UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended June 30, 2011

Commission file number 000-50368

(Exact name of registrant as specified in its charter)

Delaware	**26-1631624**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

145 Hunter Drive
Wilmington, OH 45177
(Address of principal executive offices)

937-382-5591
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

As of August 3, 2011, Air Transport Services Group, Inc. had outstanding 64,069,154 shares of common stock, par value $0.01.

AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
FORM 10-Q

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FORWARD LOOKING STATEMENTS

Statements contained in this quarterly report on Form 10-Q that are not historical facts are considered forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995). Words such as “projects,” “believes,” “anticipates,” “will,” “estimates,” “plans,” “expects,” “intends” and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are based on expectations, estimates and projections as of the date of this filing, and involve risks and uncertainties that are inherently difficult to predict. Actual results may differ materially from those expressed in the forward-looking statements for any number of reasons, including those described in this report and in our 2010 Annual Report filed on Form 10-K with the Securities and Exchange Commission.

Filings with the Securities and Exchange Commission

The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding Air Transport Services Group, Inc. at www.sec.gov. Additionally, our filings with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, are available free of charge from our website at www.atsginc.com as soon as reasonably practicable after filing with the SEC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
REVENUES	$ 193,061	$ 160,111	$ 368,188	$ 321,055
OPERATING EXPENSES				
Salaries, wages and benefits	45,326	41,506	91,674	88,756
Fuel	48,640	33,852	88,316	64,458
Depreciation and amortization	23,878	21,752	46,249	42,552
Maintenance, materials and repairs	22,380	17,140	43,686	34,909
Landing and ramp	6,032	5,463	12,437	12,411
Travel	6,918	5,524	13,228	10,716
Rent	5,434	3,641	11,074	7,376
Insurance	2,394	2,154	4,744	4,992
Other operating expenses	9,258	8,672	18,550	18,578
	170,260	139,704	329,958	284,748
OTHER INCOME (EXPENSE)				
Interest income	33	85	99	158
Interest expense	(3,537)	(4,594)	(7,640)	(9,783)
Write-off of unamortized debt issuance costs	(16)	—	(2,886)	—
Net gain/(loss) on derivative instruments	376	—	(3,556)	—
	(3,144)	(4,509)	(13,983)	(9,625)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	19,657	15,898	24,247	26,682
INCOME TAXES	(7,377)	(5,983)	(9,086)	(10,017)
EARNINGS FROM CONTINUING OPERATIONS	12,280	9,915	15,161	16,665
EARNINGS (LOSSES) FROM DISCONTINUED OPERATIONS, NET OF TAX	19	(233)	(98)	172
NET EARNINGS	$ 12,299	$ 9,682	$ 15,063	$ 16,837
BASIC EARNINGS PER SHARE				
Continuing operations	$ 0.19	$ 0.16	$ 0.24	$ 0.27
Discontinued operations	—	(0.01)	—	—
TOTAL NET EARNINGS PER SHARE - Basic	$ 0.19	$ 0.15	$ 0.24	$ 0.27
DILUTED EARNINGS PER SHARE				
Continuing operations	$ 0.19	$ 0.15	$ 0.24	$ 0.26
Discontinued operations	—	—	—	—
TOTAL NET EARNINGS PER SHARE - Diluted	$ 0.19	$ 0.15	$ 0.24	$ 0.26
WEIGHTED AVERAGE SHARES				
Basic	63,333	62,811	63,233	62,802
Diluted	64,172	64,421	64,055	64,013

See notes to unaudited condensed consolidated financial statements.

AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,895	$ 46,543
Accounts receivable, net of allowance of $1,164 in 2011 and $1,090 in 2010	48,009	40,876
Inventory	7,460	7,205
Prepaid supplies and other	11,474	10,132
Deferred income taxes	12,879	12,879
TOTAL CURRENT ASSETS	117,717	117,635
Property and equipment, net	728,030	658,756
Other assets	20,346	25,227
Intangibles	8,850	9,259
Goodwill	89,777	89,777
TOTAL ASSETS	**$ 964,720**	**$ 900,654**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 61,854	$ 40,558
Accrued salaries, wages and benefits	25,460	24,145
Accrued expenses	12,334	12,144
Current portion of debt obligations	12,131	36,591
Unearned revenue	12,525	10,794
TOTAL CURRENT LIABILITIES	124,304	124,232
Long-term debt obligations	303,395	265,937
Post-retirement liabilities	110,442	116,614
Other liabilities	57,590	52,048
Deferred income taxes	49,433	39,746
Commitments and contingencies (Note F)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 20,000,000 shares authorized, including 75,000 Series A Junior Participating Preferred Stock	—	—
Common stock, par value $0.01 per share; 75,000,000 shares authorized; 64,155,606 and 63,652,228 shares issued and outstanding in 2011 and 2010, respectively	642	637
Additional paid-in capital	519,290	518,925
Accumulated deficit	(156,188)	(171,251)
Accumulated other comprehensive loss	(44,188)	(46,234)
TOTAL STOCKHOLDERS' EQUITY	319,556	302,077
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 964,720**	**$ 900,654**

See notes to unaudited condensed consolidated financial statements.

AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2011	**2010**
OPERATING ACTIVITIES:		
Net earnings from continuing operations	$ 15,161	$ 16,665
Net earnings (loss) from discontinued operations	(98)	172
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	46,249	42,552
Pension and post-retirement	(1,161)	(503)
Deferred income taxes	8,523	9,640
Amortization of stock-based compensation	1,301	631
Amortization of DHL promissory note	(3,100)	(1,550)
Write-off of unamortized debt issuance costs	2,886	—
Net loss on derivative instruments	3,556	—
(Gains)/losses on asset disposition	8	(8)
Changes in assets and liabilities:		
Accounts receivable	(7,545)	40,613
Inventory and prepaid supplies	(859)	(903)
Accounts payable	9,122	(4,851)
Unearned revenue	9,679	15,685
Accrued expenses, salaries, wages, benefits and other liabilities	(87)	(32,558)
Pension and post-retirement liabilities	(6,172)	(27,518)
Other	1,078	1,413
NET CASH PROVIDED BY OPERATING ACTIVITIES	78,541	59,480
INVESTING ACTIVITIES:		
Capital expenditures	(102,724)	(58,344)
Proceeds from the disposal of property and equipment	223	31,115
Proceeds from the redemption of interest-bearing investments	1,750	—
NET CASH (USED IN) INVESTING ACTIVITIES	(100,751)	(27,229)
FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(198,902)	(51,820)
Proceeds from borrowings	215,000	—
Financing fees	(2,536)	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	13,562	(51,820)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,648)	(19,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	46,543	83,229
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 37,895	$ 63,660
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid, net of amount capitalized	$ 6,680	$ 9,151
Federal alternative minimum and state income taxes paid	$ 2,368	$ 325
SUPPLEMENTAL NON-CASH INFORMATION:		
Debt extinguished	$ 3,100	$ 1,550
Accrued capital expenditures	$ 13,578	$ 338

See notes to unaudited condensed consolidated financial statements.

AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011

The condensed consolidated financial statements and related notes contained in the report should be read in conjunction with the audited financial statements and the related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

NOTE A—SUMMARY OF FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Air Transport Services Group, Inc. is a holding company whose principal subsidiaries include an aircraft leasing company and three independently certificated airlines. The three airlines, ABX Air, Inc. (“ABX”), Capital Cargo International Airlines, Inc. (“CCIA”) and Air Transport International, LLC (“ATI”), each have the authority, through their separate U.S. Department of Transportation ("DOT") and Federal Aviation Administration ("FAA") certificates, to transport cargo worldwide. The Company's leasing subsidiary, Cargo Aircraft Management, Inc. (“CAM”), leases aircraft to each of the Company's airlines as well as to non-affiliated airlines and other lessees.

Through its airline subsidiaries, the Company provides aircraft, flight crews and airline operations to its customers. Since August of 2003, the Company, through ABX, has had long term contracts with affiliates of DHL Worldwide Express, B.V., which are collectively referred to as “DHL.” DHL, an international, integrated delivery company, is the Company's largest customer. In March 2010, the Company and DHL executed new follow-on agreements, effective March 31, 2010. Under the new agreements, DHL committed to lease 13 Boeing 767 freighter aircraft from CAM and ABX has been contracted to operate those aircraft for DHL under a separate crew, maintenance and insurance agreement (the "CMI agreement"). Prior to the new follow-on agreements, ABX provided aircraft, flight crews and maintenance to DHL under a cost-plus aircraft, crew, maintenance and insurance agreement (“the DHL ACMI agreement”).

CCIA and ATI each have contracts to provide airlift to BAX Global, Inc. (“BAX/Schenker”), the Company's second largest customer. BAX/Schenker provides freight transportation and supply chain management services, specializing in the heavy freight market for business-to-business shipping. CCIA and ATI each provide ACMI (aircraft , crew, maintenance and insurance) services to DHL. Additionally, ATI provides passenger transportation, primarily to the U.S. Military, using its McDonnell Douglas DC-8 "combi" aircraft, which are certified to carry passengers as well as cargo on the main deck.

In addition to its airline operations and aircraft leasing services, the Company sells aircraft parts, provides aircraft and equipment maintenance services, operates mail sorting facilities for the U.S. Postal Service (“USPS”), and provides specialized services for aircraft fuel management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Estimates and assumptions are used to record allowances for uncollectible amounts, self-insurance reserves, spare parts inventory, depreciation and impairments of property, equipment, goodwill and intangibles, post-retirement obligations, income taxes, contingencies and litigation. Changes in estimates and assumptions may have a material impact on the consolidated financial statements.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company classifies short-term, highly liquid investments with maturities of three months or less at the time of purchase as cash and cash equivalents. These investments, consisting of money market funds, are recorded at cost, which approximates fair value. Substantially all deposits of the Company's cash are held in accounts that exceed federally insured limits. The Company deposits cash in common financial institutions which management believes are financially sound.

Accounts Receivable and Allowance for Uncollectible Accounts

The Company's accounts receivable is primarily due from its significant customers (see Note B), other airlines, the U.S. Postal Service and freight forwarders. The Company performs a quarterly evaluation of the accounts receivable and the allowance for uncollectible accounts by reviewing specific customers recent payment history, growth prospects, financial condition and other factors that may impact a customer's ability to pay. The Company establishes an allowance for uncollectible accounts for probable losses due to a customer's potential inability or unwillingness to make contractual payments. Account balances are written off against the allowance when the Company ceases collection efforts.

Inventory

The Company's inventory is comprised primarily of expendable spare parts and supplies used for its aircraft fleets. These items are generally charged to expense when issued for use. The Company values aircraft spare parts inventory at weighted-average cost and maintains a related obsolescence reserve. The Company records an obsolescence reserve on a base stock of inventory for each fleet type. The amortization of base stock for the obsolescence reserve corresponds to the expected life of each fleet type. Additionally, the Company monitors the usage rates of inventory parts and segregates parts that are technologically outdated or no longer used in its fleet types. Slow moving and segregated items are actively marketed and written down to their estimated net realizable values based on market conditions.

Management analyzes the inventory reserve for reasonableness at the end of each quarter. That analysis includes consideration of the expected fleet life, amounts expected to be on hand at the end of a fleet life, and recent events and conditions that may impact the usability or value of inventory. Events or conditions that may impact the expected life, usability or net realizable value of inventory include additional aircraft maintenance directives from the FAA, changes in DOT regulations, new environmental laws and technological advances.

Goodwill and Intangible Assets

The Company assesses, during the fourth quarter of each year, the carrying value of goodwill and indefinite-lived intangible assets. Impairment assessments may be performed on an interim basis if the Company finds it necessary. Finite-lived intangible assets are amortized over their estimated useful economic lives and are periodically reviewed for impairment.

Property and Equipment

Property and equipment are stated at cost, net of any impairment recorded. The cost and accumulated depreciation of disposed property and equipment are removed from the accounts with any related gain or loss reflected in earnings from operations.

Depreciation of property and equipment is provided on a straight-line basis over the lesser of the asset's useful life or lease term. Depreciable lives are as follows:

Aircraft and flight equipment	3 to 20 years
Support equipment	5 to 10 years
Vehicles and other equipment	3 to 8 years

The Company periodically evaluates the useful lives, salvage values and fair values of property and equipment. Acceleration of depreciation expense or the recording of significant impairment losses could result from changes in the estimated useful lives of assets due to a number of reasons, such as an assessment done quarterly to determine if excess aircraft capacity exists or changes in regulations governing the use of aircraft.

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined considering quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or fair value less the cost to sell.

The airlines' General Electric CF6 engines that power the Boeing 767-200 aircraft are maintained under "power by the hour" agreements with an engine maintenance provider. Under the power by the hour agreements, the engines are maintained by the service provider for a fixed fee per flight hour; accordingly, the cost of engine maintenance is generally expensed as flight hours occur. Maintenance for the airlines' other aircraft engines are typically contracted to service providers on a time and material basis. The Company's accounting policy for major airframe and engine maintenance varies by subsidiary and aircraft type. ATI, CCIA and CAM capitalize the cost of major maintenance and amortize the costs over the useful life of the overhaul. ABX expenses the cost of Boeing 767-200 airframe maintenance and CF-6 engine maintenance as incurred.

Capitalized Interest

Interest costs incurred while aircraft are being modified are capitalized as an additional cost of the aircraft until the date the asset is placed in service. Capitalized interest was $0.6 million and $0.6 million for the quarters ended June 30, 2011 and 2010, respectively, and $0.9 million and $1.2 million for the six month periods ended June 30, 2011 and 2010, respectively.

Discontinued Operations

A business component whose operations are discontinued is reported as discontinued operations if the cash flows of the component have been eliminated from the ongoing operations of the Company, and the Company will no longer have any significant continuing involvement in the business component. The results of discontinued operations are aggregated and presented separately in the consolidated statements of operations. The Company reclassifies amounts presented in prior years that relate to discontinued business components to reflect the activities as discontinued operations.

The Company's results of discontinued operations consists primarily of pension expenses and other benefits for former employees previously associated with the Company's freight sorting and aircraft fueling services provided to DHL. ABX is self insured for medical coverage and workers' compensation, and may incur expenses and cash outlays in the future related to pension obligations, reserves for medical expenses and wage loss for former employees.

Exit Activities

The Company accounts for the costs associated with exit activities in accordance with FASB ASC Topic 420-10 *Exit or Disposal Cost Obligations*. One-time, involuntary employee termination benefits are generally expensed when the Company communicates the benefit arrangement to the employee that it will no longer require the services of the

employee beyond a minimum retention period. Liabilities for contract termination costs associated with exit activities are recognized in the period incurred and measured initially at fair value.

Self-Insurance

The Company is self-insured for workers' compensation, employee healthcare, automobile, aircraft, and general liability claims. The Company maintains excess claim coverage with common insurance carriers to mitigate its exposure to large claim losses. The Company records a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data, recent claims trends and, in the case of employee healthcare and workers' compensation, an independent actuarial evaluation. Other liabilities included $37.5 million and $39.2 million at June 30, 2011 and December 31, 2010, respectively, for self-insurance reserves. Changes in claim severity and frequency could result in actual claims being materially different than the costs reserved.

Income Taxes

Income taxes have been computed using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are measured using provisions of currently enacted tax laws. A valuation allowance against net deferred tax assets is recorded when it is more likely than not that such assets will not be fully realized. Tax credits are accounted for as a reduction of income taxes in the year in which the credit originates.

The Company recognizes the benefit of a tax position taken on a tax return, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. An uncertain income tax benefit is not recognized if it has a less than a 50% likelihood of being sustained. The Company recognizes interest and penalties accrued related to uncertain tax positions in operating expense.

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive income or loss. Other comprehensive income or loss results from changes in the Company's pension liability and gains and losses associated with interest rate hedging instruments.

Fair Value Information

Assets or liabilities that are required to be measured at fair value are reported using the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820-10 *Fair Value Measurements and Disclosures* establishes three levels of input that may be used to measure fair value:

- **Level 1:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

Revenue Recognition

Revenues generated from airline service agreements are typically recognized based on hours flown or the amount of aircraft and crew resources provided during a reporting period. Certain agreements include provisions for incentive payments based upon on-time reliability. These incentives are typically measured on a monthly basis and recorded to revenue in the corresponding month earned. Revenues for operating expenses that are reimbursed through customer

agreements, including consumption of aircraft fuel, are generally recognized as the costs are incurred. Revenues from charter service agreements are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Revenues from the sale of aircraft parts are recognized when the parts are delivered. Revenues earned and expenses incurred in providing aircraft-related maintenance, repair or technical services are recognized in the period in which the services are completed and delivered to the customer. Revenues derived from transporting freight and sorting parcels are recognized upon delivery of shipments and completion of services. Aircraft lease revenues are recognized as operating lease revenues on a straight-line basis over the term of the applicable lease agreements.

