

Air Transport Services Group, Inc.
Form DEF 14A
March 30, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (1) Title of each class of securities to which transaction applies:
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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145 Hunter Drive, Wilmington, Ohio 45177

NOTICE OF ANNUAL MEETING
OF STOCKHOLDERS
TO BE HELD MAY 10, 2011

Notice is hereby given that the 2011 annual meeting of the stockholders of Air Transport Services Group, Inc., a Delaware corporation (the "Company"), has been called and will be held on May 10, 2011, at 11:00 a.m., local time, at the Boyd Cultural Arts Center/Heiland Theatre, Wilmington College, 1870 Quaker Way, Wilmington, Ohio 45177, for the following purposes:

1. To elect three directors to the Board of Directors each for a term of three years;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for fiscal year 2011;
3. To hold an advisory vote on executive compensation;
4. To hold an advisory vote on the frequency of the advisory vote on executive compensation; and
5. To attend to such other business as may properly come before the meeting and any adjournments thereof.

We are pleased to take advantage of the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders over the Internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of this Proxy Statement and our 2010 Annual Report. We believe that this process allows us to provide our stockholders with the necessary information while reducing our costs and lessening the environmental impact of the annual meeting. The Notice contains instructions on how to access the Proxy Statement and Annual Report over the Internet. The Notice also contains instructions on how to request a paper copy of the proxy materials.

The foregoing matters are described in more detail in the Proxy Statement that is available at <http://www.proxyvote.com>.

At the meeting, we will also report on the Company's business results for 2010 and the first quarter of 2011 as well as other matters of interest to stockholders.

Only holders of record, as of the close of business on March 15, 2011, of shares of common stock of the Company will be entitled to notice of and to vote at the meeting and any adjournments thereof.

By Order of the Board of Directors

Wilmington, Ohio
March 31, 2011

/s/ W. Joseph Payne
W. JOSEPH PAYNE
Secretary

YOU ARE URGED TO VOTE AS PROMPTLY AS POSSIBLE BY USING THE INTERNET OR TELEPHONE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. YOU MAY ALSO REQUEST A PAPER COPY OF THESE MATERIALS, WHICH WILL INCLUDE A PROXY CARD. THEN, YOU MAY VOTE BY FILLING IN, SIGNING AND RETURNING THE PROXY CARD IN THE PROVIDED ENVELOPE.

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PROXY STATEMENT

AIR TRANSPORT SERVICES GROUP, INC.

145 Hunter Drive, Wilmington, Ohio 45177

ANNUAL MEETING OF STOCKHOLDERS, MAY 10, 2011

This Proxy Statement is provided in connection with the solicitation of proxies by the Board of Directors (the "Board") of Air Transport Services Group, Inc., a Delaware corporation (the "Company" or "ATSG"), for use at the annual meeting of stockholders to be held at the Boyd Cultural Arts Center/Heiland Theatre, Wilmington College, 1870 Quaker Way, Wilmington, Ohio 45177, at 11:00 a.m., local time, on Tuesday, May 10, 2011, and at any adjournments thereof.

Proxies may be solicited in person, by telephone or mail, and the costs thereof will be borne by the Company.

The proxy materials, including this Proxy Statement, proxy card and the Company's 2010 Annual Report, are being distributed and made available on or about March 31, 2011. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"), the Company has elected to provide stockholders access to proxy materials over the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials (the "Notice") will be mailed on or about March 31, 2011 to stockholders who owned common stock at the close of business on March 15, 2011. Stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request that a printed set of the proxy materials be sent to them by following the instructions in the Notice.

At the annual meeting, the holders of shares of common stock of the Company will (1) vote to elect three directors for terms of three years and until their successors have been elected and qualified, (2) consider and vote on a proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for 2011, (3) consider and hold an advisory vote on executive compensation, (4) consider and hold an advisory vote on the frequency of future advisory votes on executive compensation, and (5) transact such other business as may properly come before the meeting and any adjournments thereof.

VOTING AT THE MEETING

Voting Rights and Outstanding Shares

Only holders of record of shares of common stock of the Company as of the close of business on March 15, 2011, will be entitled to notice of and to vote at the meeting and any adjournments thereof. The common stock is the only class of voting securities of the Company currently outstanding. Each share of common stock is entitled to one vote at the meeting on all matters properly presented at the meeting. On March 15, 2011, there were 64,314,571 shares of common stock outstanding. At the meeting, the presence in person or by proxy of a majority of the outstanding shares is required for a quorum.

Voting Procedures

Most stockholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please refer to your proxy or voting instruction card to see which options are available to you and how to use them. The deadline for voting by telephone or over the Internet is 11:59 p.m. ET, on May 9, 2011. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. Stockholders whose shares are held in the name of a broker or other nominee and wish to vote in person at the meeting will need to obtain a signed proxy form from the institution that holds their shares.

Vote Required

Proposal 1: Election of Directors. The three nominees for director who receive the most votes of all the votes cast for directors will be elected. This means that if you do not vote for a particular nominee, or if you withhold authority to vote for a particular nominee when voting your proxy, your vote will not count for or against the nominee. If a listed

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nominee becomes unavailable, the persons named in the proxy may vote for any substitute designated by the Nominating and Governance Committee; however, the Board has no reason at this time to anticipate that this will occur.

Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes represented at the annual meeting, either in person or by proxy, and entitled to vote on this proposal, is required to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the 2011 fiscal year. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote against this proposal.

Proposal 3: Advisory Vote on Executive Compensation. The affirmative vote of a majority of the votes represented at the annual meeting, either in person or by proxy, and entitled to vote on this proposal, is required to ratify this proposal. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote against this proposal.

Proposal 4: Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation. The affirmative vote of a majority of the votes represented at the annual meeting, either in person or by proxy, and entitled to vote on this proposal, is required to ratify this proposal. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote against this proposal.

If you properly sign and return your proxy card or complete your proxy via the telephone or Internet, your shares will be voted as you direct. Unless a stockholder provides specific instructions to withhold votes from a nominee for director, the persons named in the proxy will be authorized to vote the shares represented thereby FOR the election of the Board's nominees for director. To the extent specific instructions are not given with respect to Proposals 2 and 3, the shares represented by the proxy will be voted FOR the proposal. To the extent specific instructions are not given with respect to Proposal 4, the shares represented by the proxy will be voted for a frequency of every 3 YEARS.

Shares Registered in the Name of a Broker

Brokerage firms holding shares in street name for customers are required to vote such shares in the manner directed by their customers. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the meeting. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares. However, since you are not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote these shares. A "broker non-vote" occurs when a stockholder of record, such as a broker or bank, does not vote on a proposal because it has not received voting instructions from the beneficial owner and does not have discretionary authority to vote on the proposal. The proposal for the election of directors and proposals 3 and 4 are not discretionary items, so you must provide instructions to your broker in order to cast a vote on those proposals. We do not expect broker non-votes on Proposal 2.

Revocability

You may revoke your proxy in one of the following ways: by voting in person at the annual meeting, by giving written notice of revocation to the Secretary of the Company prior to the voting, or by giving a later dated proxy (including by means of a telephone or Internet vote) at any time before the voting deadline, which is 11:59 PM ET, on May 9, 2011.

Confidentiality

It is the policy of the Company that all proxy cards, ballots and vote tabulations that identify the vote of a specific stockholder on any matter submitted for a vote of stockholders be kept secret from the Company and its directors, officers and employees, except when (a) disclosure is required by applicable law or regulation, (b) a stockholder expressly requests such disclosure, or (c) in a contested proxy solicitation.

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Proxy Solicitation

Proxies may be solicited by directors, executive officers and other employees of the Company in person or by telephone, telegraph or mail only for use at the annual meeting. All solicitation costs will be borne by the Company. The Company has retained Georgeson Shareholder Communications, Inc. (“Georgeson”) to assist with the solicitation of proxies for a project management fee of \$14,500, plus reimbursement for out-of-pocket expenses. The Company may also engage Georgeson to solicit proxies by telephone for a reasonable additional fee determined on a per-completed-call basis. All solicitation costs will be borne by the Company.

Proxy Tabulation

Proxies and ballots will be received and tabulated by, and the inspector of election will be from, an independent firm that is not affiliated with the Company. Subject to the above exceptions to the confidential voting policy, comments on written proxy cards will be provided to the Secretary of the Company without disclosing the vote unless the vote is necessary to understand the comment.

Separate Voting Materials

If you share an address with another stockholder and we sent you a notice of an intent to send you a householded mailing, you may receive only one set of proxy materials (including our annual report to stockholders, 2010 Form 10-K, and proxy statement) unless you have provided contrary instructions. If you wish to receive a separate set of documents now or in the future, you may write or call to request a separate copy of these materials from:

Air Transport Services Group, Inc.

145 Hunter Drive

Wilmington, Ohio 45177

Attn: Patricia A. Wallace

Executive Assistant

Telephone: (937) 366-2296

Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write or call us at the above address and phone number to request that in the future, we deliver to you a single copy of these materials.

