, representing all fees for services performed on behalf of the Debtors during the Final Application Period.

b. Reimbursement of \$2,613.00, representing all actual, reasonable and necessary expenses for services performed on behalf of the Debtors during the Final Application Period.

c. Payment by the Debtors to Ernst & Young LLP for the total amount awarded hereunder less any amounts previously paid by the Debtors to Ernst & Young LLP for services performed and expenses incurred during the period October 26, 2004 through February 28, 2006.

5. On April 6, 2005 Ernst & Young LLP filed its first application for interim allowance of professional fees of \$402,388.00 and reimbursement of expenses of \$203.00 for the period October 26, 2004 through March 4, 2005 (the "First Application Period"). On May 12, 2005, the Court entered an order allowing interim compensation in the amount of \$402,388.00 and allowing reimbursement of expenses in the amount of \$203.00. On June 8, 2005, the

Debtors paid a total of \$128,728.80 representing the difference between the amount allowed in the Court Order and the amounts previously paid by the Debtors to Ernst & Young LLP for services performed and expenses incurred during the First Application Period. A copy of the first application for interim allowance of professional fees is attached as Exhibit 1.

6. On July 26, 2005 Ernst & Young LLP filed its second application for interim allowance of professional fees of \$100,137.00 and reimbursement of expenses of \$0.00 for the period March 5, 2005 through June 30, 2005 (the "Second Application Period"). On September 19, 2005, the Court entered an order allowing interim compensation in the amount of \$100,137.00 and allowing reimbursement of expenses in the amount of \$0.00. On November 7, 2005, the Debtors paid a total of \$21,817.80 representing the difference between the amount allowed in the Court Order and the amounts previously paid by the Debtors to Ernst & Young LLP for services performed and expenses incurred during the Second Application Period. A copy of the second application for interim allowance of professional fees is attached as Exhibit 2.

7. On December 2, 2005 Ernst & Young LLP filed its third application for interim allowance of professional fees of \$143,283.00 and reimbursement of expenses of \$0.00 for the period July 1, 2005 through October 31, 2005 (the "Third Application Period"). On January 5, 2006, the Court entered an order allowing interim compensation in the amount of \$143,283.00 and allowing reimbursement of expenses in the amount of \$0.00. On January 16, 2006, the Debtors paid a total of \$64,275.00 representing the difference between the amount allowed in the Court Order and the amounts previously paid by the Debtors to Ernst & Young LLP for services performed and expenses incurred during the Third Application Period. A copy of the third application for interim allowance of professional fees is attached as Exhibit 3.

8. On December 21, 2005 Ernst & Young LLP filed its Notice Of Invoice Of Ernst & Young LLP, Auditors and Tax Advisors for Debtors for the period November 1, 2005 through November 30, 2005 (the "November 2005 Notice") seeking approval and allowance of Additional Audit Services totaling \$12,668.00. A copy of the November 2005 Notice is attached as Exhibit 4. On January 16, 2006, the Debtors paid a total of \$10,134.40 (representing 80% of fees) to Ernst & Young LLP for Additional Audit Services for the period November 1, 2005 through November 30, 2005. The Debtors withheld \$2,533.60 of the fees from the November 2005 Notice (the "November 2005 Notice Hold-back Amount"), which represents the 20% holdback for the fees incurred from November 1, 2005 through November 30, 2005.

9. On January 24, 2006 Ernst & Young LLP filed its Notice Of Invoice Of Ernst & Young LLP, Auditors and Tax Advisors for Debtors for the period December 1, 2005 through December 31, 2005 (the "December 2005 Notice") seeking approval and allowance of the first periodic fixed audit fee with respect to services for the year ending December 31, 2005 in the amount of \$306,000.00 and actual expenses in the amount of \$2,410.00 and Additional Audit Services totaling \$5,717.00. A copy of the December 2005 Notice is attached as Exhibit 5. On March 1, 2006, the Debtors paid \$247,210.00 representing 80% of the first periodic fixed audit fee of \$244,800.00 and 100% of actual expenses of \$2,410.00 for the period December 1, 2005 through December 31, 2005. The Debtors also incorrectly paid \$5,717.00 representing 100% of Additional Audit Services for the period December 1, 2005 through December 31, 2005. On March 3, 2006, Ernst & Young LLP refunded the \$5,717.00 to the Debtors. On March 23, 2006, the Debtors correctly paid \$4,573.60 (representing 80% of fees) to Ernst & Young LLP for Additional Audit Services for the period December 1, 2005 through December 31, 2005. The Debtors withheld \$62,343.40 of the fees from the December 2005 Notice (the "December 2005

Notice Hold-back Amount”), which represents the 20% holdback for the fees incurred from December 1, 2005 through December 31, 2005.