Revenues from the former DHL ACMI agreement with DHL were generally determined based on expenses incurred during a period plus mark-ups and were recognized when the related services were performed. ABX and DHL amended the ACMI agreement to set mark-ups to specific quarterly amounts for the first quarter of 2010. In 2008, ABX and DHL executed a severance and retention agreement ("S&R agreement") which specified employee severance, retention and other benefits that DHL reimbursed to ABX for payment to its employees that were affected in conjunction with DHL's U.S. restructuring plan. DHL was obligated to reimburse ABX for the cost of employee severance, retention, productivity bonuses and vacation benefits paid in accordance with the agreement. The Company's revenues for the first quarter of 2010 included reimbursement for expenses incurred under the DHL ACMI agreement, the incremental mark-up revenues set by the amendments thereto, and reimbursement for employee severance, retention and vacation benefits.

NOTE B—SIGNIFICANT CUSTOMERS

DHL

The Company, through ABX, has had contracts with DHL since August of 2003. The Company and DHL terminated the former DHL ACMI agreement and executed new follow-on agreements, effective March 31, 2010. Under the new agreements, DHL leases 13 Boeing 767 freighter aircraft from CAM, while ABX operates those aircraft for DHL under a separate CMI agreement. The CMI agreement is not based on a cost-plus pricing arrangement, but instead pricing is based on a pre-defined fee, scaled for the number of aircraft operated and the number of crews provided to DHL for its U.S. network. The initial term of the CMI agreement is five years, while the term of the aircraft leases are seven years. Under the CMI agreement, ABX contracted with Airborne Maintenance and Engineering Services, Inc. ("AMES"), a wholly-owned subsidiary of the Company, to provide scheduled maintenance for the 13 Boeing 767 aircraft for at least the first three years of the CMI agreement.

Continuing revenues from leases and contracted services for DHL were approximately 34% and 35% of the Company's consolidated revenues from continuing operations for the three and six month periods ended June 30, 2011, respectively, compared to 32% and 36% for the corresponding periods of 2010. The Company's balance sheets include accounts receivable and other long-term receivables with DHL of $15.3 million and $19.0 million as of June 30, 2011 and December 31, 2010, respectively.

BAX/Schenker

A substantial portion of the Company's revenues, and cash flows have historically been derived from providing airlift to BAX/Schenker's network in North America. Under their agreements with BAX/Schenker, ATI and CCIA have the right to be the exclusive providers of main deck freighter lift in the BAX/Schenker U.S. network through December 31, 2011. Revenues from the services performed for BAX/Schenker were approximately 31% and 32% of the Company's total revenues from continuing operations for the three and six month periods ended June 30, 2011, respectively, compared to 30% and 29% for the corresponding periods of 2010. (Excluding directly reimbursable revenues, the revenues from the services performed for BAX/Schenker were approximately 22% and 23% of the Company's revenues for the three and six month periods ended June 30, 2011.) The Company has eight Boeing 727 and eight DC-8 aircraft that are currently dedicated to supporting the BAX/Schenker network in North America.

On July 22, 2011, BAX/Schenker announced its plans to adopt a new operating model that phases out the dedicated air cargo network in North America supported by the Company. BAX/Schenker has notified the Company that starting September 1, 2011, it will cease air cargo operations at its air hub in Toledo, Ohio and instead conduct air operations from the Cincinnati/Northern Kentucky airport, which is also the location of DHL's U.S. air hub. Further, BAX/Schenker notified the Company that starting September 1, 2011, the air network will be reduced to four DC-8 and three

Boeing 727 freighters operated by ATI and CCIA through the end of 2011, after which BAX/Schenker expects to outsource its air cargo operations to DHL. DHL has informed the management that it wishes to negotiate terms during the fourth quarter of 2011 whereby it would directly contract for all or some portion of those seven aircraft depending on its anticipated 2012 requirements.

Management is assessing the impact that the BAX/Schenker's announcement will have on its operating results, the number of Boeing 727 and DC-8 aircraft which may remain in service, their demand in other air cargo markets and the value of Boeing 727 and DC-8 aircraft if sold as parts. As of June 30, 2011, the Company's operating assets included a carrying value of approximately $48 million for aircraft, engines and aircraft parts in support of the BAX/Schenker air network.

As a result of BAX/Schenker's July decision, management plans to test the carrying value of its aircraft, engines, related operating assets, goodwill and other intangibles during the third quarter of 2011. Depending on the alternative demand that may be identified for excess aircraft, the Company will need to record impairment charges in the third quarter of 2011 due to prolonged recessionary conditions and trends toward higher fuel prices. Management expects the Company will incur wind-down costs beginning in August 2011. The wind-down costs will include employee severance and benefits, airport lease termination payments, aircraft and equipment repositioning and other expenses. Management expects that a portion of the wind-down costs will be recovered from BAX/Schenker. The amount of impairment charges, the costs and duration of the wind-down, as well as amounts which may be recoverable from BAX/Schenker are presently not reasonably estimable by management.

The Company’s balance sheets include accounts receivable with BAX/Schenker of $3.8 million and $5.5 million as of June 30, 2011 and December 31, 2010, respectively.

U.S. Military

A substantial portion of the Company's revenues are also derived from the U.S. military. The U.S. Military awards flights to U.S. certificated airlines through annual contracts and through temporary "expansion" routes. Revenues from services performed for the U.S. Military were approximately 12% and 11% of the Company's total revenues from continuing operations for the three and six month periods ended June 30, 2011, respectively, compared to 15% and 14% for the corresponding periods of 2010. The Company's balance sheets included accounts receivable with the U.S. Military of $16.4 million and $8.4 million as of June 30, 2011 and December 31, 2010, respectively.

NOTE C—FAIR VALUE MEASUREMENTS

The Company’s money market funds and derivative financial instruments are reported on the Company’s consolidated balance sheet at fair values based on market values from identical or comparable transactions. The fair value of the Company’s derivative financial instruments are based on observable inputs (Level 2) from comparable market transactions. The use of significant unobservable inputs (Level 3) was not necessary in determining the fair value of the Company’s financial assets and liabilities.

The following table reflects assets and liabilities that are measured at fair value on a recurring basis (in thousands):

As of June 30, 2011	**Fair Value Measurement Using**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents—money market	$ —	$ 10,271	$ —	$ 10,271
Total Assets	$ —	$ 10,271	$ —	$ 10,271
Liabilities				
Interest rate swap	$ —	$ (3,699)	$ —	$ (3,699)
Total Liabilities	$ —	$ (3,699)	$ —	$ (3,699)

As of December 31, 2010	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents—money market	$ —	$ 20,411	$ —	$ 20,411
Total Assets	$ —	$ 20,411	$ —	$ 20,411
Liabilities				
Interest rate swap	$ —	$ (4,563)	$ —	$ (4,563)
Total Liabilities	$ —	$ (4,563)	$ —	$ (4,563)

As a result of lower market interest rates compared to the stated interest rates of the Company's fixed and variable rate debt obligations, the fair value of the Company's debt obligations was approximately $2.3 million more than the carrying value, which was $315.5 million at June 30, 2011. The non-financial assets, including goodwill and intangible assets, are measured at fair value on a non-recurring basis.

NOTE D—PROPERTY AND EQUIPMENT

At June 30, 2011, the Company's subsidiaries owned or leased under capital leases 61 aircraft in serviceable condition, consisting of 19 Boeing 767-200 aircraft leased to external customers and 42 aircraft operated by the Company's airlines. These 42 aircraft consist of 14 Boeing 767-200, one Boeing 767-300, two Boeing 757, 11 Boeing 727, and 14 McDonnell Douglas DC-8. Additionally, as of June 30, 2011, the Company had four Boeing 767-200 aircraft and one Boeing 767-300 aircraft undergoing modification to standard freighter configuration. Also, at June 30, 2011, the Company had two other Boeing 767-300 and one Boeing 757 aircraft which are expected to enter into the freighter modification process in 2011. The combined carrying value of aircraft in modification or scheduled to undergo modification was $99.1 million at June 30, 2011.

Property and equipment, to be held and used, consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Aircraft and flight equipment	$ 1,029,223	$ 928,784
Support equipment	51,202	50,424
Vehicles and other equipment	1,531	1,604
Leasehold improvements	714	714
	1,082,670	981,526
Accumulated depreciation	(354,640)	(322,770)
Property and equipment, net	$ 728,030	$ 658,756

Aircraft and flight equipment includes $13.6 million of property held under capital leases as of June 30, 2011 and $22.2 million as of December 31, 2010. Accumulated depreciation and amortization includes $7.7 million as of June 30, 2011 and $10.8 million as of December 31, 2010 for property held under capital leases. CAM owned aircraft with a carrying value of $294.4 million and $263.2 million that were under leases to external customers as of June 30, 2011 and December 31, 2010, respectively.

At June 30, 2011, ACMI Services had four DC-8 airframes and one Boeing 727 airframe with a combined carrying value of $1.1 million, whose engines and rotables were being used for other aircraft in the Company's fleets.

NOTE E—DEBT OBLIGATIONS

Long-term obligations consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Unsubordinated term loan	$ 150,000	$ 178,000
Revolving credit facility	65,000	—
Aircraft loans	74,360	92,075
Capital lease obligations-Boeing 727	2,865	5,910
Promissory note due to DHL, unsecured	23,250	26,350
Other capital leases	51	193
Total long-term obligations	315,526	302,528
Less: current portion	(12,131)	(36,591)
Total long-term obligations, net	$ 303,395	$ 265,937

In 2011, the Company began to solicit lender interest for refinancing its debt obligations with extended repayment terms beyond December 2012. By March 31, 2011, certain banks had committed to provide the Company enough funds to refinance its unsubordinated term loan. On May 9, 2011, the Company executed a new, syndicated credit facility with a larger borrowing capacity through April 2016 ("Credit Facility"). The new Credit Facility, with a consortium of banks, includes a term loan of $150 million and a $175 million revolving credit loan, of which the Company has drawn $65 million. The former term loan, having a balance of $172.4 million, was completely paid-off on May 9, 2011, using the proceeds of the new term loan and revolving loan. Under the terms of the Credit Facility, interest rates are adjusted quarterly based on the Company's earnings before interest, taxes, depreciation and amortization expenses ("EBITDA"), its outstanding debt level and prevailing LIBOR or prime rates. At the Company's current debt-to-EBITDA ratio, the LIBOR based financing for the unsubordinated term loan and revolving credit loan bear a variable interest rate of 2.25% and 2.19%, respectively. During the next twelve months, the Company expects to make further draws on the revolving credit loan to fund its fleet expansion plans. The new Credit Facility also has an accordion feature of $50 million which the Company may draw subject to the lenders' consent. Repayments of the term loan are scheduled to begin in June 2012. The Credit Facility provides for the issuance of letters of credit on the Company's behalf. As of June 30, 2011, unused revolving credit facility totaled $94.7 million, net of draws of $65.0 million and outstanding letters of credit of $15.3 million.

In conjunction with the execution of the new Credit Facility, the Company terminated its previous credit agreement, which resulted in the write-off of unamortized debt issuance costs associated with that credit agreement and losses for certain interest rate swaps which had previously been designated as cash flow hedges of interest payments required by the former debt. These charges, which totaled $6.8 million before income taxes, were recorded in March 2011.

The aircraft loans are collateralized by six aircraft, and amortize monthly with a balloon payment of approximately 20% with maturities between 2016 and early 2018. Interest rates range from 6.74% to 7.36% per annum payable monthly. In May, the Company completely paid-off one of the aircraft loans at par value prior to maturity, remitting $13.8 million for the outstanding principal. Capital lease obligations for four Boeing 727 aircraft carry a fixed implicit rate of 6.50% and expire in 2011.

The promissory note due to DHL becomes due in August 2028 as a balloon payment, unless it is extinguished sooner under the terms of the DHL CMI agreement. Beginning April 1, 2010 and extending through the term of the DHL CMI agreement, the balance of the note is amortized ratably without cash payment, in exchange for services provided and thus is expected to be completely amortized by April 2015. The promissory note bears interest at a rate of 5% per annum, and DHL reimburses ABX the interest expense from the note through the term of the DHL CMI agreement.

The new Credit Facility is collateralized by certain of the Company's Boeing 767 and 757 aircraft that are not collateralized under aircraft loans. Under the terms of the Credit Facility, the Company is required to maintain collateral coverage equal to 150% of the outstanding balance of the term loan and revolving credit loan. The Credit Facility

contains covenants including, among other requirements, limitations on certain additional indebtedness and guarantees of indebtedness. The Credit Facility stipulates events of default, including unspecified events that may have material adverse effects on the Company. If an event of default occurs, the Company may be forced to repay, renegotiate or replace the Credit Facility. The Company is currently in compliance with the financial covenants specified in the Credit Facility. The Credit Facility limits the amount of dividends the Company can pay and the amount of common stock it can repurchase to $50.0 million during any calendar year. Under the provisions of its promissory note due to DHL, the Company is required to prepay the DHL note $0.20 for each dollar of dividend distributed to its stockholders. The same prepayment stipulation applies to stock repurchases.

NOTE F—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases airport facilities and certain operating equipment under operating lease agreements. ABX leases portions of the air park in Wilmington, Ohio under a lease agreement with a regional port authority, the term of which expires in May of 2019.

Commitments

In September 2008, CAM entered into an agreement with Israel Aerospace Industries Ltd. (“IAI”) for the conversion of up to fourteen Boeing 767-200 passenger door freighters to a standard freighter configuration. The conversion primarily consists of the installation of a standard cargo door and loading system. Through June 30, 2011, ten such aircraft have completed the modification process. As of June 30, 2011, the last four of the fourteen Boeing 767-200 aircraft were undergoing modification to standard freighter configuration. As of June 30, 2011, to complete the aircraft currently undergoing modification, CAM will be obligated to pay IAI approximately $19.4 million.

In the third quarter of 2010, CAM purchased three passenger-configured Boeing 767-300 ER aircraft, each equipped with General Electric CF6 engines. In August 2010, CAM entered into an agreement with M&B Conversions Limited and IAI for the conversion by IAI of the three Boeing 767-300 series passenger aircraft to a standard freighter configuration. The agreement includes an option to convert up to seven additional Boeing 767-300 series passenger aircraft during the 10-year term of the agreement. As of June 30, 2011, one such aircraft has completed the modification process and one Boeing 767-300 aircraft was undergoing modification to a standard freighter configuration. In May 2011, CAM purchased another passenger-configured Boeing 767-300 ER aircraft equipped with General Electric CF6 engines and exercised one of the seven options to convert the aircraft to a standard freighter configuration. If CAM were to cancel the conversion program as of June 30, 2011, it would owe IAI approximately $6.0 million associated with additional conversion part kits which have been ordered.

In October 2010, CAM entered an agreement with Precision Conversions, LLC (“Precision”) for the design, engineering and certification of a Boeing 757 "combi" aircraft variant. The Boeing 757 "combi" variant to be developed by Precision will incorporate 10 full cargo pallet positions along with passenger seating for up to 58 occupants. In conjunction with the agreement, CAM made a deposit of $1.3 million toward the project. CAM is committed to convert at a minimum two Boeing 757 aircraft with Precision. In April 2011, CAM purchased a Boeing passenger 757 aircraft with the intent of modifying it for combi service. In July 2011, CAM purchased another Boeing 757 passenger aircraft and inducted it into the standard freighter modification process.

Guarantees and Indemnifications

Certain operating leases and agreements of the Company contain indemnification obligations to the lessor, or one or more other parties that are considered reasonable and customary (e.g. use, tax and environmental indemnifications), the terms of which range in duration and are often limited. Such indemnification obligations may continue after expiration of the respective lease or agreement.