Principal Stockholders

To the Company’s knowledge, as of March 15, 2011, the following stockholders owned more than 5% of the outstanding common stock of the Company:

Common Stock Ownership of Certain Beneficial Owners

Name	Number of Shares		Percentage of Common Stock Outstanding ⁽⁴⁾	
Red Mountain Capital Partners LLC 10100 Santa Monica Boulevard, Suite 925 Los Angeles, California 90067	8,382,230	(1)	13.03	%
Prescott Group Capital Management, LLC 1924 South Utica, Suite 1120 Tulsa, Oklahoma 74104-6529	4,690,540	(2)	7.29	%
FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	3,915,070	(3)	6.09	%

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- Based on the Schedule 13D, jointly filed with the SEC on November 20, 2006, as amended by Amendment No. 1 thereto jointly filed on September 24, 2007, Amendment No. 2 thereto jointly filed on February 7, 2008, Amendment No. 3 thereto jointly filed on December 3, 2008, Amendment No. 4 thereto jointly filed on January 6, 2009, Amendment No. 5 thereto jointly filed on February 3, 2009, Amendment No. 6 thereto jointly filed on May 26, 2009, and Amendment No. 7 thereto jointly filed on June 1, 2009, by (i) Red Mountain Capital Partners LLC, a Delaware limited liability company (“RMCP LLC”), (ii) Red Mountain Capital Partners II, L.P., a Delaware limited partnership (“RMCP II”), (iii) Red Mountain Capital Partners III, L.P., a Delaware limited partnership (“RMCP III”), (iv) RMCP GP LLC, a Delaware limited liability company (“RMCP GP”), (v) Red Mountain Capital Management, Inc., a Delaware corporation (“RMCM”), and (vi) Willem Mesdag, a natural person and citizen of the United States of America, and on the Statement of Changes in Beneficial Ownership of Securities on Form 4, jointly filed by Mr. Mesdag, RMCM, RMCP LLC, RMCP GP, RMCP II and RMCP III on August 17, 2009. According to the aforementioned Schedule 13D, the principal business of each of RMCP II and RMCP III is investment. Neither RMCP II nor RMCP III was formed for the specific purpose of investing in the securities of ATSG. RMCP GP is the general partner of each of RMCP II and RMCP III and thus may be deemed to control each of RMCP II and RMCP III. The principal business of RMCP GP is investment. RMCP LLC is the managing member of RMCP GP and thus may be deemed to control RMCP GP and each entity directly or indirectly controlled by RMCP GP. The principal business of RMCP LLC is investment. RMCM is the managing member of RMCP LLC and thus may be deemed to control RMCP LLC and each entity directly or indirectly controlled by RMCP LLC. The principal business of RMCM is investment. Mr. Mesdag is the president, sole executive officer, sole director and sole shareholder of RMCM and thus may be deemed to control RMCM and each entity directly or indirectly controlled by RMCM (including Red Mountain). RMCP LLC, RMCP II, RMCP III and RMCP GP are sometimes collectively referred to herein as “Red Mountain.” Red Mountain, RMCM and Mr. Mesdag are sometimes collectively referred to herein as the “Reporting Persons.” The principal occupation of Mr. Mesdag is Managing Partner of Red Mountain. J. Christopher Teets (and his principal occupation) is Partner of Red Mountain. Mr. Teets, a director of the Company, does not control any Reporting Person. According to the aforementioned Form 4, RMCP II beneficially owns, in the aggregate, 5,206,082 shares of common stock. RMCP II has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 5,206,082 shares of common stock. According to the aforementioned Form 4, RMCP III beneficially owns, in the aggregate, 3,176,148 shares of common stock. RMCP III has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 3,176,148 shares. The common stock beneficially owned by RMCP II and RMCP III, when aggregated together, total 8,382,230 shares. Because each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to control RMCP II and RMCP III, each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to beneficially own, and to have the power to vote or direct the vote, or dispose or direct the disposition of, all of the common stock beneficially owned by RMCP II and RMCP III. Other than shares of common stock beneficially owned by RMCP II or RMCP III, none of the Reporting Persons or Mr. Teets may be deemed to beneficially own any shares of common stock (excluding restricted stock units granted by the Company to Mr. Teets in connection with his service as a Director of the Company). Each of RMCP LLC, RMCP II, RMCP III and RMCP GP affirms membership in a group with each other but disclaims membership in a group with RMCM or Mr. Mesdag. Each of RMCM and Mr. Mesdag disclaims membership in a group with any person. This stock ownership information was reported as of August 17, 2009.
- (1)
- (2) Based on the Schedule 13G jointly filed with the SEC on December 5, 2008, as amended by Amendment No. 1 thereto jointly filed on February 9, 2009, Amendment No. 2 thereto jointly filed on February 12, 2010, and Amendment No. 3 thereto jointly filed on February 14, 2011, by Prescott Group Capital Management, LLC, an Oklahoma limited liability company (“Prescott Capital”), Prescott Group Aggressive Small Cap, L.P., an Oklahoma limited partnership (“Prescott Small Cap”), Prescott Group Aggressive Small Cap II, L.P., an Oklahoma limited partnership (“Prescott Small Cap II” and, together with Prescott Small Cap, the “Small Cap Funds”) and Mr. Phil Frohlich, the principal of Prescott Capital. The Small Cap Funds are general partners of

Prescott Group Aggressive Small Cap Master Fund, G.P., an Oklahoma general partnership (“Prescott Master Fund”). Prescott Capital serves as the general partner of the Small Cap Funds and may direct the Small Cap Funds, the general partners of the Prescott Master Fund, to direct the vote and disposition of the 4,690,540 shares of common stock held by the Prescott Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and disposition of the 4,690,540 shares of common stock held by the Prescott Master Fund. This stock ownership information was reported as of December 31, 2010.

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- Based on the Schedule 13G jointly filed on February 11, 2011 with the SEC by FMR LLC, Edward C. Johnson 3d and Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Fidelity is the beneficial owner of 2,473,135 shares or 3.878% of the Common Stock outstanding of Air Transport Services Group, Inc. (the "Company") as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity and the funds, each has sole power to dispose of the 2,473,135 shares owned by the Funds. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees. Pyramis Global Advisors, LLC ("PGALLC"), an indirect wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 32,210 shares or 0.051% of the outstanding Common Stock of the Company as a result of its serving as investment adviser to institutional accounts, non-U.S. mutual funds, or investment companies registered under Section 8 of the Investment Company Act of 1940 owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each has sole dispositive power over 32,210 shares and sole power to vote or to direct the voting of 32,210 shares of Common Stock owned by the institutional accounts or funds advised by PGALLC as reported above. Pyramis Global Advisors Trust Company ("PGATC"), an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 1,409,725 shares or 2.210% of the outstanding Common Stock of the Company as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 1,409,725 shares and sole power to vote or to direct the voting of 1,300,005 shares of Common Stock owned by the institutional accounts managed by PGATC as reported above. This information was reported as of December 31, 2010.
- (3) Based on 64,314,571 shares outstanding as of March 15, 2011.
- (4)

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PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Certificate of Incorporation provides for no fewer than three and no more than nine directors, as determined from time to time by the Board. The Company's Board currently consists of eight members, divided into three classes as follows:

Class I (three positions with terms expiring in 2013):

James E. Bushman

Randy D. Rademacher

Jeffrey A. Dominick

Class II (three positions with terms expiring in 2011):

James H. Carey

John D. Geary

J. Christopher Teets

Class III (two positions with terms expiring in 2012):

Jeffrey J. Vorholt

Joseph C. Hete

At the annual meeting, three persons will be elected to fill the Class II positions, to hold office until the annual meeting of stockholders in 2014 and until their respective successors have been elected and qualified as provided under the Company's Bylaws (the "Bylaws"). Messrs. Carey, Geary and Teets are presently directors of the Company and have been nominated to continue as directors.

Nominees for Director—Class II (Terms to Expire in 2014)

James H. Carey, age 78, Executive Vice President (Retired) of the Chase Manhattan Bank. Mr. Carey served as Managing Director of Briarcliff Financial Associates, a private financial advisory firm, from 1991 to 2002. He served as Chief Executive Officer of National Capital Benefits Corporation, a viatical settlement company, from March 1994 to December 1995. Mr. Carey was until recently a Director, the Chair of the Audit Committee, and a member of the Compensation Committee and the Nominating Committee of The Midland Company, a provider of specialty insurance products. He was a director of Airborne, Inc. from 1978 to August 2003, and was a member of its Compensation Committee and Finance Committee. Mr. Carey has been the Chairman of the Board of the Company since May 2004, and has been a Director since August 2003. He is also a member of the Compensation Committee, the Nominating and Governance Committee, and the Executive Committee. Mr. Carey has played a critical role in the oversight of the work of management in the conduct of the Company's business since his appointment as Chairman of the Board. Among other qualifications, Mr. Carey brings to the Board senior executive leadership and public company board experience, including considerable financial expertise.

John D. Geary, age 84, President and Chief Executive Officer (Retired) of Midland Enterprises, Inc. Mr. Geary served as President and Chief Executive Officer, and also as a Director, of Midland Enterprises, Inc., an inland marine transportation company, comprised of barge lines, shipyards and cargo loading terminals, from 1974 to 1988. He also served for 20 years on the Board of Directors of Fifth Third Bank, in Cincinnati, Ohio. Mr. Geary has been a Director of the Company since January 2004, and is a member of the Nominating and Governance Committee and the Compensation Committee. Among other qualifications, Mr. Geary brings to the Board extensive senior executive leadership experience in the shipping industry, which has greatly assisted the Board of Directors in its oversight of management's operation of the Company, as well as public company board experience.

J. Christopher Teets, age 38, Partner of Red Mountain Capital Partners LLC, a private investment fund manager, since February 2005. Before joining Red Mountain Capital Partners LLC, Mr. Teets was an investment banker at Goldman Sachs & Co. Mr. Teets joined Goldman Sachs & Co. in 2000 and was made a Vice President in 2004. Prior to Goldman Sachs & Co., Mr. Teets worked in the investment banking division of Citigroup. He holds a bachelor's degree from Occidental College and an MSc degree from the London School of Economics. Mr. Teets has also served

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as a director of Encore Capital Group, Inc., since May 2007, as director of Affirmative Insurance Holdings, Inc., since August 2008, and as a director of Marlin Business Services Corp, since May 2010. Red Mountain Capital Partners LLC ("Red Mountain") beneficially owns approximately 8,382,230 common shares of the Company, or approximately 13.03% of the Company's 64.3 million shares outstanding. The Company and Red Mountain are parties to a confidentiality and standstill agreement that will remain in effect during Mr. Teets' tenure as a board member of the Company, which agreement is more particularly described under "Corporate Governance and Board Matters" below. Mr. Teets has been a Director of the Company since February 19, 2009, and is a member of the Compensation Committee and the Nominating and Governance Committee. Among other qualifications, Mr. Teets brings to the Board significant business and investment banking experience, which helps the Board of Directors better understand the financial needs and challenges facing the Company, as well as public company board experience.

