

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

In re:) Chapter 11
)
ATA Holdings Corp., et al.,¹) Case No. 04-19866-BHL-11
) (Jointly Administered)
Debtors.)

**SECOND APPLICATION OF JEFFERIES & COMPANY, INC.,
SKYWORKS CAPITAL, LLC AND SKYWORKS SECURITIES, LLC
FOR APPROVAL AND ALLOWANCE OF COMPENSATION OF
TRANSACTION FEES AND REIMBURSEMENT OF RELATED EXPENSES**

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

Jefferies & Company, Inc., SkyWorks Capital, LLC and SkyWorks Securities, LLC (collectively, “Jefferies”), as financial consultants to the current and reorganized debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “Debtors”),² for their second application (the “Application”), pursuant to section 328(a) of title 11 of the United States Code (the “Bankruptcy Code”) and rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for approval and allowance of compensation of transaction fees and reimbursement of expenses, respectfully represent:

Introduction

1. By this Application, Jefferies seeks allowance and approval of the payment by the Debtors to Jefferies of (i) a transaction fee in the amount of \$600,000.00 (the “Term Loan Fee”) relating to that certain \$20,000,000.00 term loan (“Term Loan”) by MatlinPatterson Global

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

² ATA Holdings Corp., ATA Airlines Inc. and American Trans Air Execujet, Inc. are referred to herein as the “Reorganized Debtors.”

Opportunities Partners II, L.P. (“MatlinPatterson” or the “New Investors”) to the Reorganized Debtors, (ii) a transaction fee in the amount of \$3,500,000.00 (the “Equity Securities Fee”) relating to the structuring and placement of \$70,000,000.00 of equity securities issued by the Reorganized Debtors (the “Equity Securities Placement”) and (iii) reimbursement of actual and necessary expenses incurred by Jefferies related thereto from the period from June 17, 2005 through February 28, 2006 (the “Compensation Period”).

Background

2. On October 26, 2004, the Debtors commenced these chapter 11 cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division. The Debtors have continued in the management and operation of their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. No trustee or examiner has been appointed in these chapter 11 cases. On or about November 1, 2004, the United States Trustee appointed the official committee of unsecured creditors pursuant to section 1102(a)(1) of the Bankruptcy Code.

4. On June 17, 2005, the Debtors filed an application (the “Employment Application”) to employ Jefferies as financial consultants on the terms and conditions set forth in that certain engagement agreement, dated June 17, 2005 (the “Engagement Agreement”). By order dated July 14, 2005 (the “Employment Order”), following agreed-upon revisions to the Engagement Agreement, the Court approved the Employment Application pursuant to the terms of the Engagement Agreement, under section 328 of the Bankruptcy Code.

5. On January 13, 2006, the Debtors and Jefferies filed the Joint Application of the Debtors, Jefferies & Company, Inc., Skyworks Capital, LLC and Skyworks Securities, LLC for

Approval and Allowance of Compensation of a Transaction Fee and Reimbursement of Related Expenses (the “First Fee Application”). The First Fee Application sought the allowance and approval of the payment by the Debtors to Jefferies of a transaction fee in the amount of \$1,200,000.00 relating to the Debtors’ closing on December 28, 2005, of a debtor-in-possession credit facility in the amount of \$30,000,000.00 with MatlinPatterson and reimbursement of actual and necessary expenses related thereto incurred by Jefferies from the period from June 17, 2005 through December 28, 2005. On April 6, 2006, this Court entered an order granting the First Fee Application.

The Transaction Fees

6. On November 28, 2005, the Debtors and MatlinPatterson executed a Commitment Letter and Term Sheet (the “Term Sheet”), pursuant to which MatlinPatterson committed, among other things, to provide debt and equity financing in connection with the implementation of the Debtors’ proposed chapter 11 plan, including: (i) \$20,000,000.00 in the form of the Term Loan, (ii) \$45,000,000.00 in the form of an equity investment in connection with the Equity Securities Placement as set forth in the Plan (as defined below) (the “MP Equity Securities Placement”), and (iii) \$25,000,000.00 in the form of a standby commitment to purchase any unsubscribed shares in connection with that certain rights offering for certain classes under the Plan to subscribe to 2,500,000 New Shares (as defined in the Plan) to be issued by the Reorganized Debtors as set forth in Article VII of the Plan (the “Rights Offering Subscription”).

7. This Court approved the Term Sheet by entry of an order, dated November 29, 2005.

8. On December 14, 2005, this Court approved the Debtors' disclosure statement of their First Amended Joint Chapter 11 Plan for the Reorganizing Debtors, dated December 14, 2005 (the "Plan").