Civil Action Alleging Violations of Immigration Laws

On December 31, 2008, a former ABX employee filed a complaint against ABX, a total of four current and former executives and managers of ABX, Garcia Labor Company of Ohio, and three former executives of the Garcia Labor companies, in the U.S. District Court for the Southern District of Ohio. The case was filed as a putative class action

against the defendants, and asserts violations of the Racketeer Influenced and Corrupt Practices Act (RICO). The complaint, which was later amended to include a second former employee plaintiff, seeks damages in an unspecified amount and alleges that the defendants engaged in a scheme to hire illegal immigrant workers to depress the wages paid to hourly wage employees during the period from December 1999 to January 2005. On March 18, 2010, the Court issued a decision in response to a motion filed by ABX and the other ABX defendants, dismissing three of the five claims constituting the basis of Plaintiffs' complaint. Most recently, the Court issued a decision on October 7, 2010, permitting the plaintiffs to amend their complaint for the purpose of reinstating one of their dismissed claims. On October 26, 2010, ABX and the other ABX defendants filed an answer denying the allegations contained in plaintiffs' second amended complaint.

The complaint is similar to a prior complaint filed by another former employee in April 2007. The prior complaint was subsequently dismissed without prejudice at the plaintiff's request on November 3, 2008.

FAA Enforcement Actions

The Company's airline operations are subject to complex aviation and transportation laws and regulations that are continually enforced by the DOT and FAA. The Company's airlines receive letters of investigation ("LOIs") from the FAA from time to time in the ordinary course of business. The LOIs generally provide that some action of the airline may have been contrary to the FAA's regulations. If the airline's response to the LOI is not satisfactory to the FAA, it can seek to impose a civil penalty for the alleged violation. Airlines are entitled to a hearing before an Administrative Law Judge or a Federal District Court Judge, depending on the amount of the penalty being sought, before any penalty order is deemed final.

The FAA issued LOIs to CCIA arising from a focused inspection of that airline's operations during the fourth quarter of 2009, several of which resulted in the FAA seeking monetary penalties against CCIA. ABX received an LOI from the FAA alleging that ABX failed to comply with an FAA Airworthiness Directive involving its Boeing 767 aircraft and proposing a monetary settlement. The Company believes it has adequately reserved for those monetary penalties being proposed by the FAA, although it's possible that the FAA may propose additional penalties exceeding the amounts currently reserved.

Other

In addition to the foregoing matters, the Company is also currently a party to legal proceedings in various federal and state jurisdictions arising out of the operation of their business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, the Company believes that their ultimate liability, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material to the Company's financial condition or results of operations.

Employees Under Collective Bargaining Agreements

As of June 30, 2011, the flight crewmember employees of ABX, ATI and CCIA were represented by the labor unions listed below:

Airline	Labor Agreement Unit	Percentage of the Company's Employees
ABX	International Brotherhood of Teamsters	11.8%
ATI	Airline Pilots Association	11.3%
CCIA	Airline Pilots Association	5.6%

NOTE G—PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

ABX sponsors a qualified defined benefit pension plan for its flight crewmembers and a qualified defined benefit pension plan for a major portion of its other ABX employees that meet minimum eligibility requirements. ABX also sponsors non-qualified defined benefit pension plans for certain employees. These non-qualified plans are unfunded. ABX also sponsors a post-retirement healthcare plan for its ABX employees, which is unfunded. During 2009, the Company amended each of the defined benefit pension plans to freeze the accrual of additional benefits. During 2010, the Company modified the post-retirement health plans for ABX employees to terminate benefits when a covered individual reaches age 65.

The accounting and valuation for these post-retirement obligations are determined by prescribed accounting and actuarial methods that consider a number of assumptions and estimates. The selection of appropriate assumptions and estimates is significant due to the long time period over which benefits will be accrued and paid. The long-term nature of these benefit payouts increases the sensitivity of certain estimates of our post-retirement costs. The Company's net periodic benefit costs for its qualified defined benefit pension and post retirement healthcare plans for both continuing and discontinued operations are as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Plans		Post-Retirement Healthcare Plan		Pension Plans		Post-Retirement Healthcare Plan	
	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	$ —	$ —	$ 62	$ 59	$ —	$ 2,286	$ 124	$ 221
Interest cost	9,290	9,169	97	146	18,581	18,338	194	508
Expected return on plan assets	(9,757)	(8,900)	—	—	(19,514)	(17,800)	—	—
Amortization of prior service cost	—	—	(1,388)	(1,250)	—	—	(2,776)	(1,667)
Amortization of net loss	675	517	132	104	1,350	1,034	264	155
Net periodic benefit cost	$ 208	$ 786	$ (1,097)	$ (941)	$ 417	$ 3,858	$ (2,194)	$ (783)

During the three and six month periods ended June 30, 2011, the Company contributed $4.5 million and $4.6 million to the pension plans. The Company estimates that its minimum pension contributions will be $0.9 million more throughout the remainder of 2011. The Company is considering additional contributions of $12 million to $14 million in 2011.

NOTE H—INCOME TAXES

The provision for income taxes for interim periods is based on management's best estimate of the effective income tax rate expected to be applicable for the current year, plus any adjustments arising from changes in the estimated amount of taxable income related to prior periods. Income taxes recorded through June 30, 2011 have been estimated utilizing a 37.5% rate based on year-to-date income and projected results for the full year, excluding discrete items. The final effective tax rate to be applied to 2011 will depend on the actual amount of pre-tax book income generated by the Company for the full year.

NOTE I—DERIVATIVE INSTRUMENTS

In conjunction with the unsubordinated term loan under the former credit agreement, the Company entered into interest rate swaps in January 2008 to reduce the effects of fluctuating LIBOR-based interest rates on forecasted interest payments stemming from scheduled repayment of the debt. Under the interest rate swap agreements, the Company pays a fixed rate of 3.105% and receives a floating rate that resets quarterly based on LIBOR. The notional value of the interest rate swaps step downward through December 31, 2012. In accordance with FASB ASC Topic 815-30 *Derivatives and Hedging*, the Company accounted for the interest rate swaps as hedges of the forecasted cash flows. Accordingly, losses caused by lower floating interest rates had been recorded to accumulated other comprehensive income. Effective March 31, 2011, in conjunction with its decision to refinance the unsubordinated term loan, the

Company ceased hedge accounting after determining that the forecasted interest payments will not occur near the time originally expected. As a result, the Company recorded a pre-tax charge of $3.9 million in the first quarter of 2011 based on the fair market value of the derivatives on March 31, 2011, to recognize the losses previously recorded in accumulated other comprehensive income.

For the quarter ended June 30, 2011, the Company recorded an unrealized gain on derivatives of $0.2 million to reflect the interest rate swaps at market value. The liability for outstanding derivatives is recorded in other liabilities and in accrued expenses. The table below provides information about the Company's interest rate swaps (in thousands):

		June 30, 2011		December 31, 2010	
Expiration Date	Stated Interest Rate	Notional Amount	Market Value (Liability)	Notional Amount	Market Value (Liability)
December 31, 2012	3.105%	$ 63,750	$ (2,329)	$ 68,000	$ (2,893)
December 31, 2012	3.105%	37,500	(1,370)	40,000	(1,670)

During the second quarter of 2011, in conjunction with the early extinguishment of an aircraft loan, the Company ceased hedge accounting of a related treasury lock derivative and recorded a pre-tax gain of $0.1 million which was previously reflected in accumulated other comprehensive income.

In addition to the interest rate swaps above, the Company's new Credit Facility requires the Company to maintain derivative instruments for protection from fluctuating interest rates, for at least fifty percent of the outstanding balance of the new subordinated term loan. As a result, the Company entered into a new interest rate swap in July of 2011 having an initial notional value of $75.0 million and a forward start date of December 31, 2011. Under this swap, the Company will pay a fixed rate of 2.02% and receive a floating rate that resets quarterly based on LIBOR. The Company did not designate the recent interest rate swap as a hedge for accounting purposes. The effects of future fluctuations in LIBOR interest rates on derivatives held by the Company will result in the recording of unrealized gains and losses into the statement of earnings.

NOTE J—COMPREHENSIVE INCOME

Comprehensive income includes the following transactions for the three and six months ended June 30, 2011 and 2010 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	Before Tax	Income Tax (Expense) or Benefit	Net of Tax	Before Tax	Income Tax (Expense) or Benefit	Net of Tax
2011						
Net Income			$ 12,299			$ 15,063
Other comprehensive income:						
Unrealized gain on derivative instruments	$ —	$ —	—	$ 631	$ (229)	402
Reclassifications to net income:						
Hedging gain realized	(168)	61	(107)	(193)	70	(123)
Unrealized loss on derivative instruments	—	—	—	3,932	(1,427)	2,505
Pension actuarial loss	675	(246)	429	1,350	(492)	858
Post-retirement actuarial loss	132	(48)	84	264	(96)	168
Post-retirement negative prior service cost	(1,388)	506	(882)	(2,776)	1,012	(1,764)
Total other comprehensive income	$ (749)	$ 273	(476)	$ 3,208	$ (1,162)	2,046
Comprehensive income			$ 11,823			$ 17,109
2010						
Net Income			$ 9,682			$ 16,837
Other comprehensive income:						
Post-retirement liabilities negative prior service cost	$ —	$ —	—	$ 22,014	$ (7,991)	14,023
Unrealized loss on derivative instruments	(581)	211	(370)	(1,329)	483	(846)
Reclassifications to net income:						
Hedging gain realized	(27)	10	(17)	(54)	20	(34)
Pension actuarial loss	517	(188)	329	1,034	(376)	658
Post-retirement actuarial loss	93	(33)	60	130	(47)	83
Post-retirement negative prior service cost	(1,250)	454	(796)	(1,667)	605	(1,062)
Other comprehensive income	$ (1,248)	$ 454	(794)	$ 20,128	$ (7,306)	12,822
			$ 8,888			$ 29,659

NOTE K—STOCK-BASED COMPENSATION

The Company's Board of Directors has granted stock incentive awards to certain employees and board members pursuant to a long-term incentive plan which was approved by the Company's stockholders in May 2005. Employees have been awarded non-vested stock units with performance conditions, non-vested stock units with market conditions and non-vested restricted stock. The restrictions on the non-vested restricted stock awards lapse at the end of a specified service period, which is typically approximately three years from the date of grant. Restrictions could lapse sooner upon a business combination, death, disability or after an employee qualifies for retirement. The non-vested stock units will be converted into a number of shares of Company stock depending on performance and market conditions at the end of a specified service period, lasting approximately three years. The performance condition awards will be converted into a number of shares of Company stock based on the Company's average return on equity or invested capital, depending on the form of award, during the service period. Similarly, the market condition awards will be converted into a number of shares depending on the appreciation of the Company's stock compared to the NASDAQ Transportation

Index. Board members were granted time-based awards with approximately a six-month vesting period, which will settle when the board member ceases to be a director of the Company. The Company expects to settle all of the stock unit awards by issuing new shares of stock. The table below summarizes award activity.

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Number of Awards	Weighted average grant-date fair value	Number of Awards	Weighted average grant-date fair value
Outstanding at beginning of period	1,514,300	$ 3.55	1,505,550	$ 3.07
Granted	555,237	8.72	804,400	4.37
Converted	(291,500)	3.14	(27,539)	9.20
Expired	—	—	(39,211)	9.20
Forfeited	(46,400)	5.07	(65,400)	3.00
Outstanding at end of period	1,731,637	$ 5.22	2,177,800	$ 3.37
Vested	390,037	$ 4.45	326,400	$ 3.71

The average grant-date fair value of each performance condition award, non-vested restricted stock award and time-based award granted by the Company in 2011 was $8.25, the fair value of the Company's stock on the date of grant. The average grant-date fair value of each market condition award granted in 2011 was $11.17. The market condition awards were valued using a Monte Carlo simulation technique, a risk-free interest rate of 1.27%, a term of 36 months, and a volatility of 125.0% based on historical volatility over three years using daily stock prices.

For the six month periods ended June 30, 2011 and 2010, the Company recorded expense of $1.3 million and $0.6 million, respectively, for stock incentive awards. At June 30, 2011, there was $4.7 million of unrecognized expense related to the stock incentive awards that is expected to be recognized over a weighted-average period of 1.5 years. None of the awards were convertible, and none of the outstanding shares of restricted stock had vested as of June 30, 2011. These awards could result in a maximum number of 1,991,237 additional outstanding shares of the Company's common stock depending on service, performance and market results through December 31, 2013.

NOTE L—EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Earnings from continuing operations	$ 12,280	$ 9,915	$ 15,161	$ 16,665
Weighted-average shares outstanding for basic earnings per share	63,333	62,811	63,233	62,802
Common equivalent shares:				
Effect of stock-based compensation awards	839	1,610	822	1,211
Weighted-average shares outstanding assuming dilution	64,172	64,421	64,055	64,013
Basic earnings per share from continuing operations	$ 0.19	$ 0.16	$ 0.24	$ 0.27
Diluted earnings per share from continuing operations	$ 0.19	$ 0.15	$ 0.24	$ 0.26

The number of equivalent shares that were not included in weighted average shares outstanding assuming dilution, because their effect would have been anti-dilutive, was 54,000 at June 30, 2011 and immaterial at June 30, 2010.

NOTE M—SEGMENT INFORMATION

The Company operates in two reportable segments, as described below. The CAM segment consists of the Company's aircraft leasing operations and its segment earnings includes an allocation of interest expense. The ACMI Services segment consists of the Company's airline operations including the CMI with DHL, ACMI and charter service agreements that the Company provides to customers. The Company's other activities, which include contracts with the USPS, the sale of aircraft parts and maintenance services, management services for workers compensation, logistics services and fuel management, do not constitute reportable segments and are combined in "All other" with inter-segment profit eliminations. Inter-segment revenues are valued at arms-length, market rates. Cash, cash equivalents and deferred tax assets are reflected in Assets - All other below. The Company's segment information for continuing operations is presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Total revenues:				
CAM	$ 32,762	$ 24,815	$ 64,890	$ 42,617
ACMI Services	164,709	138,814	311,414	285,527
All other	25,469	22,695	50,907	40,148
Eliminate inter-segment revenues	(29,879)	(26,213)	(59,023)	(47,237)
Total	$ 193,061	$ 160,111	$ 368,188	$ 321,055
Customer revenues:				
CAM	$ 15,824	$ 10,585	$ 29,895	$ 14,351
ACMI Services	164,597	138,696	311,032	285,409
All other	12,640	10,830	27,261	21,295
Total	$ 193,061	$ 160,111	$ 368,188	$ 321,055
Depreciation and amortization expense:				
CAM	$ 13,663	$ 10,414	$ 25,926	$ 17,154
ACMI Services	10,253	11,273	20,401	25,168
All other	(38)	65	(78)	230
Total	$ 23,878	$ 21,752	$ 46,249	$ 42,552
Segment earnings (loss):				
CAM	$ 13,634	$ 9,752	$ 27,100	$ 16,291
ACMI Services	4,560	4,087	2,050	11,470
All other	1,675	3,812	3,329	2,476
Net unallocated interest expense	(572)	(1,753)	(1,790)	(3,555)
Write-off of unamortized debt issuance costs	(16)	—	(2,886)	—
Net gain/(loss) on derivative instruments	$ 376	—	(3,556)	—
Pre-tax earnings from continuing operations	$ 19,657	$ 15,898	$ 24,247	$ 26,682

The Company's assets are presented below by segment (in thousands):

	June 30, 2011	December 31, 2010
Assets:		
CAM	$ 688,115	$ 600,245
ACMI Services	183,278	198,024
Discontinued operations	4,272	5,015
All other	89,055	97,370
Total	$ 964,720	$ 900,654

Interest expense of $0.3 million and $0.6 million for the three and six month periods ending June 30, 2011, respectively, compared to $0.4 million and $1.2 million for the corresponding periods of 2010, was reimbursed through the commercial agreements with DHL and included in the ACMI Services segment earnings above. Interest expense allocated to CAM was $2.6 million and $5.1 million for the three and six month periods ending June 30, 2011, respectively, compared to $2.4 million and $4.9 million for the corresponding periods of 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis has been prepared with reference to the historical financial condition and results of operations of Air Transport Services Group, Inc., and its subsidiaries. Air Transport Services Group, Inc. and its subsidiaries may hereinafter individually and collectively be referred to as "the Company," "we," "our" or "us" from time to time. The following discussion and analysis describes the principal factors affecting the results of operations, financial condition, cash flows, liquidity and capital resources. It should be read in conjunction with the accompanying unaudited financial statements and the related notes contained in this report and our Annual Report on Form 10-K for the year ended December 31, 2010.