Continuing Directors—Not Standing for Election This Year

Class I (Terms to Expire in 2013)

James E. Bushman, age 66, Chairman of Cast-Fab Technologies, Inc. and Chairman of Security Systems Equipment Corporation. He has served since 2005 as the Chairman of Cast-Fab Technologies, Inc., a privately held manufacturer of castings and precision sheet and plate metal fabrications, and previously served from 1988 to 2005 as the President and from 1988 to 2011 as the Chief Executive Officer. He has also served since 1999 as the Chairman of Security Systems Equipment Corporation, a privately held manufacturer of equipment for the banking and financial services industry, and previously served from 1999 to 2011 as the Chief Executive Officer. Mr. Bushman is also a Director of the Ohio National Fund, Inc. and The Dow Target Variable Fund, LLC, and was until recently a director of the Midland Company. He was the President of Carlisle Crane & Excavation, Inc., and the Executive Vice President of Carlisle Enterprises, from 1983 to 1988. Prior to that, Mr. Bushman was a CPA for Arthur Andersen & Co., where he served as a partner from 1977 to 1983, and as a manager from 1972 to 1977. He has been a Director of the Company since May 2004 and is the Chairman of both the Compensation Committee and Executive Committee and is a member of the Audit Committee. Among other qualifications, Mr. Bushman offers the Board of Directors considerable senior business leadership experience and a strong financial background which aids the Board and the committees on which he serves.

Randy D. Rademacher, age 54, Senior Vice President, Chief Financial Officer, of Reading Rock, Inc. He has served as the Senior Vice President, Chief Financial Officer, of Reading Rock, Inc., a privately owned manufacturer and distributor of concrete products, since May 2008. Mr. Rademacher was formerly the Chief Financial Officer for The Armor Group, a privately owned manufacturer of industrial and commercial products, from July 2006 to May 2008 and the President of Dynus Corporation, a privately owned telecommunications company, from June 2005 to October 2005. He also served as the President of Comair Holdings LLC, from 1999 to 2005. During his career at Comair Holdings LLC, Mr. Rademacher also held a number of other positions, including Senior Vice President and Chief Financial Officer from 1993 to 1999, Vice President of Finance from 1989 to 1993, Controller from 1986 to 1989, and Director of Corporate Finance from 1985 to 1986. Prior to that, Mr. Rademacher was a CPA for Arthur Andersen & Co. from 1979 to 1985. He has been a director of the Company since December 2006 and is the Chairman of the Nominating and Governance Committee and a member of the Audit Committee. Among other qualifications, Mr. Rademacher has substantial senior business leadership experience and expertise in the transportation industry from his service at Comair Holdings LLC. He also offers valuable insight on financial matters because of his work experience and accounting background.

Jeffrey A. Dominick, age 46, Managing Director and Head of Alternative Investments and Private Equity for Babson Capital Management LLC, a wholly owned subsidiary of the MassMutual Financial Group, since January 2011. Prior to his current role with Babson Capital Management LLC, Mr. Dominick worked in private equity for MassMutual Capital Partners, and has been active in debt and equity financing in various industry segments for both Babson Capital Management LLC and its parent company, MassMutual Capital Partners, since 2002. Before joining MassMutual Financial Group in 2002, he spent 13 years in leveraged and corporate finance for Deutsche Bank Securities and The Chase Manhattan Bank N.A. While at Babson Capital Management LLC, Mr. Dominick specialized in investing in airline and aircraft related transactions, with a focus as well in the transportation and logistics industries. In conjunction with the acquisition of Cargo Holdings International, Inc. ("CHI") on December 31,

2007, the Company agreed to

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nominate for election to the Board a candidate selected by the significant shareholders of CHI. Per this agreement, Mr. Dominick would have been nominated for election at the Company's 2008 annual meeting of stockholders; however, due to an existing vacancy, the Board chose to appoint Mr. Dominick prior to the meeting. He has been a director of the Company since February 2008 and is a member of the Nominating and Governance Committee and the Audit Committee. Among other qualifications, Mr. Dominick possesses specialized knowledge about the transportation industry and experience with financing and credit arrangements involving the airline industry.

Class III (Terms to Expire in 2012)

Jeffrey J. Vorholt, age 58, is an independent consultant and private investor. He was formerly a full-time faculty member at Miami University (Ohio) and concurrently an Adjunct Professor of Accountancy at Xavier University (Ohio), from 2001 to 2006. Mr. Vorholt, a CPA and attorney, was the Chief Financial Officer of Structural Dynamics Research Corporation from 1994 until its acquisition by EDS in 2001. Previously, he served as the Senior Vice President of Accounting and Information Systems for Cincinnati Bell Telephone Company and the Senior Vice President, Chief Financial Officer and Director for Cincinnati Bell Information Systems, which is now Convergys Corporation. Mr. Vorholt served as Director and Chairman of the Audit Committee for Softbrands, Inc., a global provider of enterprise-wide application software, from 2002 until its acquisition by Infor Global Solutions of Alpharetta, Georgia in 2009. Mr. Vorholt has been a Director of the Company since January 2004. He is the Chairman of the Audit Committee and is a member of the Compensation Committee. Among other qualifications, Mr. Vorholt has over thirty years of experience in accounting and financial management, and his knowledge and experience in that field make him a valuable asset to the Board of Directors, particularly through his service on the Audit Committee.

Joseph C. Hete, age 56, President and Chief Executive Officer of ATSG since October 2007 and Chief Executive Officer of ABX Air, Inc. since August 2003. He was the President of ABX Air, Inc. from January 2000 to February 2008 and the Chief Operating Officer of ABX Air, Inc. from January 2000 to August 2003. From 1997 until January 2000, he held the position of Senior Vice President and Chief Operating Officer of ABX Air, Inc. Mr. Hete served as Senior Vice President, Administration, of ABX Air, Inc. from 1991 to 1997, and Vice President, Administration, of ABX Air, Inc. from 1986 to 1991. He joined ABX Air, Inc. in 1980. Mr. Hete serves as a member of the Executive Committee. Among other qualifications, Mr. Hete brings to the Board a deep and extensive knowledge of the air cargo industry and the day-to-day operations of the Company through his years in various senior business leadership roles with the Company, including as Chief Executive Officer. He is able to keep the Board of Directors informed on the current state of the Company by serving as a director.

CORPORATE GOVERNANCE AND BOARD MATTERS

The Board of Directors held eight meetings during 2010 and each director participated in at least 75% of the board meetings and meetings of the committees of the Board on which he served during the year. Directors are expected to attend board meetings, meetings of the committees on which they serve and the annual meeting of stockholders. All of the directors then in office attended the Company's 2010 annual meeting, except for Mr. Carey, who was unable to travel for health reasons.

Independence

The Board has determined that each of the current directors, except Joseph C. Hete (by virtue of his employment as President and Chief Executive Officer of the Company), has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the independence standards of the SEC, NASDAQ and the Certificate of Incorporation, as currently in effect.

In considering the independence of Mr. Teets, the Board considered the fact that he is a Partner of Red Mountain Capital Partners, LLC, the beneficial owner of approximately 13.03% of the Company's outstanding shares, and concluded that his relationship with Red Mountain Capital Partners, LLC does not impact his independence as a director of the Company. In reaching this conclusion, the Board took into account the fact that the Company and Red Mountain are parties to a confidentiality and standstill agreement that will remain in effect during Mr. Teets' tenure as a board

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member of the Company. The agreement provides for the Company to disclose certain proprietary information to Red Mountain, and imposes confidentiality obligations on Red Mountain with respect to such information and restrictions on its ability to (i) acquire or agree to acquire, directly or indirectly, more than 14.9% of the issued and outstanding stock of the Company or any assets of the Company or subsidiary or division thereof; (ii) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote, as such terms are used in the rules of the SEC, or seek to advise or influence any person with respect to the voting of any securities of the Company; (iii) nominate or seek to nominate, directly or indirectly, any person to the Board of Directors; (iv) make any public announcement with respect to, or submit a proposal for, or offer of, any extraordinary transaction involving the Company or any of its securities or assets, (v) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing; (vi) otherwise act or seek to control or influence the Board of Directors or the management or policies of the Company, (vii) take any action that could reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in (i) through (v) above; or (viii) request for the Company, directly or indirectly, to amend or waive any of the foregoing provisions.

Director Compensation

The Company uses a combination of cash and long-term incentive compensation to attract and retain qualified candidates to serve on the Board. The Compensation Committee recommends to the Board of Directors for its approval the form and amount of compensation paid to the non-employee directors. The Committee reviews the compensation arrangements of the directors on an annual basis, which review includes an evaluation prepared on an annual or bi-annual basis by Towers Watson, a national compensation consulting firm, retained by the Compensation Committee. The evaluation considers the compensation arrangements for the directors of similar companies. Like the executive officers, the directors are also subject to minimum stock ownership requirements. Each director is required to own stock and/or restricted stock units equal to a multiple of his annual retainer within a specified time period after his election to the Board.

Cash Compensation

During 2010, non-employee directors received an annual fee of \$30,000, plus \$1,500 for each board and committee meeting attended. The Chairman of the Board received an additional annual fee of \$60,000, the Chairman of the Audit Committee received an additional annual fee of \$15,000, and the respective Chairman of the Compensation Committee, Nominating and Governance Committee, and Executive Committee each received an additional annual fee of \$4,000. Directors also are reimbursed during the year for out-of-pocket expenses incurred in the performance of their duties as directors, such as travel expenses.

Long-Term Incentive Compensation

The long-term incentive compensation awards for the non-employee directors are comprised solely of restricted stock units. Since the approval of the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"), the Board has granted restricted stock unit awards to the Company's non-employee directors on an annual basis under the terms of the LTI Plan. The size of the grants are determined by the Board and are based on the Company's performance during the prior year and a periodic evaluation of the compensation arrangements of other companies prepared by Towers Watson.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended 2010.