10. On February 1, 2006 Ernst & Young LLP filed its Notice Of Invoice Of Ernst & Young LLP, Auditors and Tax Advisors for Debtors for the period January 1, 2006 through January 31, 2006 (the “January 2006 Notice”) seeking approval and allowance of Additional Audit Services totaling \$59,551.00. A copy of the January 2006 Notice is attached as Exhibit 6. On March 1, 2006, the Debtors paid a total of \$47,640.80 (representing 80% of fees) to Ernst & Young LLP for Additional Audit Services for the period January 1, 2006 through January 31, 2006. The Debtors withheld \$11,910.20 of the fees from the January 2006 Notice (the “January 2006 Notice Hold-back Amount”), which represents the 20% holdback for the fees incurred from January 1, 2006 through January 31, 2006.

11. On March 8, 2006 Ernst & Young LLP filed its Notice Of Invoice Of Ernst & Young LLP, Auditors and Tax Advisors for Debtors for the period February 1, 2006 through February 28, 2006 (the “February 2006 Notice”) seeking approval and allowance of Additional Audit Services totaling \$49,821.00. A copy of the February 2006 Notice is attached as Exhibit 7. As of the date of this filing, the Debtors paid a total of \$0.00 to Ernst & Young LLP for Additional Audit Services for the period February 1, 2006 through February 28, 2006.

12. Ernst & Young LLP is currently owed a total of \$126,608.20 in unpaid fees and expenses incurred during the Final Application Period, which consists of (a) \$2,533.60 representing the November 2005 Notice Hold-back Amount, (b) \$62,343.40 representing the December 2005 Notice Hold-back Amount, (c) \$11,910.20 representing the January 2006 Notice Hold-back Amount, and (d) \$49,821.00 representing Additional Audit Services rendered for the

period from February 1, 2006 through February 28, 2006. Accordingly, Ernst & Young LLP seeks Court authorization for the Debtors payment of the amount of \$126,608.20.

13. Other than the payments noted in paragraphs 5-12 above, during the Final Application Period, Ernst & Young LLP did not receive any payments or promises of payments from any source for services rendered or to be rendered in connection with these Chapter 11 cases.

14. As described in the attached applications for interim allowance and Monthly Notices (Exhibits 1 through 7), Ernst & Young LLP professionals billed their time to Ten (10) distinct subject matter categories. Below is a summary of the activities performed by Ernst & Young LLP professionals during the Final Application Period, and the hours spent by Ernst & Young LLP professionals on those matters, organized by project code description ("PCD").

PCD 64 – Audit of Financial Statement Accounts and Related Matters:

(Total Hours: 2,922.0)

Ernst & Young LLP performed services with respect to completing those audit procedures developed and determined during our planning and assessment of risk and internal controls and incurred time related to the review of annual audited financial statements and disclosures.

PCD 66a – Consultation Regarding Accounting Issues and Other Procedures Outside of the Audit-Bankruptcy Retention: (Total Hours: 59.4)

In connection with the retention of Ernst & Young LLP by the Debtors, Ernst & Young LLP has been required to devote time to preparing appropriate documents for Ernst & Young LLP's retention as auditors for the Debtors, preparing and submitting Monthly Notices to the Debtors, as well as in the preparation of fee applications, all in accordance with Bankruptcy Code.

PCD 66b – Consultation Regarding Accounting Issues and Other Procedures Outside of the Audit-Application of SOP 90-7: (Total Hours: 580.6)

Ernst & Young LLP assisted the Debtors in their analysis and interpretation of guidance from accounting principles generally accepted in the United States related to SOP 90-7.

PCD 66c – Consultation Regarding Accounting Issues and Other Procedures Outside of the Audit-Review of New/Modified Agreements: (Total Hours: 25.60)

Ernst & Young LLP assisted the Debtors in reviewing new and/or modified agreements ensuing as a direct result of the Debtors' reorganization.