INTRODUCTION

Air Transport Services Group, Inc. (the "Company") is a holding company whose principal subsidiaries include three independently certificated airlines, ABX Air, Inc. ("ABX"), Capital Cargo International Airlines, Inc. ("CCIA") and Air Transport International, LLC ("ATI"), and an aircraft leasing company, Cargo Aircraft Management, Inc. ("CAM"). At June 30, 2011 the Company's in-service aircraft fleet consisted of 66 cargo aircraft and one passenger aircraft. Additionally, the Company owned eight other aircraft that we expect to place into service after they are modified to freighter aircraft. The Company has two reportable segments: ACMI Services, which primarily includes the cargo transportation operations of its three airlines and CAM, which includes the Company's aircraft leasing business. The Company's other business operations, including aircraft maintenance services, aircraft part sales, ground equipment leasing and maintenance, mail handling and fuel management, do not constitute reportable segments due to their size.

The Company has a concentrated base of leading customers which service international cargo traffic. The Company's three largest customers, which include affiliates of DHL Worldwide Express, B.V. ("DHL"), BAX Global, Inc. ("BAX/Schenker") and the U.S. Military, totaled 77% and 78% of the Company's consolidated revenue during the three and six month periods ended June 30, 2011.

The Company, through ABX, has had long-term contracts with DHL since August of 2003. Commencing March 31, 2010, the Company and DHL executed new commercial agreements under which DHL committed to lease 13 Boeing 767 freighter aircraft from CAM and contracted with ABX to operate those aircraft under a separate crew, maintenance and insurance ("CMI") agreement. The CMI agreement pricing is based on pre-defined fees, scaled for the number of aircraft operated and the number of flight crews provided to DHL for its U.S. network. The initial term of the CMI agreement is five years and the term of the aircraft leases is seven years, with early termination provisions. Through June 30, 2011, CAM leased all 13 Boeing 767-200 aircraft to DHL.

Prior to the new agreements, ABX provided flight crews, maintenance and aircraft to DHL under an aircraft, crew, maintenance and insurance agreement ("DHL ACMI agreement") which compensated ABX on a cost-plus mark-up basis. The follow-on agreements separate CAM's lease of freighter aircraft to DHL from the maintenance and operation of those aircraft by ABX on behalf of DHL.

A substantial portion of the Company's revenues and cash flows have historically been derived from providing airlift to BAX/Schenker's network in North America. Under their agreements with BAX/Schenker, ATI and CCIA have the right to be the exclusive providers of main deck freighter lift for BAX/Schenker in the U.S. through December 31, 2011. The Company has eight Boeing 727 and eight DC-8 aircraft that are currently dedicated to supporting the BAX/Schenker network in North America. On July 22, 2011, BAX/Schenker announced its plans to adopt a new operating model that phases out the dedicated air cargo network in North America supported by the Company. BAX/Schenker has notified the Company that starting September 1, 2011, it will cease air cargo operations at its air hub in Toledo, Ohio and instead conduct air operations from the Cincinnati/Northern Kentucky airport, which is also the location of DHL's U.S. air hub. Further, BAX/Schenker notified the Company that starting September 1, 2011, the air network will be reduced to four DC-8 and three Boeing 727 freighters operated by ATI and CCIA through the end of 2011, after which BAX/Schenker expects to outsource its air cargo operations to DHL. DHL has informed the management that it wishes to negotiate terms during the fourth quarter of 2011 whereby it would directly contract for all or some portion of those seven aircraft depending on its anticipated 2012 requirements.

Management is assessing the impact that the BAX/Schenker's announcement will have on its operating results, the number of Boeing 727 and DC-8 aircraft which may remain in service, their demand in other air cargo markets and the value of Boeing 727 and DC-8 aircraft if sold as parts. As of June 30, 2011, the Company's operating assets included

carrying value of approximately $48 million for aircraft, engines and aircraft parts in support of the BAX/Schenker air network.

As a result of BAX/Schenker's July decision, management plans to test the carrying value of its aircraft, engines, related operating assets, goodwill and other intangibles during the third quarter of 2011. Depending on the alternative demand that may be identified for excess aircraft, the Company will need to record impairment charges in the third quarter of 2011 due to prolonged recessionary conditions and trends toward higher fuel prices. Management expects the Company will incur wind-down costs beginning in August 2011. The wind-down costs will include employee severance and benefits, airport lease termination payments, aircraft and equipment repositioning and other expenses. Management expects that a portion of the wind-down costs will be recovered from BAX/Schenker. The amount of impairments charges, the costs and duration of the wind-down, as well as amounts which may be recoverable from BAX/Schenker is presently not reasonably estimable by management.

The Company's revenues from the services performed for BAX/Schenker, derived primarily by providing Boeing 727 and DC-8 airlift, were $60.3 million and $116.3 million for the three and six month periods ended June 30, 2011, respectively, compared to $48.6 million and $92.3 million for the corresponding periods of 2010. The Company's revenues from BAX/Schenker, comprised approximately 31% and 32% of the Company's total revenues during the three and six month periods ended June 30, 2011, respectively (22% and 23% of total revenues excluding directly reimbursable revenues, respectively.)

RESULTS OF OPERATIONS

Summary

During 2011, the Company executed a new credit facility with a consortium of banks ("Credit Facility"). The new Credit Facility refinanced the Company's previous term loan and provides liquidity to expand the Company's aircraft fleet through April 2016. The new Credit Facility includes a term loan of $150 million and a $175 million revolving credit loan, of which the Company has drawn $65 million. In conjunction with the execution of the new Credit Facility, the Company terminated its previous credit agreement, which resulted in the write-off of unamortized debt issuance costs associated with that credit agreement and the recognition of losses for certain interest rate swaps which had previously been designated as cash flow hedges of interest payments stemming from the former term loan. These charges, which totaled $6.8 million before income tax effects, were recorded in March 2011.

Customer revenues from continuing operations increased by $33.0 million and $47.1 million for the three and six month periods ended June 30, 2011, respectively, compared to the corresponding 2010 periods. Excluding directly reimbursed revenues, customer revenues increased by $19.6 million for the three month period ended June 30, 2011 compared to the corresponding 2010 period, driven primarily by ACMI Services which increased $12.5 million on 6% higher aircraft block hours and higher fuel prices, and by the placement of additional aircraft leases by CAM since June 30, 2010. Excluding directly reimbursed revenues, customer revenues increased by $14.8 million for the six month period ended June 30, 2011 compared to the corresponding 2010 period. Revenue growth comparisons to 2010 are affected by the termination of the DHL ACMI agreement and the termination of the severance and retention agreement ("S&R agreement") with DHL in March of 2010. Under the S&R agreement, DHL compensated and reimbursed ABX for its management and costs associated with DHL's network restructuring starting in May 2008 and continuing through March 2010. Revenues from the S&R agreement were $4.0 million in the first quarter of 2010. Certain revenues recorded as airline services under the former DHL ACMI agreement, are contractually reimbursed by DHL under the new CMI agreement and reflected in reimbursed revenues beginning April 1, 2010.

Consolidated net earnings and pre-tax earnings from continuing operations increased by $2.6 million and $3.8 million for the three month period ended June 30, 2011, respectively, compared to the corresponding 2010 period. Improved earnings were driven by CAM, which placed 14 additional aircraft under lease since June 30, 2010 and lower interest rate expense. Consolidated net earnings and pre-tax earnings from continuing operations declined by $1.8 million and $2.4 million, for the six month period ended June 30, 2011, respectively, compared to the corresponding 2010 period. The decline in net earnings and pre-tax earnings from continuing operations as compared to the first six months of 2010 resulted from the recognition of $6.8 million of expenses related to the refinancing of the Company's debt in 2011. Pre-tax earnings from continuing operations, adjusted to remove the effects related to the termination of former credit agreements and the earnings from the S&R agreement, were $30.7 million and $23.1 million for the first

six months of 2011 and 2010, respectively. The $7.6 million increase in adjusted pre-tax earnings from continuing operations for the first six months of 2011 compared to the corresponding period of 2010, included improved CAM results of $10.8 million, increased earnings from the Company's maintenance and other activities of $0.9 million and lower interest expense, offset by declines in airline services. Pre-tax earnings from airline services declined by $5.9 million in the first six months of 2011 compared to the corresponding period of 2010 due primarily to unscheduled downtime within the ACMI Services' aircraft fleet.

A summary of our revenues and pre-tax earnings from continuing operations is shown below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues from Continuing Operations:				
CAM	$ 32,762	$ 24,815	$ 64,890	$ 42,617
ACMI Services				
Airline services	115,050	102,522	217,500	219,911
Other Reimbursable	49,659	36,292	93,914	61,616
S&R activities	—	—	—	4,000
Total ACMI Services	164,709	138,814	311,414	285,527
Other Activities	25,469	22,695	50,907	40,148
Total Revenues	222,940	186,324	427,211	368,292
Eliminate internal revenues	(29,879)	(26,213)	(59,023)	(47,237)
Customer Revenues	$ 193,061	$ 160,111	$ 368,188	$ 321,055
Pre-Tax Earnings from Continuing Operations:				
CAM, inclusive of interest expense	$ 13,634	$ 9,752	$ 27,100	$ 16,291
ACMI Services				
Airline services	4,560	4,087	2,050	7,921
S&R activities	—	—	—	3,549
Total ACMI Services	4,560	4,087	2,050	11,470
Other Activities	1,675	3,812	3,329	2,476
Net unallocated interest expense	(572)	(1,753)	(1,790)	(3,555)
Write-off of unamortized debt issuance costs	(16)	—	(2,886)	—
Net gain/(loss) on derivative instruments	376	—	(3,556)	—
Pre-Tax Earnings from Continuing Operations	19,657	15,898	24,247	26,682
Pre-Tax earnings, adjusted for infrequent transactions:				
Add charges for write-off of unamortized debt issuance costs	16	—	2,886	—
Add net (gain)/loss on derivative instruments	(376)	—	3,556	—
Less S&R activities	—	—	—	(3,549)
Adjusted Pre-tax Earnings from Continuing Operations	$ 19,297	$ 15,898	$ 30,689	$ 23,133

Other Reimbursable revenues include certain operating costs that are reimbursed to the airlines by their customers. Such costs include fuel used, landing fees and certain aircraft maintenance expenses. The type of costs that are reimbursed varies by customer operating agreement. Management uses Adjusted Pre-tax Earnings from Continuing Operations, a non GAAP measure, to assess the performance of its core operating results among periods. Adjusted Pre-tax Earnings should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

CAM

As of June 30, 2011, CAM had 66 aircraft that were under lease, 47 of them to ABX, ATI and CCIA. CAM's pre-tax earnings, inclusive of an allocation of interest expense, increased by $3.9 million and $10.8 million, respectively, during the second quarter and first six months of 2011 compared to the corresponding periods of 2010, reflecting 14 more aircraft under lease since June 30, 2010. During the second quarter of 2011, CAM leased two Boeing 767-200 aircraft to DHL, fulfilling its commitment from March of 2010 to lease 13 aircraft to DHL under long-term lease provisions. Additionally, during 2011, CAM leased one additional Boeing 767-200 freighter aircraft to an external customer, bringing the total number of aircraft leased to external customers to 19 aircraft. During the second quarter of 2011, CAM completed the modification of its first Boeing 767-300 freighter aircraft and leased the aircraft internally to ATI.

CAM's revenues for the second quarter and first six months of 2011 grew to $32.8 million and $64.9 million, respectively, compared to $24.8 million and $42.6 million during the corresponding periods of 2010. Revenues from external customers, particularly DHL, accounted for $5.2 million and $15.5 million, respectively, of the increase for the second quarter and first six months of 2011. Since June 30, 2010, CAM has leased six Boeing 767-200 aircraft externally, including four aircraft to DHL and two aircraft to another external customer. CAM's revenues from the Company's airlines totaled $16.9 million and $35.0 million for the second quarter and first six months, respectively, compared to $14.2 million and $28.3 million for the corresponding periods of 2010.

At June 30, 2011 CAM was leasing eight Boeing 727 and eight DC-8 aircraft to CCIA and ATI, respectively, which were dedicated to BAX/Schenker's domestic air network. With respect to BAX/Schenker's recent announcement to terminate its domestic air network, CAM expects ATI and CCIA to return at least a portion of these aircraft after assessing market demand for airlift utilizing Boeing 727 and DC-8 aircraft. As aircraft are returned, CAM expects to scrap and sell for parts those aircraft in excess of current demand.

ACMI Services Segment

At June 30, 2011, ACMI Services included 48 in-service aircraft which the Company's airlines owned or leased and thirteen CAM-owned freighter aircraft which were under lease to DHL and operated by ABX under the CMI agreement. During 2011, ABX began to lease and operate two DHL-owned aircraft, bringing to four the number of DHL-owned aircraft that ABX leases from DHL and operates under the CMI agreement. Also during the second quarter of 2011, ATI leased a Boeing 767-300 aircraft from CAM and began to operate the aircraft during the second quarter.

ACMI Services revenues were $164.7 million and $311.4 million during the second quarter and first six months of 2011, respectively, compared to $138.8 million and $285.5 million for the corresponding periods of 2010. Revenues from airline services increased $12.5 million for the second quarter and decreased $2.4 million in the first six months of 2011 compared to the corresponding periods of 2010. Reimbursable revenues increased $13.4 million and $32.3 million for the three and six month periods ending June 30, 2011, respectively, compared to the corresponding periods of 2010. The comparison of airline services revenues and reimbursable revenues to 2010 reflects the new commercial agreements between ABX and DHL which became effective in April 2010. Airline services revenues for the first quarter of 2010 include compensation based on aircraft depreciation and certain maintenance expense under the former cost-plus DHL ACMI agreement. Since April 2011, lease revenues for the DHL network aircraft have been reflected in CAM's revenues, while compensation for certain aircraft related maintenance costs have been reflected as reimbursable revenues. Revenues from S&R activities declined by $4.0 million during the first six months of 2011 compared to the first six months of 2010 due to the termination of the S&R agreement in March 2010.

ACMI Services had pre-tax earnings of $4.6 million and $2.1 million from airline services for the second quarter and first six months of 2011, respectively, compared to $4.1 million and $7.9 million from airline services for the corresponding periods of 2010. Aircraft block hours flown for customers increased 6% and 9% during the second quarter and first six months of 2011 compared to the corresponding periods of 2010. Operating results during 2011 were negatively impacted by unscheduled aircraft downtime for maintenance reasons. As a result, revenue flights were missed and higher operating expenses were incurred during the aircraft downtime. Some of the downtime affected DC-8 combi aircraft and a Boeing 767 freighter operating in remote regions that were difficult to service. The Company has developed contingency plans for quicker response times into these regions in the event that similar downtime events occur in the future. Revenues from the U.S. Military declined $4.2 million during the first six months of 2011 due to maintenance related cancellations and contractual rate reductions. Additionally, the 2011 results included approximately

$0.8 million of expenses incurred by ATI for FAA proving runs and other start-up costs for a passenger authority. ATI began to fly under an ACMI agreement for a tourist operator on April 1, 2011. This agreement allows ATI to build passenger operating experience which is necessary for 12 months prior to flying passengers of the U. S. Military on the Boeing 767 aircraft.

DHL, BAX/Schenker and the U.S. Military accounted for 34%, 36% and 14% of ACMI Services revenues for the quarter ended June 30, 2011, respectively. Revenues from DHL and BAX/Schenker include the reimbursement of certain expenses. Excluding these reimbursable revenues, DHL, BAX/Schenker and the U.S. Military accounted for 36%, 22% and 20%, respectively, of ACMI Services revenues for the second quarter of 2011. Excluding reimbursable revenues, DHL, BAX/Schenker and the U.S. Military accounted for 40%, 23% and 23% of ACMI Services revenues for the quarter ended June 30, 2010, respectively.

As noted above, as of June 30, 2011, ACMI Services included the operation of eight Boeing 727 and eight DC-8 aircraft in BAX/Schenker's North America network. Future operating results will be impacted by the speed with which BAX/Schneker removes aircraft from service, the remaining number of aircraft, if any, that will be needed to support the BAX/Schenker network and our ability to redeploy removed aircraft into other markets profitably.