9. On January 31, 2006, the Court entered an order confirming the Plan, including, the provisions of the Term Loan, the MP Equity Securities Placement and the Rights Offering Subscription. The effective date of the Plan was February 28, 2006 (the "Effective Date").

10. In accordance with the Plan and terms of the Term Sheet, MatlinPatterson and the Reorganized Debtors entered into an Investment Agreement, dated February 28, 2006, setting forth the terms and conditions and effectuating the Term Loan and the MP Equity Securities Placement (together with the Rights Offering Subscription, the "Transaction"). The Rights Offering Subscription was fully subscribed in the amount of \$25,000,000.00 of new equity in accordance with the Plan and effectuated on the Effective Date.

11. Pursuant to Section 5(a) of the Engagement Agreement, the Debtors are obligated to pay Jefferies a fee of three percent (3%) upon the aggregate principal amount of the Term Loan. Thus, as a result of the funding of the Term Loan, Jefferies is owed the Term Loan Fee in the amount of \$600,000.00 (3% of \$20,000,000.00). In addition, pursuant to Section 5(c) of the Engagement Agreement, the Debtors are obligated to pay Jefferies a fee of five percent (5%) upon the aggregate gross proceeds from the issuance of equity securities. Thus, as a result of the \$45,000,000.00 funding in the form of the MP Equity Securities Placement and the \$25,000,000.00 funding in the form of the Rights Offering Subscription, Jefferies is owed the Equity Securities Fee in the amount of \$3,500,000.00 (5% of \$70,000,000.00) as of February 28, 2006.³

³ On March 23, 2006, the Reorganized Debtors paid the Term Loan Fee and Equity Securities Fee to Jefferies.

Reimbursement of Expenses

12. Pursuant to section 5(d) of the Engagement Agreement, the Debtors agreed to reimburse Jefferies for all “fees, disbursements and out-of-pocket expenses” incurred by Jefferies in connection with the services rendered. During the Compensation Period, Jefferies incurred expenses in the aggregate amount of \$239,438.73. Attached hereto as Exhibit “A” is a schedule listing the expenses and disbursements incurred by Jefferies for which it is seeking reimbursement (the “Expenses”). The Expenses have been incurred in accordance with Jefferies’ normal practice of charging clients for expenses clearly related to and required by particular matters.

The Requested Compensation and Reimbursement of Expenses Should Be Approved

13. Pursuant to the Employment Order, the Court approved the Debtors’ employment of Jefferies under section 328(a) of the Bankruptcy Code. Section 328(a) of the Bankruptcy Code provides that a court may authorize the employment of a professional person on any reasonable terms and conditions, including a retainer, hourly bases or contingent fee bases. 11 U.S.C. § 328(a). Section 328(a) of the Bankruptcy Code further provides that the Court may allow compensation different from the compensation authorized, “if such terms and conditions prove that such engagement was improvident or not capable of being anticipated at the time of the fixing of such terms and conditions.” *Id.*

14. Jefferies was employed on the terms and conditions set forth in the Engagement Agreement. No developments have occurred since the date Jefferies was retained to prove that such engagement was improvident or not capable of being anticipated at the time the Engagement Agreement was approved by the Court. On the contrary, Jefferies’ efforts enabled the Debtors to expeditiously effectuate the Plan, demonstrating that the terms of the Engagement

Agreement were reasonable at the time the Court approved Jefferies' employment and are in fact reasonable at the present time.

15. In procuring the Term Loan and structuring and placing the Equity Securities Placement for the Debtors, Jefferies expended considerable time and effort in assisting the Debtors in negotiating with several potential investors and parties in interest and analyzing the various restructuring alternatives to the Debtors. Most importantly, Jefferies' efforts in promoting, marketing, negotiating and consummating the Transaction are directly responsible for the confirmation and effectuation of the Plan.

16. Other than the agreement among Jefferies & Company, Inc., SkyWorks Capital, LLC and SkyWorks Securities, LLC, as provided in Section 1 of the Engagement Agreement, and as approved by the Employment Order, no agreement or understanding exists between Jefferies and any other person for the sharing of any compensation to be received for professional services rendered or to be rendered in connection with these chapter 11 cases.

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

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WHEREFORE, Jefferies requests that the Court enter an order in the form of Exhibit "B" annexed hereto (i) approving the Term Loan Fee in the amount of \$600,000.00, (ii) approving the Equity Securities Fee in the amount of \$3,500,000.00, (iii) approving the reimbursement of the Expenses in the amount of \$239,438.73, (iv) directing the Debtors to promptly pay same to the extent not previously paid and (v) granting such other and further relief as the Court may deem proper.

Respectfully Submitted,

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