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Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽²⁾	Total (\$)
James H. Carey	115,500	40,000	155,500
James E. Bushman	68,000	40,000	108,000
Jeffrey A. Dominick	51,000	40,000	91,000
John D. Geary	52,500	40,000	92,500
Randy D. Rademacher	58,000	40,000	98,000
J. Christopher Teets	52,500	40,000	92,500
Jeffrey J. Vorholt	72,000	40,000	112,000

- (1) Joseph C. Hete, the Company's President and Chief Executive Officer, is not included in this table since he is an employee of the Company and, therefore, receives no compensation for his services as a director. Each director was awarded 10,000 restricted stock units. The restricted stock units are being reported in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC")
- (2) Topic 718 Compensation—Stock Compensation. The value of the awards is based on information included in Note N to the Company's audited financial statements for the fiscal year ended December 31, 2010, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 8, 2011.

Long-Term Incentive Compensation Grants for 2011

The Compensation Committee authorized the grant of awards to the non-employee directors under the Amended and Restated 2005 Long-Term Incentive Plan for 2011 at the close of the market on the third full trading day after the issuance of the Company's earnings for the fourth quarter and year-ended December 31, 2010. On that date, which was March 8, 2011, the non-employee directors were each granted 9,091 restricted stock units. The closing market price of our common stock on that date was \$8.25 per share.

Board Committees

The Board has a standing Audit Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee. The Audit Committee, Compensation Committee and Nominating and Governance Committee each consists exclusively of non-employee directors, and all of the committees, including the Executive Committee, are chaired by a non-employee director.

Audit Committee

The Company has a separately designated standing Audit Committee. The Audit Committee is currently composed of Jeffrey J. Vorholt, Chair, James E. Bushman, Jeffrey A. Dominick and Randy D. Rademacher. Jeffrey J. Vorholt has been the Chair of the Audit Committee since January 29, 2004. The Board has determined that Jeffrey J. Vorholt is an "audit committee financial expert" as defined in the rules under the Securities Exchange Act of 1934, as amended, and that he is independent.

The Audit Committee is generally charged with the appointment, compensation, retention, evaluation, and oversight of the work of the independent registered public accounting firm; reviewing and discussing with management and the independent registered public accounting firm the Company's annual audited and quarterly consolidated financial statements; reviewing the internal audit function; overseeing the integrity, adequacy and effectiveness of the Company and its subsidiaries' internal accounting and financial controls; and approving and monitoring the Company and its subsidiaries' compliance with its codes of conduct. Also, in the performance of its oversight function, the Audit Committee reviews the Company and its subsidiaries' compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee works closely with management as well as the Company's independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate

funding from the Company for, outside legal, accounting or other advisors as the Audit Committee deems necessary

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to carry out its duties. The Committee held six meetings during 2010.

The Audit Committee performs its work under the guidance of a written charter that was initially approved by the Audit Committee and the Board in August 2003 and was most recently amended in February 2009. The charter of the Audit Committee is available through our Internet website at <http://www.atginc.com>.

The Audit Committee has furnished the following report.

Audit Committee Report

This report will not be deemed to be incorporated by reference by any general statement incorporating this Proxy Statement into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this information by reference and will not be deemed soliciting material or deemed filed under those Acts.

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2010, with management and the Company's independent registered public accounting firm, Deloitte & Touche LLP. The Audit Committee has also discussed with the independent registered public accounting firm, the matters required to be discussed by Generally Accepted Auditing Standards, as currently amended. The Audit Committee also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm matters relating to such firm's independence.

Based upon the review and discussions described in this report, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee

Jeffrey J. Vorholt, Chair

James E. Bushman

Jeffrey A. Dominick

Randy D. Rademacher

Compensation Committee

The Compensation Committee is currently composed of James E. Bushman, Chair, James H. Carey, John D. Geary, J. Christopher Teets and Jeffrey J. Vorholt. The Compensation Committee is responsible for reviewing, evaluating and making recommendations to the full Board regarding the Company and its subsidiaries' overall compensation policies and establishing performance-based incentives that support long-term strategic goals, organizational objectives and stockholder interests. The Committee is also responsible for determining the compensation of the Chief Executive Officer based upon the achievement of goals and objectives that are approved by the Committee, and considering and approving the compensation arrangements for the other executive officers of the Company and its subsidiaries. This includes base salaries, short-term and long-term incentive awards, equity-related awards, participation in any deferred compensation or retirement plans or arrangements, benefits and perquisites. The Committee also evaluates the performance target goals for the non-executive senior officers and employees of the Company and its subsidiaries. In addition, the Committee oversees the administration of the Company and its subsidiaries' executive compensation plans, programs and arrangements, makes recommendations to the full Board with respect to succession planning for the Chief Executive Officer and other officers of the Company and its subsidiaries, and sets and reviews the compensation for the Board and committee members. The Committee held four meetings during 2010.

The Compensation Committee performs its work under the guidance of a written charter that was initially approved by the Compensation Committee and the Board in August 2003. The charter was most recently amended in February

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2011. The Committee's charter is available through our Internet website at <http://www.atsginc.com>.

Nominating and Governance Committee

The Nominating and Governance Committee is currently composed of Randy D. Rademacher, Chair, James H. Carey, Jeffrey A. Dominick, John D. Geary and J. Christopher Teets. The Committee is generally charged with identifying individuals qualified to become members of the Board in accordance with the criteria approved by the Board; making recommendations to the full Board with respect to director nominees for each annual meeting of the stockholders; developing and recommending to the Board a set of corporate governance principles applicable to the Company; and overseeing the evaluation of the Board and management. The Committee held three meetings during 2010.

The Nominating and Governance Committee performs its work under the guidance of a written charter that was initially approved by the Nominating and Governance Committee and the Board in March 2004 and was most recently amended in February 2009. The Committee's charter is available through our Internet website at <http://www.atsginc.com>.

Executive Committee

The Executive Committee is currently composed of James E. Bushman, Chair, James H. Carey and Joseph C. Hete. The Committee serves primarily as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Committee is authorized to act for the full Board, subject to those limitations imposed by law, the Certificate of Incorporation and the Bylaws of the Company or the Board. The Committee's actions are generally limited to matters such as the authorization of transactions. The Committee held two meetings in 2010.

The Executive Committee performs its work under the guidance of a written charter that was initially approved by the Nominating and Governance Committee and the Board in May 2008. The Committee's charter is available through our Internet website at <http://www.atsginc.com>.

Consideration of Nominees for Director

Director Qualifications

The Nominating and Governance Committee is responsible for reviewing and developing the Board's criteria for evaluating and selecting new directors based on the needs of the Company from time to time. The criteria that will be used in connection with evaluating and selecting new directors will include the criteria set forth in the Company's Corporate Governance Guidelines and in the Certificate of Incorporation. While these materials do not contain a formal diversity policy, the Corporate Governance Guidelines seek to ensure that candidates can work constructively with people holding diverse viewpoints and can tolerate opposing views. The Corporate Governance Guidelines are available through our Internet website at <http://www.atsginc.com>.

In addition to the criteria set forth in the Corporate Governance Guidelines, the Committee will consider whether the director candidate meets the definition of independence set forth under NASDAQ Marketplace rules, applicable law and the Certificate of Incorporation, as well as the candidate's skills, occupation and experience in the context of the needs of the Board. The Board will nominate new directors only from candidates identified, screened and approved by the Nominating and Governance Committee. The Nominating and Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendation to the Company's stockholders. Service on boards of other organizations must be consistent with the Company's conflict of interest policies applicable to directors as set forth in the "Core Requirements" of the "Code of Conduct for Conducting Business."

Evaluation of Stockholder Nominees

The policy of the Nominating and Governance Committee is to consider for nomination by the Board, properly submitted stockholder recommendations of potential nominees for membership on the Board. In evaluating such nominees, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and

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capability on the Board and to address the membership criteria set forth above under “Director Qualifications.” There are no differences in the manner in which the Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder, except to the extent provided as follows: (1) such candidates must be able to meet with one or more members of the Committee and/or the Board upon request, and (2) the stockholder must provide: (a) all written materials that would be necessary for a stockholder to make a nomination pursuant to the Bylaws, which materials must be submitted no later than the time permitted for a stockholder to make a director nomination pursuant to the Bylaws; and (b) other information requested by the Company reasonably related to the recommended individual’s qualifications as a nominee.

Director Nominations by Stockholders

The Bylaws permit stockholders to nominate directors for consideration at an annual stockholders’ meeting without the prior recommendation of the Nominating and Governance Committee or the nomination of the Board. Stockholder nominations to the Board of Directors for the Annual Stockholders’ Meeting for 2012 must be forwarded to the Chairman of the Nominating and Governance Committee c/o Secretary, Air Transport Services Group, Inc., 145 Hunter Drive, Wilmington, Ohio 45177, so as to be received not less than 90 days nor more than 120 days prior to the anniversary of the annual stockholders’ meeting for 2011 (May 10, 2011); provided, however, that in the event the date of the annual stockholders’ meeting for 2012 is advanced or delayed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Any nominations received after such date will be considered untimely. The written notice must satisfy certain requirements specified in the Bylaws. A copy of the Bylaws will be sent to any stockholder upon written request to the Secretary of the Company.

Corporate Governance Guidelines

The Company adopted a set of Corporate Governance Guidelines in February 2005 to help the Board fulfill its responsibility to stockholders to oversee the work of management in the conduct of the Company’s business and to seek to serve the long-term interests of stockholders. The Guidelines are intended to ensure that the Board has the necessary authority and practices in place to review and evaluate the Company’s business operations as needed and to make decisions that are independent of the Company’s management. The Guidelines address such topics as the composition of the Board, the selection of Board members, Board independence, the procedures relating to, and the conduct of, Board and committee meetings, the compensation of directors and the Chief Executive Officer, periodic self-evaluations of the Board and committees, and other practices. The Corporate Governance Guidelines are available through our Internet website at <http://www.atsginc.com>.