Other Activities

The Company sells aircraft parts and provides aircraft maintenance and modification services to other airlines. The Company also operates three U.S. Postal Service (“USPS”) sorting facilities. The Company provides ground equipment leasing and facility maintenance, as well as specialized services for aircraft fuel management. Other activities also include the management of workers' compensation claims under an agreement with DHL and gains from the reduction in employee post-retirement obligations. Prior to April 1, 2010, other activities included an allocation of ABX's overhead expenses that could not be charged to DHL under the former cost-plus agreements.

External customer revenues from all other activities increased to $12.6 million and $27.3 million during the three and six month periods ended June 30, 2011, respectively, compared to $10.8 million and $21.3 million for the corresponding periods of 2010. Increased revenues primarily reflect additional services provided to the USPS beginning in April 2011 and increased aircraft maintenance projects in 2011 compared to the previous year. The pre-tax earnings from all other activities were $1.7 million and $3.3 million for the three and six month periods ended June 30, 2011, respectively, compared to $3.8 million and $2.5 million for the corresponding periods of 2010. The decline in pre-tax earnings of $2.1 million for the second quarter of 2011 compared to the corresponding 2010 period reflects higher facility expenses for its other businesses segments, additional corporate expenses to support the subsidiaries and additional business development expenses to support the Company's growth. Pre-tax earnings increased $0.9 million for the first six months of 2011 compared to the corresponding 2010 period. The increase in pre-tax earnings for the first six months of 2011 reflects the higher costs experienced during the second quarter of 2011, offset by reduced employee post-retirement obligations resulting from benefit plan changes beginning in March of 2010, increased service revenues for managing workers' compensation claims for DHL, and unallocated overhead charges of $1.0 million during the first quarter of 2010 that ABX could not charge to DHL under the former DHL ACMI agreement.

Fleet Summary

The Company's aircraft fleet is summarized below as of June 30, 2011 ($'s in thousands):

	ACMI Services	CAM	Total
In-service aircraft			
Aircraft owned or under capital lease			
Boeing 767-200	14	19	33
Boeing 767-300	1	—	1
Boeing 757	2	—	2
Boeing 727	11	—	11
DC-8	14	—	14
Total	42	19	61
Carrying value			$ 578,978
Operating lease			
Boeing 767-200	4	—	4
Boeing 767-300	1	—	1
Boeing 727	1	—	1
Total	6	—	6
Carrying value			$ 1,407
Aircraft in freighter modification or awaiting modification			
Boeing 767-200	—	4	4
Boeing 767-300	—	3	3
Boeing 757		1	1
Total	—	8	8
Carrying value			$ 99,063
Idle aircraft (not scheduled for revenue)			
Aircraft owned or under capital lease			
DC-8	4	—	4
Boeing 727	1	—	1
Total	5	—	5
Carrying value			$ 1,133

As of June 30, 2011, ACMI Services was leasing 42 of its 48 in-service aircraft internally from CAM. ACMI Services operated 13 of the 19 aircraft that CAM leases to external customers. ACMI Services had idle airframes with a carrying value of $1.1 million for which the engines and rotables were being used to support other aircraft in the Company's fleets. Aircraft fleet changes during 2011 are summarized below by quarter:

During the first quarter of 2011

- ABX began to lease two additional Boeing 767-200 aircraft from DHL for service under the CMI agreement.
- ABX returned a Boeing 767-200 aircraft to CAM which in turn leased the aircraft to an external customer under a seven year lease.
- ATI leased a Boeing 767 passenger aircraft from CAM for an ACMI service that began in April 2011.
- ATI retired a DC-8 freighter aircraft from service when its airframe maintenance cycle ended.

During the second quarter of 2011

- CAM leased two Boeing 767-200 aircraft to DHL, bringing to 13 the total Boeing 767-200 aircraft leased to DHL.

- CAM completed the freighter modification of a Boeing 767-300 aircraft and leased it to ATI, which began an ACMI service in June of 2011 for a customer serving North and South America.
- CAM purchased a Boeing 757 passenger aircraft with the intent of modifying it into a combi aircraft.
- CAM purchased a Boeing 767-300 passenger aircraft with the intent of modifying it into a standard freighter.
- CCIA removed a Boeing 727 aircraft from service when its airframe maintenance cycle ended.

In July 2011, CAM purchased a Boeing 757 passenger aircraft and inducted it into the standard freighter modification process. As of June 30, 2011, we expect to complete the modification of four Boeing 767-200 aircraft, three Boeing 767-300 aircraft and one Boeing 757 aircraft into standard cargo freighters over the next eight months. In February 2011, CAM executed a long term lease agreement with a Brazilian airline for a Boeing 767-200 aircraft which began in the third quarter of 2011, and recently agreed to terms for a second 767-200 aircraft lease to begin in the third quarter of 2011 with the same airline. In June 2011, a customer canceled an ACMI agreement with ATI to operate two 767-300 freighters which was scheduled to begin in the third quarter of 2011. However, customer demand and interest remains high for placing the Boeing 767 aircraft into service as their modification is completed. Management is currently negotiating with current and potential customers to place the Boeing 767-300 aircraft into service later this year. Lead times and start-up costs may impact future operating results.

Expenses from Continuing Operations

Salaries, wages and benefits expense increased by 9% and 3% during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase reflects a 9% increase in headcount since June 30, 2010 to support revenue growth and additional aircraft block hours.

Fuel expense increased by $14.8 million and $23.9 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase reflects the higher cost of aviation fuel. The average price of a gallon of aviation fuel increased 39% and 33% during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The cost of fuel is generally reimbursed to our airlines under our operating agreements and reflected as revenues.

Depreciation and amortization expense increased by $2.1 million and $3.7 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. Depreciation expense increased due to the deployment of six modified aircraft since June 2010.

Maintenance, materials and repairs expense increased by $5.2 million and $8.8 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase in maintenance expense was primarily a result of increased flight hours on the Company's Boeing 767-200 aircraft engines. The Company maintains the General Electric CF6 engines that power its Boeing 767-200 aircraft through a "power by the hour" agreement ("PBH agreement") with a major service provider. The Company incurs a fee under the PBH agreement for each flight hour operated. The Company also has arranged for CAM's external leasing customers to participate under its PBH agreement. Engine maintenance expense increased due to the increase in hours flown by aircraft operated by the Company and an increase in hours flown by aircraft leased by CAM to external customers.

Landing and ramp expense, which includes the cost of deicing chemicals, increased by $0.6 million and remained flat for the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase during 2011 reflects additional expenses associated with providing aircraft maintenance during unscheduled aircraft down time.

Travel expense increased by $1.4 million and $2.5 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase is a result of additional flying, particularly in the Europe and Asia-Pacific regions.

Rent expense increased by $1.8 million and $3.7 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The increase reflects five additional Boeing 767 freighter aircraft the Company is leasing since June 2010 and an increase in the rental rates for the Company's facilities in Wilmington, Ohio in conjunction with a new lease agreement executed with a regional port authority in May 2010. Four of the five aircraft leased by the Company are owned by DHL and operated by ABX under the CMI agreement.

Insurance expenses increased by $0.2 million and decreased by $0.2 million during the three and six month periods

ended June 30, 2011, respectively, compared to the corresponding periods of 2010 due to changes in certain employee insurance costs.

Other operating expenses include professional fees, navigational services, employee training, utilities, the cost of parts sold to customers and gains and losses from the disposition of aircraft. Other operating expenses increased by $0.6 million and remained flat during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010.

Interest expense decreased by $1.1 million and $2.1 million during the three and six month periods ended June 30, 2011, respectively, compared to the corresponding periods of 2010. The decline in interest expense reflects the reduction in the Company's debt since June 2010 and lower interest rates. Interest rates on the Company's variable interest, unsubordinated term loan decreased from 3.2% in the second quarter of 2010 to 2.3% for the second quarter of 2011, while interest bearing debt decreased $8.5 million since June 30, 2010.

For the three and six month periods ended June 30, 2011, the Company recorded a pre-tax net gain on derivatives of $0.4 million and a pre-tax net loss on derivatives of $3.6 million, respectively. The gains and losses were a result of the interest rate derivatives held by the Company as described in Note I of the accompanying Notes to the Unaudited Condenssed Consolidated Financial Statemetns. In the first quarter of 2011, in conjunction with the new Credit Facility, the Company terminated its hedge accounting of interest rate swaps related to the former term loan, which resulted in the recognition of losses which had previously been reflected in other comprehensive income. In the second quarter of 2011, the Company repaid an aircraft loan prior to maturity and, as a result, the hedge accounting for the associated treasury lock was terminated, resulting in a pre-tax gain of $0.1 million.

For the six month period ended June 30, 2011, the Company recorded charges of $2.9 million to write-off unamortized debt issuance costs. During the first quarter of 2011, the Company wrote off $2.9 million of unamortized costs associated with the former credit agreement. During the second quarter of 2011, the Company wrote off a small amount of unamortized costs associated with an aircraft loan which was completely paid off prior to maturity.

The effective tax rate for continuing operations for both the three and six month periods ended June 30, 2011 was 37.5%, compared to 37.6% and 37.5%, respectively, for the corresponding periods in 2010. Income taxes recorded through June 30, 2011 have been estimated based on year-to-date income and projected results for the full year, excluding discrete items. The effective tax rate for the full year 2011 is projected to be approximately 37.5%.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash generated from operating activities totaled $78.5 million for the first six months of 2011 compared to $59.5 million in the first six months of 2010. Improved cash flows for 2011 include a reduction in the Company's contribution to defined benefit pension plans during 2011 compared to 2010. Contributions to the pension trust were $25.9 million more during the first six months of 2010 compared to 2011. Cash flows during 2010 also included the receipt from DHL of amounts in reimbursement for severance payments made to employees and costs incurred arising from the termination of the former contracts with DHL.

Capital spending levels were primarily the result of aircraft modification costs for Boeing 767 aircraft. Cash payments for capital expenditures were $102.7 million in the first six months of 2011 compared to $58.3 million in the first six months of 2010. Capital expenditures in the first six months of 2011 included cargo modification costs related to nine aircraft compared to seven aircraft during the first six months of 2010. Capital expenditures in 2011 included $84.2 million for the acquisition and modification of aircraft, $17.1 million for required heavy maintenance and $1.4 million for other equipment costs.

During the first six months of 2011, we executed a new credit facility to refinance the former term loan of $172.4 million. The Company drew $150 million under the new term loan and $65 million from a revolving credit agreement. We made debt principal payments of $198.9 million, including the payoff of the former term loan of $172.4 million during the first six months of 2011. During the second quarter of 2011, we completely paid off an aircraft loan at par value prior to maturity, remitting $13.8 million for the outstanding principal. Additionally, $3.1 million of principal balance for the DHL promissory note was extinguished, pursuant to the CMI agreement with DHL during the first six months of 2011.

Commitments

Through CAM, the Company continues to make investments in Boeing 767 and 757 aircraft. As these aircraft are modified, we will place them into service under dry leasing arrangements to external customers or ACMI operations using our airlines, depending on which alternative provides the best long term return and considering other factors, including geographical placement and customer diversification.

In September 2008, CAM entered into an agreement with Israel Aerospace Industries Ltd. ("IAI") for the conversion of up to fourteen Boeing 767-200 passenger door freighters to a standard freighter configuration. The conversion primarily consists of the installation of a standard cargo door and loading system. Through June 30, 2011, ten such aircraft have completed the modification process. As of June 30, 2011, the last four of the fourteen Boeing 767-200 aircraft were undergoing modification to standard freighter configuration. As of June 30, 2011, to complete the aircraft currently undergoing modification, CAM will be obligated to pay IAI approximately $19.4 million.

In the third quarter of 2010, CAM purchased three passenger-configured Boeing 767-300 ER aircraft, each equipped with General Electric CF6 engines. In August 2010, CAM entered into an agreement with M&B Conversions Limited and IAI for the conversion by IAI of the three Boeing 767-300 series passenger aircraft to a standard freighter configuration. The agreement includes an option to convert up to seven additional Boeing 767-300 series passenger aircraft during the 10-year term of the agreement. As of June 30, 2011, one such aircraft has completed the modification process and one Boeing 767-300 aircraft was undergoing modification to a standard freighter configuration. In May 2011, CAM purchased another passenger-configured Boeing 767-300 ER aircraft equipped with General Electric CF6 engines and exercised one of the seven options to convert the aircraft to a standard freighter configuration. If CAM were to cancel the conversion program as of June 30, 2011, it would owe IAI approximately $6.0 million associated with additional conversion part kits which have been ordered.

In October 2010, CAM entered an agreement with Precision Conversions, LLC ("Precision") for the design, engineering and certification of a Boeing 757 "combi" aircraft variant. The Boeing 757 "combi" variant to be developed by Precision will incorporate 10 full cargo pallet positions along with passenger seating for up to 58 occupants. In conjunction with the agreement, CAM made a deposit of $1.3 million toward the project. CAM is committed to convert at a minimum two Boeing 757 aircraft with Precision. In April 2011, CAM purchased a Boeing passenger 757 aircraft with the intent of modifying it for combi service. In July 2011, CAM purchased another Boeing 757 passenger aircraft and inducted it into the standard freighter modification process.

We estimate that total capital expenditures for 2011 could total $170 million to $200 million for costs related to the freighter modifications of six Boeing 767-200 aircraft, four Boeing 767-300 aircraft and two Boeing 757 aircraft. Actual capital spending for any future period will be impacted by the number of aircraft we decide to modify and the progress in the aircraft modification process. We expect to finance the aircraft purchases and modifications from current cash balances, future operating cash flows and our Credit Facility.

Liquidity

On May 9, 2011, the Company executed a new credit facility with a consortium of banks ("Credit Facility") to refinance the term loan of $172.4 million and extend debt repayment terms. The new Credit Facility includes a term loan of $150 million and a $175 million revolving credit loan, of which the Company has drawn $65 million. The new Credit Facility has an additional accordion feature of $50 million which the Company may draw subject to the lenders' consent. Under the Credit Facility, interest rates will be adjusted quarterly based on the Company's earnings before interest, taxes, depreciation and amortization expenses, outstanding debt level plus the prevailing LIBOR or prime rates. At the Company's current debt-to-earnings ratio, the unsubordinated term loan and revolving loan bear a variable interest rate of 2.25% and 2.19%, respectively. Repayments of the term loan are scheduled to begin in June 2012 and the Company expects to make further draws on the revolving loan to fund its fleet expansion plans. In conjunction with the execution of the new Credit Facility, the Company terminated its previous credit agreement.

The new Credit Facility is collateralized by certain of the Company's Boeing 767 and 757 aircraft that are not collateralized under aircraft loans. Under the terms of the Credit Facility, the Company is required to maintain collateral coverage equal to 150% of the outstanding balance of the term loan and revolving credit loan. Under the Credit Facility, the Company is subject to expenses, covenants and warranties that are usual and customary. The Credit Facility contains covenants including, among other things, limitations on certain additional indebtedness, guarantees of indebtedness, and the level of annual capital expenditures. The Credit Facility stipulates events of default including unspecified events

that may have a material adverse effect on the Company. If an event of default occurs, the Company may be forced to repay, renegotiate or replace the Credit Facility.

At June 30, 2011, the Company had approximately $37.9 million of cash balances. The Company had $94.7 million of unused credit facility, net of draws of $65.0 million and outstanding letters of credit of $15.3 million, through its Credit Facility. As specified under terms of ABX's CMI agreement with DHL, the $23.3 million balance at June 30, 2011 of the unsecured note payable to DHL will be extinguished ratably without payment through March 31, 2015. We believe that the Company's current cash balances and forecasted cash flows provided from its operating agreements, combined with its Credit Facility, will be sufficient to fund operations, scheduled debt payments, required pension funding and planned capital expenditures for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as certain disclosures included elsewhere in this report, are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to select appropriate accounting policies and make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In certain cases, there are alternative policies or estimation techniques which could be selected. On an ongoing basis, we evaluate our selection of policies and the estimation techniques we use, including those related to revenue recognition, post-retirement liabilities, bad debts, self-insurance reserves, valuation of spare parts inventory, useful lives, salvage values and impairment of property and equipment, income taxes, contingencies and litigation. We base our estimates on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, as well as for identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions. We believe the following significant and critical accounting policies involve the more significant judgments and estimates used in preparing the consolidated financial statements.

