

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
) (Jointly Administered)
Debtors.)

**DEBTORS' APPLICATION FOR AUTHORITY
TO EMPLOY AND RETAIN SPENCER STUART AS
EXECUTIVE RECRUITING CONSULTANTS TO THE DEBTORS**

The debtors and debtors-in-possession (the "Debtors") in the above captioned Chapter 11 cases (the "Chapter 11 Cases"), respectfully submit this application (the "Application") pursuant to 11 U.S.C. § 363 for authority to employ the professional recruiting and placement firm of Spencer Stuart to conduct on behalf of the Debtors a search for a permanent Chief Executive Officer ("CEO") to serve the Debtors. In support of its Application, Debtors state:

Background

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

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

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

Jurisdiction

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

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

Relief Requested

5. By this Application, Debtors seek to employ Spencer Stuart to conduct the executive search for a permanent CEO to serve the Debtors (the "Executive Search").

6. Presently, J. George Mikelsons serves as the Debtors CEO. Pursuant to the Secured Debtor-In-Possession Credit And Security Agreement (the "DIP Agreement") dated as of December 22, 2004 and approved by order of this Court on January 10, 2005,² the Debtors must retain a CEO, subject to the approval of the Committee and the ATSB by no later than July 31, 2005. A "CEO Search Committee" consisting of one or more representatives of the Debtors, the Committee, Southwest Airlines Co. ("Southwest") and the ATSB, was created to assist with the identification and retention of a CEO candidate.³

² Final Order Authorizing Post-Petition Secured Super-Priority Financing Pursuant To Sections 105(a), 362, 364(c)(2), 364(c)(3) And 507 Of The Bankruptcy Code.

³ The CEO Search Committee is currently comprised of the following: Arthur Calavritinos (Committee), Mike Conway (Committee advisor), Richard Meyer (Debtors), Gil Viets (Debtors), Laura Wright (Southwest), and, as a non-voting member, Mark Dayton (ATSB).

7. Debtors, with the support of the Committee, seek to retain Spencer Stuart to perform the Executive Search pursuant to Section 363 of the Bankruptcy Code and the terms of the engagement letter submitted as Exhibit A (the "Engagement Letter").⁴

Spencer Stuart's Qualifications

8. Spencer Stuart's work in the area of executive searches and recruiting forms the foundation of Spencer Stuart's leadership position in the human capital industry. Since 1956, Spencer Stuart has worked closely with candidates and clients. In 2004 alone, Spencer Stuart conducted nearly 4,000 assignments around the world. Spencer Stuart's executive search consultants, which are based in 50 offices across North America, Europe, Asia/Pacific and Latin America, leverage the firm's global candidate network and time-proven search process to provide the highest level of service in the executive search industry today. Spencer Stuart's consultants promise the requisite expertise and the global candidate network to find the most qualified leaders for businesses across a variety of industries.

9. The Debtors and the Committee have determined that Spencer Stuart is qualified to perform the services that are the subject of this Application. Spencer Stuart was selected to serve as the search consultant because of the extensive and diverse experience, knowledge and reputation of Spencer Stuart in the executive search field.

10. Spencer Stuart has agreed to perform the executive search services subject to the terms of the Engagement Letter. Spencer Stuart and its principals have agreed to subject themselves to the jurisdiction and supervision of this Court in connection with their services under the Engagement Letter and this Application.

The Proposed Services; Spencer Stuart's Responsibilities

⁴ Because the Engagement Letter contains sensitive financial information, by separate motion, Debtors request that this Court hold the Engagement Letter under seal.

11. Under the proposed Engagement Letter, Spencer Stuart will undertake or do the following (as all described in greater detail in the Engagement Letter): (i) develop an understanding of the Debtors and their organization; (ii) develop position specifications for the CEO position; (iii) identify qualified candidates; (iv) interview candidates to assess strengths and limitations; (v) present best-qualified candidates to management; (vi) conduct reference checks on successful candidates; and (vii) facilitate offer negotiations. The Engagement Letter's proposed timeline for the services to provided is consistent with the Debtors' July 31, 2005 deadline.

Terms of Retention

12. Pursuant to the terms of the proposed Engagement Letter and Court approval, Debtors have agreed to pay the following fees⁵ to Spencer Stuart in exchange for Spencer Stuart's services:

- a. Fixed professional fee of \$175,000 (the "Professional Fee").⁶
- b. The Professional Fee will be billed in three approximately equal installments over the first three months of the search:
 - February 28, 2005 - \$58,000
 - March 31, 2005 - \$58,000
 - April 30, 2005 - \$59,000

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

14. To the best of Debtors' knowledge, the principals and employees of Spencer Stuart (i) do not have any connection with Debtors, their creditors, or any other party in

⁵ The Engagement offers to payment options: Option A and Option B. The fixed fee arrangement selected by the Debtors and summarized in this Application is Option B.

⁶ Pursuant to the terms of the Engagement Letter, the Professional Fee "would not be adjusted, up or down, regardless of the ultimate agreed upon compensation of the successful candidate."

interest, or their respective attorneys or accountants, (ii) are "disinterested persons" under Section 101(14) of the Bankruptcy Code, and (iii) do not hold or represent an interest adverse to Debtors' estates.

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

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

No Prior Request

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

Notice

18. By separate motion filed concurrently herewith, the Debtors ask this Court to notice this Application for hearing on February 1, 2005.

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

Respectfully Submitted,

BAKER & DANIELS

By: /s/ Melissa M. Hinds
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served this 20th day of January, 2005, by expedited service (facsimile, e-mail, and/or hand or overnight delivery) on the Core Group and the 2002 List that are the subject of the foregoing.

/s/ Melissa M. Hinds