Code of Ethics for the CEO and CFO

The Company has adopted a Code of Ethics that sets forth the policies and business practices that apply to the Company’s Chief Executive Officer and Chief Financial Officer. The Code of Ethics is in compliance with SEC rules and addresses such topics as compliance with laws; full, fair, accurate and timely disclosure of financial results; professional, honest and ethical conduct; conflicts of interest; and reporting procedures and accountability. The Code of Ethics is available through our Internet website at <http://www.atsginc.com>.

Code of Conduct for Conducting Business

The Company has adopted a Code of Conduct for Conducting Business that sets forth the policies and business practices that apply to all of the Company’s employees and directors. The Code of Conduct addresses such topics as compliance with laws; moral and ethical conduct; equal employment opportunity; promoting a work environment free from harassment or discrimination; and the protection of intellectual property and proprietary information. The Code of Conduct for Conducting Business is available through our Internet website at <http://www.atsginc.com>.

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Related Person Transactions

The Company does not have any related person transactions as defined by Regulation S-K Item 404(a). If any related person transactions arise, the Audit Committee will review and approve such transactions as it deems appropriate. This policy is set forth in the charter of the Audit Committee.

Executive Sessions

The independent directors of the Company meet in executive session (with no management directors or management present) on a regular basis and upon the request of one or more independent directors. The sessions are scheduled and chaired by the Chairman of the Board, who is an independent director. The executive sessions include whatever topics the independent directors deem appropriate.

Communications with the Board

Stockholders and other parties interested in communicating directly with the Company's directors or with the non-management directors as a group may do so by writing to the Secretary of the Company at Air Transport Services Group, Inc., 145 Hunter Drive, Wilmington, Ohio 45177. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Board Leadership Structure

James H. Carey has served as Chairman of the Board of Directors since May 2004. The Board is aware that one of its responsibilities is to oversee Company management and make performance, risk and compensation related decisions regarding management. In order to appropriately balance the Board's focus on strategic development with its management oversight responsibilities, the Board of Directors requires that the Chairman of the Board be a non-management, independent director. The Chairman of the Board manages the Board's affairs, including organization, functional effectiveness, and fulfilling the Board's responsibilities. The Chief Executive Officer is involved in this process by updating the Chairman of the Board and the Board in its entirety regarding the day-to-day management of the Company. While the Company has established separate roles for the Chairman of the Board and Chief Executive Officer, they both play a vital role in the management of the Company and must work closely in order to maximize the Company's potential.

Our Corporate Governance Guidelines provide that (i) a majority of the directors of the Company shall be "independent directors" as that term is defined in the Corporate Governance Rules of the NASDAQ Global Market, Inc., (ii) the Chief Executive Officer will be the only employee of the Company who also serves as a director of the Company, and (iii) the Chairman of the Board should be a non-management, independent director.

As described above under "Independence," seven of our eight directors are independent. In addition, all of the directors on each of the Audit Committee, Compensation Committee, and Nominating and Governance Committee are independent directors and all of the committees, including the Executive Committee, is led by an independent chair. The independent directors meet in executive session (with no management directors or management present) on a regular basis (typically at the time of each quarterly board meeting) and upon the request of one or more independent directors.

We have employed this leadership structure since becoming publicly traded in August 2003. We believe that having a separate Chairman and Chief Executive Officer, a board with a majority of independent directors who regularly meet in executive session, and independent chairs for the Board's Audit, Compensation, Nominating and Governance and Executive committee, provides the Board with the best form of leadership for ensuring that the Board has the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management.

Board Role in Risk Oversight

The Board's function of overseeing risk is handled primarily by the Audit Committee. The Audit Committee

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discusses risk assessment and risk management policies with management, internal auditors, and the independent auditors. This includes the oversight of the Company's corporate compliance program, as well as the internal audit function.

The Company's Senior Vice President, Corporate General Counsel and Secretary, reports directly to the Chief Executive Officer, providing him with visibility to the Company's risk profile. The Board of Directors believes that the work undertaken by the Audit Committee enables the Board of Directors to effectively oversee the Company's risk management function.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee believes that the compensation paid to its executive officers should assist the Company in attracting and retaining talented leaders and encouraging a high level of effective and ethical management in the best interests of the Company and its stockholders. To this end, the Compensation Committee strives to ensure that the Company's executive compensation program is competitive with that of similarly situated companies and rewards the achievement of short and long-term goals that align the interests of its executives and stockholders in seeking to increase stockholder value.

Throughout this proxy statement, the individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during fiscal year 2010, as well as the other individuals included in the "Summary Compensation Table" below, are referred to as the "named executive officers."

Chief Executive Officer's Role in the Compensation Decision Process

The Compensation Committee considers recommendations from the Chief Executive Officer with respect to the executive officers', including the named executive officers', base salaries and the performance measures to be utilized under the Company's short-term incentive compensation plan. In making his recommendations, the Chief Executive Officer utilizes the peer group analysis described below and completes an objective and subjective review of each executive's responsibilities and performance over the prior year. The Chief Executive Officer plays no role in the compensation process with respect to his own compensation.

Establishing Compensation Levels

The Compensation Committee ordinarily meets during the first half of each year to establish the base salaries for each of the executive officers and to approve incentive awards for the previous year based upon previously established performance goals. All changes to base salaries are typically effective on July 1 for the year in which they are set. The Compensation Committee typically authorizes the grant of awards at the close of the market on the third full trading day after the issuance of the Company's earnings for the fourth quarter and year-end.

During its first quarter meeting, the Compensation Committee also typically establishes incentive goals for the current year based upon the Chief Executive Officer's recommendations.

Compensation Consultant

In 2010, the Compensation Committee engaged Towers Watson, a national compensation consulting firm, to conduct a competitive review of the positions held by the named executive officers. The Compensation Committee, in consultation with the Chief Executive Officer, utilized this assessment in evaluating the ongoing competitiveness of the Company's compensation arrangements for 2010.

The assessment prepared by Towers Watson included a proxy analysis of sixteen publicly-traded transportation industry competitors and regional airlines for the Company's named executive officers ("peer group analysis"). The companies utilized in the peer group analysis were:

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- AirTran Holdings, Inc.
- Alaska Air Group, Inc.
- Atlas Air Worldwide Holdings, Inc.
- Dynamex, Inc.
- ExpressJet Holdings, Inc.
- Forward Air Corp.
- Hawaiian Holdings, Inc.
- Hub Group, Inc.
- JetBlue Airways Corp.
- Pacer International, Inc.
- Park Ohio Holdings Corp.
- Pinnacle Airlines Corp.
- Republic Airways Holdings, Inc.
- Sky West, Inc.
- US Airways Group, Inc.
- UTi Worldwide, Inc.

The assessment also more closely examined the industry pay practices for several of the Company's peers, including with respect to temporary and permanent changes to their compensation programs arising from the poor economic climate in 2009 and 2010. Based upon this assessment, compensation guidelines were established for the named executive officers, providing data on the 25th, 50th (median) and 75th percentile pay levels in the competitive market. The Compensation Committee has identified the 50th (median) percentile as the targeted pay level. The peer group analysis constituted a material component of the Compensation Committee's evaluation of the Company's compensation arrangements for 2010 with respect to the named executive officers.

Components of Executive Compensation for 2010

The Company's executive compensation and benefits package consists of direct compensation (base salary, short-term cash incentives and long-term equity-based incentives) and Company-sponsored retirement and benefit plans. The components of the named executive officers' compensation packages are designed to contribute to a total package that is competitive, appropriately performance-based, and valued by the Company's executive. The Compensation Committee strives to align the mix of executive officer compensation between cash and non-cash or short-term and long-term incentive compensation with the competitive benchmarking described above.

Base Salary

The Company provides the named executive officers with a base salary to compensate them for services rendered during the fiscal year. The Compensation Committee determines the base salary for the Chief Executive Officer and the other named executive officers, although the latter are determined in consultation with the Chief Executive Officer. The Compensation Committee typically reviews the base salaries of the named executive officers sometime during the first half of the year as part of the Company's performance review process, as well as in the event of a promotion or other change in job responsibilities. This review primarily takes into account a compensation analysis, like the Towers Watson analysis described above; an internal review of the executive's compensation, both on an individual basis and relative to other executives; and the individual performance of the executive, as evaluated by the Chief Executive Officer.

Notwithstanding the foregoing, the CEO of ATSG has declined a proposed increase in his base salary every year since 2006. Further, the base salaries for both the CEO of ATSG and the President of ABX Air, Inc., a wholly-owned subsidiary of the Company, were reduced at their request in December 2008. The Compensation Committee intends to review the base salaries of the Company's executive officers, including the named executive officers, during the first half of 2011.

The base salaries paid to the named executive officers in 2010 are set forth in the "Salary" column of the "Summary Compensation Table" below.