Revenue Recognition

Revenues generated from airline service agreements are typically recognized based on hours flown or the amount of aircraft and crew resources provided during a reporting period. Certain agreements include provisions for incentive payments based upon on-time reliability. These incentives are typically measured on a monthly basis and recorded to revenue in the corresponding month earned. Revenues for operating expenses that are reimbursed through customer agreements, including consumption of aircraft fuel, are generally recognized as the costs are incurred. Revenues from charter service agreements are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Revenues from the sale of aircraft parts are recognized when the parts are delivered. Revenues earned and expenses incurred in providing aircraft-related maintenance, repair or technical services are recognized in the period in which the services are completed and delivered to the customer. Revenues derived from transporting freight and sorting parcels are recognized upon delivery of shipments and completion of services. Aircraft lease revenues are recognized as operating lease revenue on a straight-line basis over the term of the applicable lease agreements.

The Company's revenues for the first quarter of 2010 included reimbursement for expenses incurred under the former DHL ACMI agreement, the incremental mark-up revenues set by amendments to the DHL ACMI agreement, and reimbursement for employee severance, retention, vacation and other benefit costs incurred during the period. Revenues from the former DHL ACMI agreement were generally determined based on expenses incurred during a period plus mark-ups and were recognized when the related services were performed. ABX and DHL amended the DHL ACMI agreement to set mark-ups to specific quarterly amounts for the first quarter of 2010. In 2008, ABX and DHL executed a severance and retention agreement (“S&R agreement”) which specified employee severance, retention and other benefits that DHL reimbursed to ABX for payment to its employees that were affected in conjunction with DHL's U.S. restructuring plan. DHL was obligated to reimburse ABX for the cost of employee severance, retention, productivity bonuses and vacation benefits paid in accordance with the agreement.

Goodwill and Intangible Assets

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 350-20 *Intangibles—Goodwill and Other*, we assess in the fourth quarter of each year whether the Company's goodwill acquired in acquisitions is impaired. Additional assessments may be performed on an interim basis whenever events or changes in circumstances indicate an impairment may have occurred. Indefinite-lived intangible assets are not amortized but are assessed for impairment annually, or more frequently if impairment indicators occur. Finite-lived intangible assets are amortized over their estimated useful economic lives and are periodically reviewed for impairment.

Depreciation

Depreciation of property and equipment is provided on a straight-line basis over the lesser of the asset's useful life or lease term. We periodically evaluate the estimated service lives and residual values used to depreciate our property and equipment. The acceleration of depreciation expense or the recording of significant impairment losses could result from changes in the estimated useful lives of our assets. We may change the estimated useful lives due to a number of reasons, such as the existence of excess capacity in our air system or ground networks, or changes in regulations grounding or limiting the use of aircraft.

Self-Insurance

We self-insure certain claims related to workers' compensation, aircraft, automobile, general liability and employee healthcare. We record a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data, recent claims trends and, in the case of employee healthcare and workers' compensation, an independent actuarial evaluation. Changes in claim severity and frequency could result in actual claims being materially different than the costs provided for in our results of operations. We maintain excess claim coverage with common insurance carriers to mitigate our exposure to large claim losses.

Contingencies

We are involved in legal matters that have a degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of amounts, if any, provided for these matters. There can be no assurance that the ultimate outcome of these matters will not differ materially from our assessment of them. There also can be no assurance that we know all matters that may be brought against us at any point in time.

Income Taxes

We account for income taxes under the provisions of FASB ASC Topic 740-10 *Income Taxes.* The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Fluctuations in the actual outcome of expected future tax consequences could materially impact the Company's financial position or its results of operations.

The Company has significant deferred tax assets including net operating loss carryforwards ("NOL CFs") for federal income tax purposes which begin to expire in 2025. Based upon projections of taxable income, we determined that it was more likely than not that the NOL CF's will be realized prior to their expiration. Accordingly, we do not have an allowance against these deferred tax assets at this time.

We recognize the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

Post-retirement Obligations

The Company sponsors qualified defined benefit pension plans for ABX's flight crewmembers and other eligible employees. The Company also sponsors non-qualified, unfunded excess plans that provide benefits to executive management and crewmembers that are in addition to amounts permitted to be paid through our qualified plans under provisions of the tax laws. In 2009, we amended each defined benefit plan to freeze the accrual of additional benefits and we provided notification to the affected employees. The Company also sponsors unfunded post-retirement healthcare

plans for ABX's flight crewmembers and non-flight crewmember employees.

The accounting and valuation for these post-retirement obligations are determined by prescribed accounting and actuarial methods that consider a number of assumptions and estimates. The selection of appropriate assumptions and estimates is significant due to the long time period over which benefits will be accrued and paid. The long-term nature of these benefit payouts increases the sensitivity of certain estimates on our post-retirement costs. In actuarially valuing our pension obligations and determining related expense amounts, assumptions we consider most sensitive are discount rates and expected long-term investment returns on plan assets. Other assumptions concerning retirement ages, mortality and employee turnover also affect the valuations. For our post-retirement healthcare plans, consideration of future medical cost trend rates is an important assumption in valuing these obligations. Actual results and future changes in these assumptions could result in future costs that are materially different than those recorded in our annual results of operations.

Discontinued Operations

In accordance with the guidance of FASB ASC Topic 205-20 *Presentation of Financial Statements*, a business component whose operations are discontinued is reported as discontinued operations if the cash flows of the component have been eliminated from the ongoing operations of the Company and the Company will no longer have any significant continuing involvement in the business component. The results of discontinued operations are aggregated and presented separately in the consolidated statement of operations. FASB ASC Topic 205-20 requires the reclassification of amounts presented for prior years to reflect their classification as discontinued operations.

Exit Activities

We account for the costs associated with exit activities in accordance with FASB ASC Topic 420-10 *Exit or Disposal Cost Obligations*. One-time, involuntary employee termination benefits are generally expensed when the Company communicates the benefit arrangement to the employee that it will no longer require the services of the employee beyond a minimum retention period. Liabilities for contract termination costs associated with exit activities are recognized in the period incurred and measured initially at fair value.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk for changes in interest rates and changes in the price of jet fuel. The risk associated with jet fuel, however, is largely mitigated by reimbursement through the agreements with our customers.

On May 9, 2011, the Company executed a new credit facility with a consortium of banks ("Credit Facility"). The new Credit Facility includes a term loan of $150 million. Under the Credit Facility, interest rates will be adjusted quarterly based on the Company's earnings before interest, taxes, depreciation and amortization expenses ("EBITDA"), its outstanding debt level and prevailing LIBOR or prime rates (see note E to the Notes to the Unaudited Condensed Consolidated Financial Statements). The Company's new Credit Facility requires the Company to maintain derivative instruments for fluctuating interest rates, for at least fifty percent of the outstanding balance of the new unsubordinated term loan. Accordingly, in July 2011, the Company entered into a new interest rate swap instrument. Additionally, the Company continues to hold certain interest rate swaps that were required for the former term loan (see note I to the Notes to the Unaudited Condensed Consolidated Financial Statements). As a result, future fluctuations in LIBOR interest rates will result in the recording of unrealized gains and losses on interest rate derivatives held by the Company.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2011, the Company carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon the evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the Securities and

Exchange Commission rules and forms.

(b) Changes in Internal Controls

There were no changes in internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Civil Action Alleging Violations of Immigration Laws

On December 31, 2008, a former ABX employee filed a complaint against ABX, a total of four current and former executives and managers of ABX, Garcia Labor Company of Ohio, and three former executives of the Garcia Labor companies, in the U.S. District Court for the Southern District of Ohio. The case was filed as a putative class action against the defendants, and asserts violations of the Racketeer Influenced and Corrupt Practices Act (RICO). The complaint, which was later amended to include a second former employee plaintiff, seeks damages in an unspecified amount and alleges that the defendants engaged in a scheme to hire illegal immigrant workers to depress the wages paid to hourly wage employees during the period from December 1999 to January 2005. On March 18, 2010, the Court issued a decision in response to a motion filed by ABX and the other ABX defendants, dismissing three of the five claims constituting the basis of Plaintiffs' complaint. Most recently, the Court issued a decision on October 7, 2010, permitting the plaintiffs to amend their complaint for the purpose of reinstating one of their dismissed claims. On October 26, 2010, ABX and the other ABX defendants filed an answer denying the allegations contained in plaintiffs' second amended complaint.

The complaint is similar to a prior complaint filed by another former employee in April 2007. The prior complaint was subsequently dismissed without prejudice at the plaintiff's request on November 3, 2008.

FAA Enforcement Actions

The Company's airline operations are subject to complex aviation and transportation laws and regulations that are continually enforced by the U.S. Department of Transportation and the Federal Aviation Administration ("FAA"). The Company's airlines receive letters of investigation ("LOIs") from the FAA from time to time in the ordinary course of business. The LOIs generally provide that some action of the airline may have been contrary to the FAA's regulations. The airlines respond to the LOIs and if the response is not satisfactory to the FAA, it can seek to impose a civil penalty for the alleged violations. Airlines are entitled to a hearing before an Administrative Law Judge or a Federal District Court Judge, depending on the amount of the penalty being sought, before any penalty order is deemed final.

The FAA issued LOIs to CCIA arising from a focused inspection of that airline's operations during the fourth quarter of 2009, several of which resulted in the FAA seeking monetary penalties against CCIA. ABX received an LOI from the FAA alleging that ABX failed to comply with an FAA Airworthiness Directive involving its Boeing 767 aircraft and proposing a monetary settlement. The Company believes it has adequately reserved for those monetary penalties being proposed by the FAA, although it's possible that the FAA may propose additional penalties exceeding the amounts currently reserved.

Other

In addition to the foregoing matters, we are also currently a party to legal proceedings in various federal and state jurisdictions arising out of the operation of our business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, we believe that our ultimate liability, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material to our financial condition or results of operations.

ITEM 1A. RISK FACTORS

The Company faces risks that could adversely affect its financial condition or results of operations. Many of these risks are disclosed in Item 1A of the Company's 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 8, 2011. Additional significant risks have been identified below. Other risks that are currently unknown to management or are currently considered immaterial or unlikely, could also adversely affect the Company.

Operating results may be affected by fluctuations in interest rates.

Effective March 31, 2011, in conjunction with its decision to refinance the unsubordinated term loan, the Company ceased hedge accounting for certain interest rates swaps. The interest rate swaps were related to the former, unsubordinated term loan which was refinanced in May 2011. In addition to these interest rate swaps, the Company's new Credit Facility requires the Company to maintain derivative instruments for fluctuating interest rates, for at least fifty percent of the outstanding balance of the new unsubordinated term loan. Accordingly, in July 2011, the Company entered into new derivative instruments. The Company did not designate the derivative instruments as hedges. Future fluctuations in LIBOR interest rates will result in the recording of gains and losses on interest rate derivatives that the Company holds.

Operating results and cash flows will be impacted by BAX/Schenker's decision to terminate the air network in North America.

The Company's revenues from BAX/Schenker, derived primarily by providing Boeing 727 and DC-8 airlift, comprised approximately 32% of the Company's revenues during the first six months of 2011 (23% of total revenue excluding directly reimbursable revenues, primarily jet fuel.) Future operating results and cash flows will be impacted by management's ability to replace this revenue stream though the redeployment of the Boeing 727 and DC-8 aircraft as well as the placement of additional Boeing 767 and 757 aircraft as those aircraft become ready for cargo service.

Management is assessing the number of Boeing 727 and DC-8 aircraft which will be removed from service, their demand in other air cargo markets and their value if sold as parts. The Company plans to test the carrying value of its aircraft, engines, goodwill and other intangibles during the third quarter of 2011. The amount of any impairment charge will depend on a number of factors including the number of aircraft that are removed from service, the estimated market value of aircraft, engines and parts that are removed from service and the amount of capitalized maintenance that is recoverable from BAX/Schenker. Management expects the Company will incur wind-down costs beginning in August 2011. The wind-down costs will include employee severance and benefits, airport lease termination payments, aircraft and equipment repositioning and other expenses. Management expects that a portion of the wind-down costs will be recovered from BAX/Schenker. The amount of impairment charges, the costs and duration of the wind-down, as well as amounts which may be recoverable from BAX/Schenker is presently not reasonably estimable by management.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The response to this item is contained in the Company's Form 8-K filed with the Securities and Exchange Commission on May 11, 2011 and the information contained therein is incorporated herein by reference.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or are incorporated in, the Quarterly Report on Form 10-Q:

10.1	Agreement to purchase one Boeing 757-200ER passenger aircraft between Cargo Aircraft Management, Inc. and Aircraft Lease Finance Corporation. (1)
10.2	Credit Agreement, dated as of May 9, 2011, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents, and Bank of America, N.A., as Documentation Agent, filed herewith.
10.3	Guarantee and Collateral Agreement, dated as of May 9, 2011, made by Cargo Aircraft Management, Inc. and certain of its Affiliates in favor of SunTrust Bank, as Administrative Agent, filed herewith.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2011. Those portions of the Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

AIR TRANSPORT SERVICES GROUP, INC.,
a Delaware Corporation
Registrant

/S/ JOSEPH C. HETE
Joseph C. Hete
Chief Executive Officer

Date: August 3, 2011

/S/ QUINT O. TURNER
Quint O. Turner
Chief Financial Officer

Date: August 3, 2011

CREDIT AGREEMENT

DATED AS OF MAY 9, 2011

AMONG

CARGO AIRCRAFT MANAGEMENT, INC.,
AS BORROWER

THE LENDERS FROM TIME TO TIME PARTY HERETO,

SUNTRUST BANK,
AS ADMINISTRATIVE AGENT,

REGIONS BANK
AND
JPMORGAN CHASE BANK, N.A.

AS SYNDICATION AGENTS

AND

BANK OF AMERICA, N.A.,
AS DOCUMENTATION AGENT

SUNTRUST ROBINSON HUMPHREY, INC.,
REGIONS CAPITAL MARKETS, a Division of Regions Bank,
and
J.P. MORGAN SECURITIES LLC

as Joint Lead Arrangers and Joint Bookrunners

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ANNEXES**:**

EXHIBITS:

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of May 9, 2011, among CARGO AIRCRAFT MANAGEMENT, INC., a Florida corporation ("Borrower"), AIR TRANSPORT SERVICES GROUP, INC., a Delaware corporation ("Holdings"), the lending and other financial institutions listed from time to time on Annex 1.1A hereto (each a "Lender" and, collectively, the "Lenders") and SUNTRUST BANK, as administrative agent (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein and defined in Section 1 are used herein as so defined.

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Lenders make available to the Borrower (i) a term loan in the initial aggregate principal amount of $150,000,000 and (ii) a revolving credit loan in the initial aggregate principal amount of $175,000,000, in each case to provide funding for the purposes set forth in Section 8.9;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1 DEFINITIONS AND RULES OF INTERPRETATION.

Section 1.1 Definitions. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires.

"Adjustment Date" shall be as defined in the Applicable Margin.

"Administrative Agent" shall have the meaning provided in the introductory paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to Section 11.9.

"Affiliate" shall mean, as to any Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) any Person who is a director, officer, shareholder, member or partner (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in the preceding clause (a). For purposes of this definition, "control" of a Person shall mean the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" shall mean this Credit Agreement.

"Aircraft" shall mean all aircraft of the Borrower and/or its Affiliates now or hereafter owned, leased or used in their business for the transportation of passengers and/or cargo and all related components, parts and property used in the operation of the aircraft which are attached to, connected with or located on such aircraft (including, without limitation, all Engines installed on an Aircraft, all galleys, seats, instruments, avionics, electronics, equipment, parts, attachments, APUs and accessories).

"Aircraft Appraisal" shall mean an appraisal of Holdings' and its Subsidiaries fleet of Boeing 757 and 767 Aircraft, as well as any other type of Aircraft that the Borrower determines to include in the Collateral Pool, conducted by an independent, third party appraiser acceptable to the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent. Except as otherwise agreed between the Borrower and Administrative Agent from time to time, the form and substance of all Aircraft Appraisals shall be consistent with the Aircraft Appraisal prepared in anticipation of the Closing Date.

"Anticipated Reinvestment Amount" shall mean, with respect to any Reinvestment Election, the amount specified in the Reinvestment Notice delivered by the Borrower in connection therewith as the amount of the Net Cash Proceeds from the related Asset Sale or Recovery Event that the Borrower intends to use to purchase, construct, convert, improve or otherwise acquire Reinvestment Assets.