PCD 66d – Consultation Regarding Accounting Issues and Other Procedures Outside of the Audit-Application of FAS 142 and 144: (Total Hours: 67.30)

Ernst & Young LLP assisted the Debtors in their analysis and interpretation of guidance from accounting principles generally accepted in the United States related to FAS 142 and FAS 144.

PCD 66e – Quarterly Reviews of the Consolidated Financial Statements of ATA Holdings Corp., included in its Quarterly Reports on Form 10-Q: (Total Hours: 432.3)

Ernst & Young LLP performed services with respect to completing procedures related to the review of the March 31, 2005 unaudited interim financial information before the Debtors filed its Form 10-Q.

PCD 68a – Review Procedures of the U.S. Federal Income Tax Return of ATA Holdings Corp.: (Total Hours: 32.6)

Ernst & Young LLP performed certain review procedures with respect to the U.S. federal income tax return of ATA Holdings Corp.

PCD 68b – Completion of Certain Changes in the Accounting Methods of ATA Holdings Corp.: (Total Hours: 27.2)

Ernst & Young LLP assisted the Debtors in requesting a change of accounting method by drafting and filing the Form 3115 which is filed with and approved by the Internal Revenue Service. The method change involves the lease rental deductions for federal income tax purposes in accordance with Section 467 of the Internal Revenue Code, as amended and the Treasury regulations promulgated thereunder.

PCD 68c – Completion of Procedures Related to the Preparation of the Puerto Rico Income Tax Return of ATA Airlines, Inc.: (Total Hours: 28.8)

Ernst & Young Puerto Rico LLP, an affiliate of Ernst & Young LLP, assisted the Debtor by preparing the Puerto Income Tax return and related extension, the Puerto Rico Estimated Tax Declaration and related extension, and the Puerto Rico Corporate Annual Report and related extension.

PCD 68d – Consultation Regarding Accounting Issues and Other Procedures Outside of the Tax-Bankruptcy Retention: (Total Hours: 17.3)

In connection with the retention of Ernst & Young LLP by the Debtors, Ernst & Young LLP has been required to devote time to preparing appropriate documents for Ernst & Young LLP 's retention as tax advisors for the Debtors and preparing and submitting Monthly Notices to the Debtors.

15. The nature of Ernst & Young LLP's fee arrangement is consistent with the current practices of Ernst & Young LLP for audit and tax services provided to companies in other bankruptcy and non-bankruptcy matters.

16. No agreement or understanding exists between Ernst & Young LLP and any other person or entity for the sharing of compensation received for services rendered in connection with this case.

17. All services rendered and all expenses incurred for which compensation or reimbursement is sought have been rendered or incurred exclusively on behalf of Debtors and represent necessary and proper expenses.

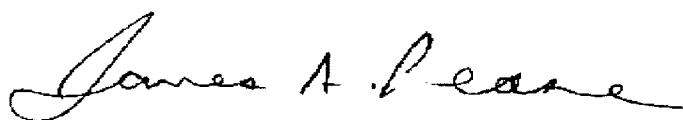
WHEREFORE, Ernst & Young LLP respectfully requests that an Order be entered authorizing and approving on a final basis:

- A. Final compensation in the amount of \$1,079,565.00, incurred in connection with services rendered to the Debtors during the Final Application Period (the "Final Compensation Request").
- B. Final reimbursement of actual, reasonable and necessary expenses of \$2,613.00 incurred in connection with services rendered to the Debtors during the Final Application Period (the "Final Reimbursement Request")
- C. Authorizing and directing prompt payment from the Debtors to Ernst & Young LLP of the amounts of the Final Compensation Request and the Final Reimbursement Request that remain unpaid, which total \$126,608.20 as of the date hereof, consisting of (a) \$2,533.60 representing the November 2005 Notice Hold-back Amount, (b) \$62,343.40 representing the December 2005 Notice Hold-back Amount, (c)

\$11,910.20 representing the January 2006 Notice Hold-back Amount, and
(d) \$49,821.00 representing Additional Audit Services rendered for the
period from February 1, 2006 through February 28, 2006.

Dated: April 24, 2006

ERNST & YOUNG LLP

A handwritten signature in cursive script that reads "James A. Pease". The signature is written in black ink and is positioned above a horizontal line.

James A. Pease
Partner
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Auditors to Debtors

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Application was served by electronic mail on this 24th day of April, 2006, upon the Core Group, 2002 List and Appearance List.

/s/ Terry E. Hall