Short-Term Incentive Compensation

During 2010, the Company's officers, including the named executive officers, had the potential to earn incentive compensation under the Company's Executive Incentive Compensation Plan (the "EIC Plan"). The purpose of the EIC Plan is to incentivize executive management to achieve short-term corporate goals. Under the EIC Plan, which was amended by the Board, upon the recommendation of the Compensation Committee, in July 2010 in conjunction with

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a comprehensive review of the Company's compensation and benefits practices, participants are eligible to receive a cash bonus utilizing a non-discretionary formula that establishes a bonus amount, expressed as a percentage of base salary, based upon the extent of achievement of two or more performance measures that are prescribed under the EIC Plan. The performance measures selected, and the relevant weight given to each such performance measure, may vary by participant. The cash-incentive bonus opportunity for each participant varies depending upon the position held and ranges from 4% to 130% of the participants' base salary earned during the year. The minimum, target and maximum bonus potentials for the named executive officers included the following:

Named Executive Officer	Threshold	Target	Maximum
Joseph C. Hete	4% of base salary	78% of base salary	130% of base salary
Quint O. Turner	4% of base salary	60% of base salary	100% of base salary
John W. Graber	4% of base salary	60% of base salary	100% of base salary
Richard F. Corrado	4% of base salary	60% of base salary	100% of base salary
W. Joseph Payne	4% of base salary	60% of base salary	100% of base salary

The Compensation Committee determines the performance measures for the Chief Executive Officer and the other named executive officers, although the latter are determined in consultation with the Chief Executive Officer. The performance measures pertaining to Messrs. Hete, Turner, Corrado and Payne for 2010 were based upon the Company's earnings before interest and taxes and the achievement of personal goals more specifically described in the following table. The performance measures pertaining to Mr. Graber for 2010 were based upon the amount of ABX Air's earnings before interest and taxes and ABX Air's level of service performance under its primary commercial agreement with its largest customer, DHL Network Operations (USA). The following table shows for each of the named executive officers (i) the performance measures utilized; (ii) the relevant weight given to each performance measure; (iii) the potential bonus amounts for the achievement of each performance measure at minimum, target and maximum; and (iv) the actual cash incentive bonus achieved for each performance measure under the EIC Plan for 2010:

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	Component of 2010 Bonus	Potential Bonus Attainment			Actual 2010 Bonus
		Minimum	Target	Maximum	
Joseph C. Hete					
ATSG Earnings Before Interest and Taxes	75.0	% \$12,600	\$245,700	\$409,500	\$278,775
Other Performance Measures ⁽¹⁾	25.0	% 4,200	81,900	136,500	136,500
Execute and Deliver Results Against Customer Agreements Oversee Execution of Strategic Sales Effort Continue Boeing 767 Conversion Program and Place Aircraft with High Quality Strategic Targets Broaden Base of Interest/Investment in Company Ensure Improved and Continued Compliance with FAA for ATSG Carriers					
Total					\$415,275
Quint O. Turner					
ATSG Earnings Before Interest and Taxes	75.0	% \$7,650	\$114,750	\$191,250	\$131,006
Other Performance Measures ⁽¹⁾	25.0	% 2,550	38,250	63,750	63,750
Execute and Deliver Results Against Customer Agreements Broaden Base of Interest/Investment in ATSG					
Total					\$194,756
John W. Graber					
ABX Air Earnings Before Interest and Taxes	80.0	% \$8,700	\$130,500	\$217,500	\$52,200
ABX Air On-time Service for DHL	20.0	% 2,900	43,500	72,500	54,375
Total					\$106,575
W. Joseph Payne					
ATSG Earnings Before Interest and Taxes	75.0	% \$6,900	\$103,500	\$172,500	\$118,163
Other Performance Measures ⁽¹⁾	25.0	% 2,300	34,500	57,500	57,500
Execute and Deliver Results Against Customer Agreements Ensure Improved and Continued Compliance with FAA for ATSG Carriers					
Total					\$175,663
Richard F. Corrado					
ATSG Earnings Before Interest and Taxes	80.0	% \$5,400	\$81,000	\$135,000	\$92,475
Other Performance Measures ⁽¹⁾	20.0	% 1,800	27,000	45,000	45,000
Oversee Execution of Strategic Sales Effort Continue 767 Conversion Program and Place Aircraft with High Quality Strategic Targets					
Total					\$137,475

(1) These performance measures were weighted equally and the maximum bonus attainment was achieved for each of the performance measures.

The amounts paid to the named executive officers under the EIC Plan for 2010 are also set forth in the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table" below.

Long-Term Incentive Compensation

The Company's executive officers, including the named executive officers, and senior management are eligible

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to participate in the Company's omnibus long-term incentive plan entitled the Air Transport Services Group, Inc. Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The long-term incentive compensation awards for the named executive officers are comprised of restricted stock awards and performance-based stock unit awards. The purpose of the LTI Plan is to foster and promote the long-term financial success of the Company, to reward performance and to increase stockholder value by providing participants appropriate incentives and awards; to enable the Company to attract and retain the services of outstanding individuals; to encourage stock ownership in the Company; and to align the interests of management and directors with that of stockholders. The LTI Plan authorizes a wide range of equity awards, including stock options, restricted stock awards, restricted stock units, stock awards, stock appreciation rights and performance-based awards payable in shares or cash and other forms of equity compensation.

Since the approval of the LTI Plan, the Compensation Committee has granted restricted stock awards and performance-based stock unit awards to the Company's named executive officers and other executives and members of the senior management group on an annual basis under the terms of the LTI Plan. The amount of the total long-term incentive grants to be received by each named executive officer is typically determined by multiplying the officer's base salary by a percentage, the latter of which depends on the position held. The percentage is 100% in the case of the Chief Executive Officer (Mr. Hete) and 70% in the case of the Chief Financial Officer (Mr. Turner), Chief Commercial Officer (Mr. Corrado), Sr. Vice President, Corporate General Counsel & Secretary (Mr. Payne), and subsidiary presidents (Mr. Graber). The restricted stock awards and performance-based stock unit awards are divided evenly, so that half of the long-term incentive compensation value is delivered in restricted stock and half is delivered in performance-based stock units. The number of shares of restricted stock and performance-based stock units to be received is determined by dividing the value derived above by the stock price on the date of grant, provided, however, that in order to ensure that adequate share reserves are maintained under the LTI Plan, an assumed stock price of \$3.00 per share will be used whenever the stock price is trading below that amount as of the date of grant. The Compensation Committee typically authorizes the grant of awards at the close of the market on the third full trading day after the issuance of the Company's earnings for the fourth quarter and year-end.

Restricted Stock Awards

Under the restricted stock award agreements, shares of stock are issued in the names of the employees, but will be held in escrow until they fully vest. Ordinarily, the vesting period is approximately 34 months from the date of the grant. The employees may exercise any voting rights associated with the restricted stock while in escrow, and any dividends paid on the restricted stock will also be held in escrow and paid once they are fully vested. The restrictions will be removed and the stock distributed to the employees if they are actively employed at the end of the vesting period, but may be settled earlier or forfeited in certain limited circumstances under the terms of the award agreements.

The number of shares of restricted stock that were granted to each of the named executive officers during fiscal year 2010, all of which will vest at the end of the restriction period, are set forth in the "All Other Stock Awards: Number of Shares of Stock or Units" column of the "Grants of Plan-Based Awards Table" below.

Performance-Based Stock Unit Awards

Under the performance-based stock unit award agreements, the performance units will be converted to an equal number of common stock of the Company and paid out or forfeited, depending upon whether and the extent to which certain performance criteria are met during the performance period. The performance period is ordinarily 36 months. The performance-based stock units consist of two types—stock performance units and return-on-invested-capital ("ROIC") units (prior to 2009, the Committee authorized the grant of return-on-equity units in lieu of ROIC units.). The agreements contain an equal number of stock performance units and ROIC units. The performance criteria for the stock performance units are based upon the extent to which the appreciation in the Company's stock during the performance period equals or exceeds the total stockholder return performance of the NASDAQ Transportation Index during the same period. Each award agreement contains the following chart, setting forth when the awards are earned or forfeited:

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<p>If, on December 31, 2012, the Company's stock performance is . . .</p> <p>Below the 40th percentile of the NASDAQ Transportation Index</p> <p>At the 40th percentile of the NASDAQ Transportation Index (threshold Stock Performance Unit level) . . .</p> <p>At the 50th percentile of the NASDAQ Transportation Index (target Stock Performance Unit level) . . .</p> <p>At the 75th or higher percentile of the NASDAQ Transportation Index (maximum Stock Performance Unit Level) . . .</p>	<p>You will receive the following number of shares of Company stock . . .</p> <p>—</p> <p>#</p> <p>#</p> <p>#</p>
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For performance outcomes between the 40th percentile and the 75th percentile levels, actual awards will be interpolated.

The ROIC units are based upon how the Company's average return on invested capital during the performance period compares to the levels specified under the award agreements. Each award agreement contains the following chart, setting forth when the awards are earned or forfeited:

<p>If, over the Performance Period, the Company's Average Return on Invested Capital is . . .</p> <p>Less than 8%</p> <p>8% ("threshold ROIC Unit level")...</p> <p>10% ("target ROIC Unit level")...</p> <p>12% or higher ("maximum ROIC Unit level")...</p>	<p>You will receive the following number of shares of Company stock . . .</p> <p>—</p> <p>#</p> <p>#</p> <p>#</p>
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For performance outcomes between the 8% ROIC and 12% ROIC levels, actual awards will be interpolated.

The performance-based stock units (both stock performance units and ROIC units) may be settled earlier or forfeited in certain limited circumstances under the terms of the award agreements.

Long-Term Incentive Compensation Grants for 2011

The Compensation Committee authorized the grant of awards under the Company's Amended and Restated 2005 Long-Term Incentive Plan for 2011 at the close of the market on the third full trading day after the issuance of the Company's earnings for the fourth quarter and year-ended December 31, 2010. On that date, which was March 8, 2011, the named executive officers were granted the following awards:

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	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽¹⁾			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾		
	Restricted Stock Units	Return on Invested Capital Units	Stock Performance Units	Restricted Stock Units	Return on Invested Capital Units	Stock Performance Units
Joseph C. Hete	60,500	12,750	19,125	477,950	100,725	151,088
Quint O. Turner	30,800	5,400	8,100	243,320	42,660	63,990
John W. Graber	12,300	6,150	9,225	97,170	48,585	72,878
W. Joseph Payne	30,200	5,100	7,650	238,580	40,290	60,435
Richard F. Corrado	10,200	5,100	7,650	80,580	40,290	60,435

The amounts shown reflect the number of shares of restricted stock and performance-based stock units that were granted to each of the named executive officers for fiscal year 2011 under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The Compensation Committee awarded additional shares of restricted stock to Messrs. Hete, Turner and Payne over and above the amount that would otherwise have ordinarily been awarded under the LTI Plan, in recognition of their significant contributions to the Company. Mr. Hete was awarded an additional 35,000 shares and Messrs. Turner and Payne were each awarded an additional 20,000 shares. The additional shares were awarded under the same terms as other restricted stock awards, except that the shares will vest in 18 months. The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation." The grants will vest on December 31, 2013, except for the additional grants of restricted stock which will vest on September 8, 2012.