"Applicable Margin" shall mean, for each Type and Class of Loan, the rate per annum set forth under the relevant column heading and opposite the relevant category below:

Level	Total Leverage	Applicable	Applicable	Commitment Fee
I	Greater than or equal to 2.50x	2.5%	1.5%	0.4%
II	Less than 2.50x but greater than or equal to	2.375%	1.375%	0.375%
III	Less than 2.25x but greater than or equal to	2.25%	1.25%	0.35%
IV	Less than 2.00x but greater than or equal to	2%	1%	0.3%
V	Less than 1.75x but greater than or equal to	1.875%	0.875%	0.275%
VI	Less than 1.50x but greater than or equal to	1.75%	0.75%	0.25%
VII	Less than 1.25x but greater than or equal to	1.625%	0.625%	0.225%

Level	Total Leverage	Applicable	Applicable	Commitment Fee
VIII	Less than 1.00x	1.5%	0.5%	0.2%

For the purposes hereof, changes in the Applicable Margin resulting from changes in the Total Leverage Ratio shall become effective on the date (the "Adjustment Date") that is three Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 8.1 and shall remain in effect until the next change to be effected pursuant to this paragraph; provided, that the foregoing is subject in all events to the last paragraph of Section 8.1 (c). If any financial statements referred to above are not delivered within the time periods specified in , then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the table above shall apply. Each determination of the Total Leverage Ratio pursuant to the above table shall be made in a manner consistent with the determination thereof pursuant to Section 9.13. Notwithstanding the foregoing, the Applicable Margin from the Closing Date until the third Business Day after the Borrower delivers the required financial statements under Section 8.1 for the Fiscal Quarter ending June 30, 2011 shall be at Level IV.

"Approved Fund" shall mean (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"APU" shall mean any auxiliary power unit currently installed on any Aircraft, together with any and all parts incorporated in or installed on or attached to any such auxiliary power unit and any and all parts removed therefrom so long as title thereto shall remain vested in Holdings or its Subsidiaries after removal from any such auxiliary power unit.

"Asset Sale" shall mean the sale, transfer or other disposition by any Credit Party of any asset or property constituting Collateral to any Person other than such Credit Party.

"Authorized Officer" shall mean, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president or one of its vice presidents (or the equivalent thereof), and such Person's chief financial officer or treasurer.

"Aviation Authority" shall mean, with respect to any Aircraft or Engine, the FAA or (if the jurisdiction of registration of such Aircraft or Engine ceases to be the United States of America) the authority and/or Governmental Authority which, under the laws of the jurisdiction of registration, from time to time (i) has control or supervision of civil aviation, or (ii) has jurisdiction over registration, airworthiness or operation of such Aircraft or Engine.

"Bankruptcy Code" shall have the meaning provided in Section 10.5.

"Base Rate" shall mean, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½

of 1% per annum and (c) the Eurodollar Rate determined on a daily basis for an Interest Period of 1 month plus 1.00%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in Atlanta, Georgia, and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Base Rate shall be determined without regard to clause (b) of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Base Rate Loans" shall mean Loans the rate of interest applicable to which is based upon the Base Rate.

"Borrower" shall have the meaning provided in the introductory paragraph of this Agreement.

"Borrowing" shall mean the incurrence of one Type of Loan pursuant to a single Facility by the Borrower from all of the Lenders having Commitments with respect to such Facility on a pro rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar Rate Loans the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of Eurodollar Rate Loans.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in Atlanta, Georgia or the City of New York a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Rate Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the interbank Eurodollar market.

"CMI Service Agreement" shall mean the Air Transportation Services Agreement, effective as of March 31, 2010 between DHL Network Operations (USA), Inc. and ABX Air, Inc.

"Cape Town Convention" shall mean the Convention on International Interests in Mobile Equipment, and its Protocol on Matters Specific to Aircraft Equipment.

"Capital Expenditures" shall mean, for any period, expenditures (including the aggregate amount of Capitalized Lease Obligations required to be paid during such period) incurred by any Person to acquire or construct fixed assets, plant and equipment (including renewals, improvements, replacements, and Maintenance Capital Expenditures) during such period, which would be required to be capitalized on the balance sheet of such Person in accordance with GAAP;

provided, however, that non-refundable deposits made in respect of any such expenditures shall in any event be deemed to be Capital Expenditures.

"Capital Lease" as applied to any Person shall mean any lease of (or arrangement conveying the right to use) any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP (subject to changes in GAAP as provided in Section 12.7), is classified and accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, any limited or general partnership interest and any limited liability company membership interest.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of Holdings and its Subsidiaries, in each case, taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Collateralize" shall mean, in respect of any obligations, to provide and pledge (as a first priority perfected security interest) cash collateral for such obligations in Dollars (in amounts, unless otherwise specified herein, equal to 100% of such obligations), with a depository institution, and pursuant to documentation in form and substance, reasonably satisfactory to the Administrative Agent (and "Cash Collateralization" has a corresponding meaning).

"Cash Equivalents" shall mean (i) direct obligations of the United States or any agency thereof with the full faith and credit of the United States government, or obligations guaranteed by the United States government or any agency thereof with the full faith and credit of the United States government, and for Foreign Subsidiaries, direct obligations of the government of the country in which such Foreign Subsidiary is located or any agency thereof with the full faith and credit of the United States government, or obligations guaranteed by such foreign government or any agency thereof with the full faith and credit of the United States government, (ii) time deposits, including certificates of deposit, repurchase agreements, bankers acceptances and Eurodollar time deposits issued by any office of any bank or trust company, provided in each case that such investment matures within one year from the date of acquisition thereof, (iii) demand deposits made in the Ordinary Course of Business, (iv) commercial paper rated in either of the two highest grades by a nationally recognized credit rating agency, (v) money market funds whose investments consist substantially of the foregoing, and (vi) any security rated at least A3 by Moody's or A- by Standard & Poor's with a maximum maturity of 18 months and an average maturity for all such securities of not more than 12 months.

"Cash Proceeds" shall mean, with respect to any Asset Sale or any Recovery Event, the aggregate cash payments (including any cash received by way of deferred payment pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise issued in connection with such Asset Sale or Recovery Event, other than the portion of such deferred payment constituting interest, but only as and when so received) received by any Credit Party from such Asset Sale or Recovery Event.

"Certified Air Carrier" shall mean, as to any Person, an air carrier holding a certificate issued by the FAA pursuant to Section 44705 of Title 49 of the United States Code or any other Federal aviation laws.

"Change in Control" shall mean, at any time, (i) any Person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a) shall have acquired, directly or indirectly, beneficial or record ownership (within the meaning of Rule 13d-3 under the 1934 Act) of 30% or more on a fully diluted basis of the total voting power represented by the Capital Stock of Holdings or (b) shall have obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body) of Holdings (other than pursuant to proxies solicited by the board of directors of Holdings in connection with an election of directors); (ii) Holdings shall cease to beneficially own (as defined in Rule 13d-3 under the 1934 Act) 100% on a fully diluted basis of the Capital Stock of the Borrower; or (iii) the majority of the seats (other than vacant seats) on the board of directors of Holdings cease to be occupied by individuals who are Incumbent Directors (as defined below). For purposes of this definition, an "Incumbent Director" is any individual who was a member of the board of directors of Holdings on the Closing Date; provided, however, that any individual who becomes a director of Holdings subsequent to the Closing Date whose election or nomination for election by the Company's stockholders, is approved by a vote of at least a majority of the directors then comprising Incumbent Directors, shall be considered an Incumbent Director.

"Change in Law" the adoption or effectiveness of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or its holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Swingline Loans or Term Loans and when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment, a Swingline Commitment or a Term Loan Commitment.

"CLO" shall mean any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

"Closing Date" shall have the meaning provided in Section 12.10.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code, as in effect at the Closing Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean the Aircraft of the Credit Parties included in the Collateral Pool, upon which a Lien is purported to be created by any Security Document.

"Collateral Pool" shall consist of each Qualified Aircraft admitted to the Collateral Pool pursuant to Section 8.10(a) or (b). An Aircraft shall be excluded from the determinations of the Collateral Pool (a) at any time such Aircraft ceases to be a Qualified Aircraft or (b) the Administrative Agent shall cease to hold a valid, perfected and first priority Lien in such Aircraft.

"Collateral to Loan Value Ratio" shall mean, at any time of determination, the ratio of (a) the aggregate appraised value of the Qualified Aircraft included in the Collateral Pool, as reasonably determined by the Administrative Agent by reference to the most recent Aircraft Appraisal delivered to the Administrative Agent to (b) the sum of (i) the Revolving Credit Commitments of all Lenders at the time of determination *plus* (ii) the outstanding principal amount of the Term Loans at the time of determination.

"Commitment" shall mean, with respect to each Lender, such Lender's Term Commitment and Revolving Commitment.

"Commitment Fee for Revolver" shall have the meaning provided in Section 4.1(a).

"Commitment Fee Rate for Revolver" shall mean 0.30% per annum; provided that commencing with the date of delivery of financial statements pursuant to Section 8.1(b) for the Fiscal Quarter of Holdings ended June 30, 2011, the Commitment Fee Rate for Revolver shall be calculated in accordance with the Applicable Margin.

"Compliance Certificate" shall have the meaning provided in Section 8.1(c).

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum dated April 14, 2011, with respect to the Facilities.

"Consolidated EBITDA" shall mean, for any period, Consolidated Net Income of such Person for such period plus, without duplication and to the extent reflected as a deduction in the statement of such Consolidated Net Income for such period, the sum of (i) total income tax expense during such period, plus (ii) Consolidated Interest Expense during such period, plus (iii) depreciation and amortization expense, plus (iv) amortization of intangibles (including, but not limited to, goodwill), plus (v) any non-recurring expenses incurred in connection with the closing of this Agreement, plus (vi) any extraordinary expenses or losses, and (vii) minus any extraordinary income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains or losses on the sales of assets outside of the Ordinary Course of Business).

"Consolidated Fixed Charges" shall mean, for any period, the sum, without duplication, of the amounts determined for Holdings and its Subsidiaries on a consolidated basis equal to (i) Consolidated Interest Expense to the extent paid in cash during such period, (ii) scheduled payments of principal on Consolidated Total Debt during such period (excluding the Refinancing and excluding any voluntary prepayment made pursuant to Section 5.1) and (iii) Dividends paid during such period.

"Consolidated Interest Expense" shall mean, for any period, total interest expense determined in accordance with GAAP (including that attributable to Capital Leases in accordance with GAAP) of Holdings and its Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of Holdings and its Subsidiaries, including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing.

"Consolidated Net Income" shall mean for any period, the net income (or loss) of Holdings and its Subsidiaries on a consolidated basis for such period taken as a single accounting

period determined in conformity with GAAP, provided that there shall be excluded (i) the income (or loss) of any Person in which any other Person has a joint interest, in each case except to the extent of the amount of dividends or other distributions actually received by Holdings or any of its Subsidiaries from such Person during such period, (ii) the income of any Subsidiary of Holdings (other than a Credit Party) to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary and (iii) the income statement effect of FASB 52 foreign currency gains and losses.

"Consolidated Total Debt" shall mean, as at any date of determination, the aggregate amount of all Indebtedness of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Contingent Obligations" shall mean as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the Ordinary Course of Business. The amount of any Contingent Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Contingent Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Contingent Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Contractual Obligation" shall mean, as to any Person, any provision of any Capital Stock issued by such Person or of any agreement, lease, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Documents" shall mean this Agreement, the Notes and the Security Documents.

"Credit Event" shall mean and include the making of a Loan or the issuance of a Letter of Credit.

"Credit Party" shall mean the Borrower, Holdings and each Subsidiary Guarantor.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean, at any time, a Lender as to which the Administrative Agent has notified the Borrower that (i) such Lender has failed for three or more Business Days to comply with its obligations under this Agreement to make a Revolving Loan, make a payment to the Issuing Bank in respect of a Letter of Credit (including failure to make a payment in respect of an LC Disbursement) and/or make a payment to the Swingline Lender in respect of a Swingline Loan (each a "funding obligation") unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding or the making of such payment (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (ii) such Lender has notified the Administrative Agent, or has stated publicly, that it will not comply with any such funding obligation hereunder or has defaulted on its funding obligations under any other loan agreement, credit agreement or similar or other financing agreement and such default is related to a Lender Insolvency Event with respect to such Lender, unless such Lender's failure is based on such Lender's reasonable and good faith determination that the conditions precedent to funding such obligation have not been satisfied and such Lender has notified the Administrative Agent in writing of the same, (iii) such Lender has, for three or more Business Days, failed to confirm in writing to the Administrative Agent, in response to a written request of the Administrative Agent, that it will comply with its funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (iii) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (iv) a Lender Insolvency Event has occurred and is continuing with respect to such Lender. The Administrative Agent will promptly send to all parties hereto a copy of any notice to the Borrower provided for in this definition.

"DHL Note" shall mean that certain Amended and Restated First Non-Negotiable Promissory Note, dated May 8, 2009, issued by ABX to DHL Network Operations (USA), Inc. in the original principal amount of $31,000,000.

"Dividends" shall have the meaning provided in Section 9.7.

"Dollars" and "$" shall mean dollars in lawful currency of the United States.

"Domestic Subsidiary" shall mean each Subsidiary of Holdings other than a Foreign Subsidiary.

"DOT" shall mean the United States Department of Transportation, and any successor or replacement Governmental Authority having the same or similar authority and responsibilities.

"Engines" shall mean goods of Holdings or its Subsidiaries consisting of aircraft engines having 1750 pounds of thrust or 550 or more rated takeoff horsepower which are owned by Holdings or its Subsidiaries and used in connection with the operation of their Aircraft, whether now owned or hereafter acquired and wherever located, and all related components, parts and other property used in the operation of the aircraft engines which are incorporated into such aircraft engines.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued, or any written approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief arising from alleged injury or threat of injury to health, safety or the environment, in each case in this clause (b) resulting from Hazardous Materials.

"Environmental Law" shall mean any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law in each case as amended, including any judicial or administrative order, consent decree or judgment, relating to the environment, or the use, generation, release or disposal of, or exposure to, Hazardous Materials, including, without limitation, the Comprehensive Environmental Response Compensation, and Liability Act, as amended, 42 U.S.C. §9601 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901 et. seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq. and any applicable state and local or foreign counterparts or equivalents.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the Closing Date and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with a Credit Party or a Subsidiary of a Credit Party would be deemed to be a "single employer" within the meaning of Section 414 of the Code.

"ERISA Event" shall mean any of the following: (a) the occurrence of a Reportable Event; (b) the failure of any Credit Party or an ERISA Affiliate to make required contributions when due to a Multiemployer Plan or Plan or an application has been made, or is reasonably likely to be made, to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan; (c) a Plan which has an Unfunded Current Liability has been or is likely to be terminated; (d) that a Plan has an Unfunded Current Liability and there is a failure to make a required contribution, which gives rise to a lien under ERISA or the Code; (e) proceedings are reasonably likely to be or have been instituted to terminate a Plan which has an Unfunded Current Liability or to appoint a trustee to administer a Plan; (f) that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan; (g) Holdings, any Subsidiary of Holdings or any ERISA Affiliate has incurred, or is reasonably likely to incur, any material liability (including any indirect, contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064 or 4069 of ERISA or with respect to a Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409, 502(1) or 502(i) of ERISA, or to or on account of the withdrawal from a Multiemployer Plan pursuant to Section 4201, 4204 or 4212 of ERISA; (h) Holdings, any Subsidiary of Holdings, or any ERISA Affiliate receives any notice, or a Multiemployer Plan has received from Holdings, any

Subsidiary of Holdings or any ERISA Affiliate any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; or (i) a determination that a Plan is, or is reasonably expected to be, in "at-risk" status (within the meaning of Section 430 of the Code or Section 303 ERISA).

"Eurocurrency Reserve Requirements" shall mean, for any day as applied to a Eurodollar Rate Loan, the aggregate (without duplication) of the rates (expressed as a decimal) of the maximum reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Base Rate" shall mean, with respect to each day during each Interest Period pertaining to a Eurodollar Rate Loan, the rate per annum (rounded upward, if necessary, to the nearest 1/100 of 1%) determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Reuters Screen LIBOR01 Page (or any successor page) as of 11:00 a.m., London, England time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Reuters Screen LIBOR01 Page (or any successor page) (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 a.m., two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations in respect of its Eurodollar Rate Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Rate Loan to be outstanding during such Interest Period.