(1)

The amounts in this column were calculated using a per share value of \$7.90, the closing market price of our common stock on December 31, 2010, the last business day of the year. In addition, the amounts in this column assume that the stock performance units will be paid out at the maximum level and the ROIC units will be paid out at the target level, based on the Company's performance under the respective awards as of December 31, 2010.

(2)

Equity Compensation Plan Information

The following table sets forth, for the Company's equity compensation plan, the number of shares of Common Stock subject to outstanding options, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants, in each case, as of March 15, 2011.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by stockholders	2,081,037	N/A	2,989,635
Equity compensation plans not approved by stockholders	—	—	—
Total	2,081,037	N/A	2,989,635

Stock Ownership Guidelines

To better align the interests of the executive officers, including the named executive officers, with the interests of stockholders, the Committee requires that certain executive officers, including the named executive officers, maintain a minimum ownership interest in the Company. The amount of stock required to be owned and retained is based on the minimum number of shares totaling in value as of the date of grant or purchase (including restricted stock granted under the Company's Amended and Restated 2005 Long-Term Incentive Plan) and a multiple of the executive officer's base salary, which multiple depends upon the position held.

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Company-Sponsored Retirement and Benefit Plans

Retirement Plans

ATSG and its subsidiaries maintain several retirement plans for their executive officers, including the named executive officers, and other employees that are not covered by a collective bargaining agreement. These plans are designed to help the Company retain and attract employees for key positions. Among these, the named executive officers participate in one or more of the following plans: (i) the ABX Air Capital Accumulation Plan, which is both a defined contribution 401(k) plan (the "CAP 401(k) 5%") and a voluntary 401(k) salary deferral plan (the "CAP 401(k)"), (ii) the ABX Air Retirement Income Plan (the "ABX RIP"), which is a defined benefit pension plan, (iii) the ABX Air Profit Sharing Plan (the "ABX PSP"), which is a defined contribution plan (no contributions to this plan have been made for non-union employees since January 1, 2000), and (iv) the ABX Supplemental Executive Retirement Plan (the "SERP"), a non-qualified and unfunded plan that provides for benefits in excess of statutory limits.

All eligible full and part-time non-union employees of ATSG and ABX Air, including the named executive officers, who complete one year of service and work at least 1,000 hours during the year receive a company contribution to the CAP 401(k) 5%, which is a defined contribution plan. Under the CAP 401(k) 5%, employees that have completed three continuous years of employment with the company and worked at least 1,000 hours each year earn the right to receive benefits upon termination. Contributions are calculated as the product of 5% of eligible annual pay for each year of service, and the contributions are deposited in the CAP 401(k) 5%.

Similarly, all full and part-time non-union employees of ATSG and ABX Air, including the named executive officers, are also eligible to participate in the CAP 401(k), which is a 401(k) plan that allows voluntary deferrals of up to 75% of an employee's pay, subject to IRS income limits. Prior to April 1, 2010, the CAP 401(k) provided matching funds to participants based on the participant's rate of deferral. The match was 35% of the first 6% of deferred pay (up to the IRS compensation limits). In addition, there was an opportunity for an incentive match of up to 25% of the first 6% of deferred pay (up to the IRS compensation limits). On April 1, 2010, the matching contributions were discontinued for all groups.

Messrs. Hete, Turner and Payne are eligible to receive benefits under the ABX RIP. The ABX RIP is a floor offset pension plan that works in step with the ABX PSP. Under the ABX RIP, all eligible full and part-time non-union employees of ATSG and ABX Air that have completed five continuous years of employment with the Company earn the right to receive benefits upon termination at the normal retirement age of 65 or reduced benefits upon early retirement, on or after age 55, with 10 or more years of service. Retirement benefits are calculated as the product of 2% times the final average annual eligible pay for the first 25 years of service and 0.5% times the final average annual eligible pay for each year after the first 25 years of service, less the actuarial equivalent of the ABX PSP balance. The ABX RIP was frozen on January 14, 2010, and, as such, no years of service or average monthly compensation has been credited to the participants since that date in determining the benefit available under the ABX RIP.

In addition, all ABX Air executives, including Mr. Graber, and certain ATSG executives, including Messrs. Hete, Turner and Payne, are eligible to participate in the SERP. The SERP provides an age 62 targeted benefit of 50% of a participant's Final Average Earnings (FAEs) for 25 or more years of service, which benefit is reduced by 4% a year for each year of service less than 25 years. In addition, a participant may elect early retirement as early as age 55 provided he or she has at least 10 years of service with the Company. The benefit is reduced by 6% a year for early retirement before age 62. Participants become vested in the SERP after completing 5 years of service with the Company. Benefits earned through the formula are offset by benefits from Social Security, the ABX RIP and the ABX PSP, as well as benefits from the CAP 401(k) 5% prior to the date upon which SERP was frozen. On March 12, 2009, the Board of Directors approved freezing the SERP, effective April 14, 2009. Accordingly, years of service used to calculate the targeted benefit as well as FAEs were frozen as of that date.

Benefit Plans

The core benefit package for the named executive officers and all other employees of the Company includes health, dental, vision, short and long-term disability, group term life insurance, AD&D, a voluntary 401(k) salary deferral plan and certain post-retirement benefits. The core benefit package is designed to assist the Company in retaining and

attracting employees for key positions. The core benefit package for all of the employees of ATSG and ABX Air,

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including the named executive officers, also includes business travel accident insurance. The named executive officers participate in the Company's benefit plans on the same basis as all other Company employees, except to the extent described under the heading "Retirement Plans" and "Potential Payments upon Termination or Change in Control."

Change-in-Control Agreements

The Company has entered into change-in-control agreements with certain of its executive officers, including the named executive officers. Information regarding applicable payments under such agreements for the named executive officers is set forth under "Potential Payments Upon Termination or Change in Control" below.

Financial Restatements

Certain bonuses and equity compensation received by the Chief Executive Officer and Chief Financial Officer must be forfeited as required by applicable law if the Company is required to prepare an accounting restatement due to material non-compliance by the Company, as a result of misconduct, with any financial reporting requirements under the securities laws.

Tax and Accounting Implications

Deductibility of Executive Compensation

As part of its evaluation, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that the Company may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. The Company believes that compensation paid under its incentive compensation plans are generally fully deductible for federal income tax purposes. However, in certain situations, the Compensation Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for its executive officers. The Compensation Committee believes that all of the compensation earned in 2010 by the Company's executive officers, including the named executive officers, will be deductible.

Accounting for Stock-Based Compensation

The Company began accounting for stock-based payments in accordance with the requirements of FASB ASC Topic 718, beginning with the initial grant of awards under the Company's Amended and Restated 2005 Long-Term Incentive Plan.

Compensation Committee Report

This report will not be deemed to be incorporated by reference by any general statement incorporating this Proxy Statement into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this information by reference and will not be deemed soliciting material or deemed filed under those Acts.

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The Compensation Committee of the Board of Directors has reviewed and discussed the Company's Compensation Discussion and Analysis required by Item 402(b) of Regulations S-K with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's definitive proxy statement on Schedule 14A for its 2010 annual meeting, which is incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, each as filed with the Securities and Exchange Commission.

Respectfully submitted,

The Compensation Committee

James E. Bushman, Chairman

James H. Carey

John D. Geary

J. Christopher Teets

Jeffrey J. Vorholt

Summary Compensation Table

The following table sets forth the total compensation earned by, including the stock awards granted to, each of the named executive officers for the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾	Change in Pension Value and Non-qualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
Joseph C. Hete President & Chief Executive Officer	2010	\$420,000	\$—	\$462,000	\$ 415,275	\$ 375,743	\$ 23,792	\$1,696,810
	2009	420,000	83,000	46,500	302,851	124,814	17,195	994,360
	2008	479,750	—	555,544	366,576	1,018,500	11,655	2,432,025
Quint O. Turner Chief Financial Officer	2010	255,000	—	196,240	194,756	98,632	22,729	767,357
	2009	255,000	45,000	46,500	235,136	73,524	10,724	665,884
	2008	260,000	—	212,449	227,250	336,459	8,442	1,044,600
John W. Graber President, ABX Air, Inc.	2010	290,000	—	223,520	106,575	15,183	21,492	656,770
	2009	290,000	25,000	46,500	237,969	17,728	9,845	627,042
	2008	340,000	—	281,892	286,782	11,500	8,775	928,949
W. Joseph Payne Senior VP Corp General Counsel &	2010	230,000	—	169,840	175,663	37,918	22,625	636,046
	2009	220,000	45,000	46,500	194,304	43,021	11,612	560,437
	2008	200,000	—	157,718	171,900	65,477	7,560	602,655

Secretary

Richard F. Corrado	2010	180,000	—	105,600	137,475	—	206,718	629,793
Chief	2009	—	—	—	—	—	—	—
Commercial Officer	2008	—	—	—	—	—	—	—

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(1) The amounts shown reflect the award of cash bonuses on March 15, 2010, from a discretionary awards bonus pool approved by the Compensation Committee, from which additional bonus amounts were paid to certain executive officers participating in the Company's Executive Incentive Compensation Plan, including certain named executive officers, for their significant contributions to the Company during 2009. The Compensation Committee took into account the extraordinary efforts of the named executive officers in managing the business through the implementation by DHL of its U.S. restructuring plan and in securing a new business arrangement with DHL.

(2) The amounts shown reflect the aggregate grant date fair value, in accordance with FASB ASC Topic 718, of restricted stock and performance-based stock units under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). This amount assumes the performance-based stock units were computed based on the probable outcome of the performance conditions as of the grant date. Assuming the highest level of outcome, the maximum value of the performance-based stock units in 2010 would have been: Hete (\$588,000), Turner (\$249,760), Graber (\$284,480), Payne (\$216,160) and Corrado (\$134,400). Assuming the highest level of outcome, the maximum value of the performance-based stock units in 2008 would have been: Hete (\$694,548), Turner (\$265,606), Graber (\$352,424) and Payne (\$197,181). There were no performance-based stock units granted in 2009. Assumptions used in the calculation of these amounts are included in Note N to the Company's audited financial statements for the fiscal year ended December 31, 2010, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 8, 2011. The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation."

(3) The amounts shown reflect the award of cash incentive compensation on March 15, 2011, March 15, 2010 and March 14, 2009, under the Company's Executive Incentive Compensation Plan (the "EIC Plan"). The EIC Plan is described in further detail above under the heading "Short-Term Incentive Compensation."

(4) The amounts shown reflect the respective actuarial increases in the present value of the named executive officers' benefits under the ABX Air Retirement Income Plan (the "ABX RIP") and the ABX Air Supplemental Executive Retirement Plan (the "SERP"), determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements. The SERP provides an age 62 targeted benefit of 50% of a participant's Final Average Earnings (FAEs) at 25 years of service. For each year of service below 25 years, a 4% per year reduction factor is applied. If a participant retires between ages 55 and 62, an additional 6% per year reduction factor is applied. As under the prior benefit formula, the new targeted 50% benefit is offset by the ABX RIP (before the ABX Air Profit Sharing Plan offset) or the actuarial equivalent of the ABX Air Capital Accumulation Plan (the "CAP 401(k) 5%") employer contribution and an estimated Social Security benefit based on the maximum amount. If a participant terminates prior to age 55, the SERP benefit will be payable at age 55. If a participant does not have 5 years of service at termination, they are not eligible for a SERP benefit. The SERP benefit will be paid as a lump sum based on RP 2000 annuitant mortality projected to 2018 and 5.55% interest.

(5) The amounts shown reflect the value of matching contributions allocated by the Company to each of the named executive officers pursuant to the ABX Air Capital Accumulation Plan (the "CAP 401(k) 5%"), the dollar value of life insurance premiums paid by the Company for the benefit of each of the named executive officers, relocation assistance paid by the Company, and commuting and temporary living expenses paid by the Company for each named executive officer, as follows:

(a) The amounts for Mr. Hete include matching contributions allocated by the Company pursuant to the CAP 401(k) 5% plan (\$21,070, \$8,244 and \$4,830 for 2010, 2009 and 2008, respectively) and the dollar value of life insurance premiums paid by the Company (\$2,722, \$8,951 and \$6,825 for 2010, 2009 and 2008, respectively).

(b) The amounts for Mr. Turner include matching contributions allocated by the Company pursuant to the CAP 401(k) 5% plan (\$21,070, \$7,905 and \$4,830 for 2010, 2009 and 2008, respectively) and the value of life insurance premiums paid by the Company (\$1,659, \$2,819 and \$3,612 for 2010, 2009 and 2008, respectively).

(c) The amounts for Mr. Graber include matching contributions allocated by the Company pursuant to the CAP 401(k) 5% plan (\$19,600, \$6,588 and \$4,025 for 2010, 2009 and 2008, respectively) and the value of life

- insurance premiums paid by the Company (\$1,892, \$3,257 and \$4,750 for 2010, 2009 and 2008, respectively). The amounts for Mr. Payne include matching contributions allocated by the Company pursuant to the CAP 401(k) 5% plan (\$21,070, \$9,128 and \$4,830 for 2010, 2009 and 2008, respectively) and the value of life insurance premiums paid by the Company (\$1,555, \$2,483 and \$2,730 for 2010, 2009 and 2008, respectively).
- (d)
- (e) The amounts for Mr. Corrado include the value of life insurance premiums paid by the Company (\$907 for 2010), relocation assistance (\$170,655 for 2010), commuting expenses (\$24,615 for 2010) and housing and other living expenses (\$10,541 for 2010).

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Grants of Plan-Based Awards Table

The following table summarizes the grants of plan-based awards made to each of the named executive officers during the fiscal year ended December 31, 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	
Joseph C. Hete	4/6/2010*				102,900	147,000	220,500	52,500
	4/6/2010**				73,500	105,000	157,500	
	4/6/2010							
	N/A	16,800	327,600	546,000				
Quint O. Turner	4/6/2010*				43,708	62,440	93,660	22,300
	4/6/2010**				31,220	44,600	66,900	
	4/6/2010							
	N/A	10,200	153,000	255,000				
John W. Graber	4/6/2010*				49,784	71,120	106,680	25,400
	4/6/2010**				35,560	50,800	76,200	
	4/6/2010							
	N/A	11,600	174,000	290,000				
W. Joseph Payne	4/6/2010*				37,828	54,040	81,060	19,300
	4/6/2010**				27,020	38,600	57,900	
	4/6/2010							
	N/A	9,200	138,000	230,000				
Richard F. Corrado	4/6/2010*				23,520	33,600	50,400	12,000
	4/6/2010**				16,800	24,000	36,000	
	4/6/2010							
	N/A	7,200	108,000	180,000				

(1) The amounts shown reflect the threshold, target and maximum payment levels under the Company's Executive Incentive Compensation Plan (the "EIC Plan"). The EIC Plan is described in further detail above under the heading "Short-Term Incentive Compensation." There is no grant date for awards made under the EIC Plan. The actual payments were made on March 15, 2011 and are disclosed above under the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table."

(2) The amounts shown reflect the threshold, target and maximum number of shares of Company stock that can be awarded to each of the named executive officers with respect to the grant of stock performance units and return-on-invested-capital ("ROIC") units made under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation." The stock performance units are identified with an "*" and the ROIC units are identified with an "**".

(3)

The amounts shown reflect the number of shares of restricted stock that were awarded to each of the named executive officers under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation."

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Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information about outstanding equity awards held by the named executive officers as of December 31, 2010.

Name	Grant Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽¹⁾			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾		
		Restricted Stock	Return on Invested Capital Units	Stock Performance Units	Restricted Stock	Return on Invested Capital Units	Stock Performance Units
Joseph C. Hete	5/14/2009	50,000	—	—	395,000	—	—
	4/6/2010	52,500	26,250	39,375	414,750	207,375	311,063
Quint O. Turner	5/14/2009	50,000	—	—	395,000	—	—
	4/6/2010	22,300	11,150	16,725	176,170	88,085	132,128
John W. Graber	5/14/2009	50,000	—	—	395,000	—	—
	4/6/2010	25,400	12,700	19,050	200,660	100,330	150,495
W. Joseph Payne	5/14/2009	50,000	—	—	395,000	—	—
	4/6/2010	19,300	9,650	14,475	152,470	76,235	114,353
Richard F. Corrado	5/14/2009	—	—	—	—	—	—
	4/6/2010	12,000	6,000	9,000	94,800	47,400	71,100

The amounts shown reflect the number of shares of restricted stock and performance-based stock units that were granted to each of the named executive officers for fiscal years 2009 and 2010 under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation." The grants made in fiscal years 2009 and 2010 will vest on December 31, 2011, and December 31, 2012, respectively.

- (1)
- (2) The amounts in this column were calculated using a per share value of \$7.90, the closing market price of our common stock on December 31, 2010, the last business day of the year. In addition, the amounts in this column assume that the stock performance units granted in the fiscal year 2010 will be paid out at the maximum level while the return-on-invested capital units granted in fiscal year 2010 will be paid out at the target level, based on the Company's performance under the respective awards as of December 31, 2010. There were no grants of performance-based awards in 2009.

Vested Equity Awards at Fiscal Year-End Table

The following table sets forth information about equity awards held by the named executive officers that vested on December 31, 2010.

Name	Number of Shares Acquired on Vesting (#) ⁽¹⁾			Value Realized on Vesting (\$) ⁽²⁾		
	Restricted Stock	Return on Equity Units	Stock Performance Units	Restricted Stock	Return on Equity Units	Stock Performance Units
Joseph C. Hete	94,400	—	70,800	745,760	—	544,452
Quint O. Turner	36,100	—	27,075	285,190	—	208,207
John W. Graber	47,900	—	35,925	378,410	—	276,263
W. Joseph Payne	26,800	—	20,100	211,720	—	154,569

Richard F. Corrado

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- (1) The amounts shown reflect the number of shares of restricted stock and performance-based stock units that were granted to each of the named executive officers for fiscal year 2008 that vested on December 31, 2010, under the Company's Amended and Restated 2005 Long-Term Incentive Plan (the "LTI Plan"). The LTI Plan is described in further detail above under the heading "Long-Term Incentive Compensation."
- (2) The amounts shown were calculated using a per share value of \$7.90 for the restricted stock, which was the closing market price of our common stock on the date of issuance, December 31, 2010, and a per share value of \$7.69 for the performance-based stock units, which was the closing market price of our common stock on the date of issuance, March 14, 2011.

Pension Benefits Table

The table below shows the present value of accumulated benefits payable to each of the named executive officers, including the number of years of service credited to each such named executive officer, under the ABX Air Retirement Income Plan (the "ABX RIP") and the ABX Air Supplemental Executive Retirement Plan (the "SERP"), determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements.

Name	Plan Name ⁽¹⁾	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$) ⁽²⁾
Joseph C. Hete	Retirement Income Plan	29.3	534,722
	Supplemental Executive Retirement Plan	25.0	2,749,033
Quint O. Turner	Retirement Income Plan	21.6	333,117
	Supplemental Executive Retirement Plan	20.8	332,226
John W. Graber ⁽³⁾	Retirement Income Plan	N/A	—
	Supplemental Executive Retirement Plan	1.8	—
W. Joseph Payne	Retirement Income Plan	14.7	242,819
	Supplemental Executive Retirement Plan	13.9	—
Richard F. Corrado ⁽³⁾	Retirement Income Plan		