"Eurodollar Rate" shall mean, with respect to each day during each Interest Period, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Rate Loan" shall mean a Loan based on the Eurodollar Rate.

"Event of Default" shall have the meaning provided in Section 10.

"Existing Credit Agreement" shall mean that certain Credit Agreement dated as of December 31, 2007 by and among ABX Air, Inc. and Cargo Holdings International, Inc., as the Borrowers, SunTrust Bank as administrative agent and the lenders from time to time party thereto.

"Existing Indebtedness" shall have the meaning provided in Section 9.4(c).

"FAA" shall mean the Federal Aviation Administration of the United States Department of Transportation, and any successor or replacement Governmental Authority having the same or similar authority and responsibilities.

"Facility" shall mean any of the credit facilities established under this Agreement, i.e., the Term Facility or the Revolving Facility.

"Fair Market Value" shall mean the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the chief financial officer or Board of Directors (or similar governing body) of the Person required to make such determination.

"FARs" shall mean the Federal Aviation Regulations and any Special Federal Aviation Regulations (Title 14 C.F.R. Part 1 et seq.), together with all successor regulations thereto.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 4.1.

"Final Maturity Date" shall mean the collective reference to the Term Facility Final Maturity Date and the Revolving Facility Final Maturity Date.

"Fiscal Quarter" shall mean a fiscal quarter of any Fiscal Year.

"Fiscal Year" shall mean the fiscal year of Holdings and its Subsidiaries ending on December 31 of each calendar year.

"Fixed Charge Coverage Ratio" shall mean the ratio as of the last day of any Fiscal Quarter of (a) (i) Consolidated EBITDA of Holdings and its Subsidiaries for the Test Period of determination *minus* (ii) Maintenance Capital Expenditures of Holdings and its Subsidiaries made during such Test Period *minus* (iii) income taxes paid by Holdings and its Subsidiaries in cash during such period to (b) Consolidated Fixed Charges of Holdings and its Subsidiaries for such Test Period.

"Foreign Subsidiary" shall mean each Subsidiary of Holdings (other than the Borrower) incorporated or organized, and doing business, in a jurisdiction other than the United States, the District of Columbia or any state or territory thereof.

"Fronting Fee" shall have the meaning provided in Section 4.1(c).

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, as in effect from time to time; it being understood and agreed that determinations in accordance with GAAP for purposes of Section 9, including defined terms as used therein, are subject (to the extent provided therein) to Section 12.7.

"Governmental Authority" shall mean any nation or government (whether foreign or domestic), any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee and Collateral Agreement" shall have the meaning set forth in Section 6.1(g)(i).

"Guaranties" shall mean the guaranties provided by Holdings and the Subsidiary Guarantors pursuant to the Guarantee and Collateral Agreement, and "Guaranty" shall mean the guaranty provided by any one of the Guarantors pursuant to the Guarantee and Collateral Agreement.

"Guarantor" shall mean each of Holdings and the Subsidiary Guarantors.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment containing polychlorinated biphenyls, and radon gas and (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any Environmental Law.

"Hedge Agreements" shall mean any commodity, interest rate or currency swap, cap, floor, collar, forward agreement or other exchange or protection agreements or any option with respect to any such transaction.

"Holdings" shall have the meaning provided in the introductory paragraph of this Agreement.

"ICA" shall have the meaning provided in Section 7.7.

"Incremental Commitments" shall have the meaning provided in Section 2.14(a).

"Incremental Commitments Effective Date" shall have the meaning provided in Section 2.14(d).

"Incremental Facility Amendment" shall have the meaning provided in Section 2.14(c).

"Incremental Lender" shall have the meaning provided in Section 2.14(c).

"Incremental Revolving Commitment" shall have the meaning provided in Section 2.14(a).

"Incremental Revolving Lender" shall have the meaning provided in Section 2.14(e).

"Incremental Term Commitment" shall have the meaning provided in Section 2.14(a).

"Incremental Term Loan Tranche" shall have the meaning provided in Section 2.14(b).

"Incremental Term Loans" shall have the meaning provided in Section 2.14(b).

"Indebtedness" of any Person shall mean without duplication (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the Ordinary Course of Business of such Person; provided, that trade payables overdue by more than 120 days shall be included in this definition) and all obligations of such Person under any conditional sale or other title retention agreement(s) relating to property acquired by such Person, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Capitalized Lease Obligations of such Person, (e) all obligations, contingent or otherwise, of such Person as an account party to reimburse any bank or other Person under acceptance, letter of credit or similar facilities, (f) all obligations of such Person to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person other than such repurchases from present or former directors, officers or employees made pursuant to stock option agreements, (g) all Contingent Obligations of such Person, (h) off-balance sheet liability retained in connection with asset securitization programs, "synthetic leases" (meaning any lease of goods or other property, whether real or personal, which is treated as an operating lease under GAAP and as a loan or financing for U.S. income tax purposes), sale and leaseback transactions or other similar obligations arising with respect to any other transaction but which does not constitute a liability on the consolidated balance sheet of such Person and its Subsidiaries, (i) every obligation of any other third Person secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property or other assets (including, without limitation, accounts and contract rights) of such Person, even though such Person has not assumed or become liable for the payment or performance of such obligation and (j) all obligations of such Person in respect of Hedge Agreements (after giving effect to any applicable netting provisions under such Hedge Agreement); for the avoidance of doubt, clause (j) shall not include any underlying notional amounts. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

The "amount" or "principal amount" of any Indebtedness at any time of determination represented by (1) any obligation under clause (i) shall be the lesser of (i) the amount of the applicable obligation and (ii) the Fair Market Value of the property to which such obligation relates, (2) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the accreted value at such time of determination, (3) any Capitalized Lease Obligation shall be the amount that is required to be capitalized in accordance with GAAP, (4) any "synthetic lease" under clause (h) shall be the stipulated loss value, termination value or other equivalent amount, (5) any Hedge Agreement shall be the maximum amount of any termination or loss payment required to be paid by such Person if such agreement were, at the time of determination, to be terminated by reason of any event of default or early termination event thereunder, whether or not such event of default or early termination event has in fact occurred, and (6) any Contingent Obligation shall be an amount equal to the stated or determinable amount of the primary obligation in respect of which such guaranty or other contingent obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder).

"Interest Period" with respect to any Loan shall mean the interest period applicable thereto, as determined pursuant to Section 2.9.

"Investment" shall mean (i) any direct or indirect purchase or other acquisition of, or of a beneficial interest in, any Capital Stock of any other Person; (ii) any direct or indirect purchase or other acquisition (in one transaction or in a series of transactions) of all or substantially all the assets or property of another Person or assets consisting of a business unit, line of business or division of such Person; (iii) any direct or indirect loan, advance or capital contribution to any other Person, including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the Ordinary Course of Business; and (iv) any direct or indirect guaranty of Indebtedness of any other Person. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"Joint Lead Arrangers" shall mean each of SunTrust Robinson Humphrey, Inc., Regions Capital Markets, a division of Regions Bank and J.P. Morgan Securities LLC in their capacities as Joint Lead Arrangers and Joint Bookrunners.

"Leasehold" of any Person shall mean all of the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of ground or land.

"Lender" shall have the meaning provided in the introductory paragraph of this Agreement.

"Lender Affiliate" shall mean (a) any Affiliate of any Lender, (b) any Person that is administered or managed by any Lender or any Affiliate of any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"Lender Insolvency Event" shall mean that (i) a Lender or its Parent Company is insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, or (ii) a Lender or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, custodian or the like has been appointed for such Lender or its Parent Company, or such Lender or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment, or (iii) a Lender or its Parent Company has been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent; provided that, for the avoidance of doubt, a Lender Insolvency Event shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in or control of a Lender or its Parent Company by a Governmental Authority.

"Letter of Credit" shall have the meaning provided in Section 3.1.

"Letter of Credit Exposure" shall mean, with respect to any Lender, such Lender's Revolving Percentage of all Letter of Credit Outstandings at such time.

"Letter of Credit Fee" shall have the meaning provided in Section 4.1(b).

"Letter of Credit Issuer" shall mean and include SunTrust Bank.

"Letter of Credit Outstandings" shall mean, at any time, the sum of, without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Request" shall have the meaning provided in Section 3.2.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).

"Loan" shall have the meaning provided in Section 2.1.

"Maintenance Capital Expenditures" shall mean, for any period, expenditures incurred by any Person to repair or maintain fixed assets, plant and equipment during such period, which would be required to be capitalized on the balance sheet of such Person in accordance with GAAP.

"Maintenance Requirements" shall mean, with respect to any Aircraft, Engine or APU, all compliance requirements set forth in or under (i) all mandatory service bulletins issued, supplied, or available by or through the manufacturer thereof, (ii) all applicable airworthiness directives issued by the Aviation Authority with respect thereto and (iii) the Aviation Authority approved maintenance program with respect thereto.

"Mandatory Borrowing" shall have the meaning provided in Section 2.1(c).

"Material Adverse Effect" shall mean a material adverse effect on and/or material adverse developments (including, without limitation, any adverse determination in any litigation, arbitration or governmental investigation or proceeding) with respect to (i) the business operations, properties, assets, condition (financial or otherwise) or prospects of Holdings and its Subsidiaries taken as a whole; (ii) a significant portion of the industry or business segment in which Holdings and/or its Subsidiaries operate or rely upon if such effect or development is reasonably likely to have a material adverse effect on Holdings and its Subsidiaries taken as a whole; (iii) the ability of any Credit Party to fully and timely perform its Obligations; (iv) the legality, validity, binding effect or enforceability against a Credit Party of a Credit Document to which it is a party; or (v) the rights, remedies and benefits available to, or conferred upon, the Administrative Agent, any Lender or any Secured Party under any Credit Document.

"Material Agreement Default" shall mean, any event or condition that, with the giving of notice, the lapse of time, the occurrence of any event or condition or the failure to meet any standard or condition, or any of the foregoing together, could be or become a default or event of default under any Material Contract (including, without limitation, the CMI Service Agreement).

"Material Contract" shall mean any contract or other arrangement to which Holdings or any of its Subsidiaries is a party (other than the Credit Documents) for which breach, nonperformance, cancellation or failure to renew would reasonably be expected to have a Material Adverse Effect.

"Maximum Rate" shall have the meaning provided in Section 12.20.

"Minimum Borrowing Amount" shall mean (i) for Base Rate Loans, $100,000 or a whole multiple of $100,000 in excess thereof and (ii) for Eurodollar Rate Loans, $500,000 or a whole multiple of $100,000 in excess thereof.

"Moody's" shall mean Moody's Investors Service, Inc., and its successors.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 3(37) of ERISA or Section 4001(a)(3) of ERISA.

"Negative Pledge" means, with respect to a given asset, any provision of a document, instrument or agreement (other than any Credit Document) which prohibits or purports to prohibit the creation or assumption of any Lien on such asset as security for Indebtedness of the Person owning or having an ownership interest in, such asset.

"Net Cash Proceeds" shall mean, with respect to any Asset Sale or Recovery Event, the Cash Proceeds resulting therefrom net of expenses of sale or recovery (including, without limitation, reasonable and documented attorneys', accountants', other advisors' and banking and investment banking fees, and all taxes paid or reasonably estimated to be payable, as a consequence of such Asset Sale or Recovery Event and the payment of principal and interest of Indebtedness secured by the asset which is the subject of the Asset Sale or Recovery Event and required to be, and which is, repaid under the terms thereof as a result of such Asset Sale or Recovery Event (other than any Lien in favor of the Administrative Agent for the benefit of the Lenders)).

"Non-Consenting Lender" shall mean any Lender which has not consented to any proposed amendment, modification, waiver or termination of the Credit Documents pursuant to Section 12.12 requiring the consent of all affected Lenders in respect of which the consent of the Required Lenders is obtained.

"Non-Defaulting Lender" shall mean each Lender other than a Defaulting Lender.

"Notes" shall be a collective reference to any promissory notes evidencing the Loans.

"Notice of Borrowing" shall have the meaning provided in Section 2.3.

"Notice of Conversion/Continuation" shall have the meaning provided in Section 2.6.

"Notice Office" shall mean the office of the Administrative Agent at 303 Peachtree Street, 25th Floor, Atlanta, Georgia 30308, Attn: Agency Services or such other office as the Administrative Agent may designate to the Borrower from time to time.

"Obligations" shall mean the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender (or, in the case of Specified Hedge Agreements, any Lender Affiliate), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under or pursuant to this Agreement, any other Credit Document, the Letters of Credit or any Specified Hedge Agreement whether on account of principal, interest, Reimbursement Obligations, fees, indemnities, costs,

expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"OFAC" shall mean U.S. Department of the Treasury's Office of Foreign Assets Control and any successor Governmental Authority.

"Operational Control" shall mean the exercise of authority over initiating, conducting or terminating a particular flight of an Aircraft.

"Ordinary Course of Business" shall mean, with respect to any Person, the ordinary course of business consistent with past practices of such Person.

"Parent Company" shall mean, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

"Participant" shall have the meaning provided in Section 3.4(a).

"Payment Office" shall mean the office of the Administrative Agent at SunTrust Bank, 303 Peachtree Street, N.E., Atlanta, Georgia 30308, or such other office as the Administrative Agent may designate to the Borrower from time to time.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permitted Liens" shall mean all Liens permitted pursuant to Section 9.3.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any single-employer plan as defined in Section 4001 of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute of) a Credit Party, a Subsidiary of a Credit Party or an ERISA Affiliate, and each such plan for the five year period immediately following the latest date on which a Credit Party, a Subsidiary of a Credit Party or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"Qualified Aircraft" means an Aircraft which satisfies all of the following requirements: (a) such Aircraft is 100% owned by the Borrower and/or a Guarantor; (b) such Aircraft is in compliance with all applicable Requirements of Law; (c) such Aircraft is duly registered with the FAA or applicable Aviation Authority; (d) the Borrower or the applicable Guarantor has obtained all licenses, permits, authorizations, approvals and authority from the FAA, the DOT, the TSA and each other applicable Governmental Authority necessary to conduct its business as presently conducted, including, without limitation, a certificate of airworthiness issued by the FAA or other Aviation Authority covering such Aircraft; (e) the Borrower or the applicable Guarantor operates and maintains, or causes to be operated and maintained, such Aircraft, in all material respects, in a safe, skilled and competent manner and in accordance with all applicable Requirements of Law, including, without limitation, noise, environmental and emission standards and requirements, and including those of the FAA, the DOT, the TSA and the airports served, and, except for Aircraft and flights that are the subject of a dry lease or interchange arrangement, has Operational Control of such Aircraft

and provides qualified flight crews for each flight made by such Aircraft in accordance with all applicable Requirements of Law; and (f) such Aircraft is not subject to (i) any Lien (other than a Lien in favor of the Administrative Agent for the benefit of the Secured Parties) or (ii) a Negative Pledge.

"Qualified Aircraft to Loan Value Ratio" shall mean, at any time of determination, the ratio of (a) the aggregate appraised value of all Qualified Aircraft (without regard to whether such Qualified Aircraft are included in the Collateral Pool), as reasonably determined by the Administrative Agent by reference to the most recent Aircraft Appraisal delivered to the Administrative Agent to (b) the sum of (i) the Revolving Commitments of all Lenders at the time of determination plus (ii) the outstanding principal amount of the Term Loans at the time of determination.

"Real Property" of any Person shall mean all of the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Records" shall mean any and all logs, manuals, certificates and data and inspection, modification, maintenance, engineering, technical, and overhaul records (whether in written or electronic form) with respect to any Aircraft required to be maintained by the Aviation Authority.

"Recovery Event" shall mean any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of Holdings and/or any of its Subsidiaries constituting Collateral.

"Refinancing" shall mean the payment in full of all obligations, and termination of all commitments, under the Existing Credit Agreement.

"Register" shall have the meaning set forth in Section 12.4(c).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Reimbursement Obligation" shall mean the obligation of the Borrower to reimburse the Issuing Lender pursuant to for amounts drawn under Letters of Credit.

"Reinvestment Assets" shall mean any replacement assets of a like kind to those assets subject to the Asset Sale or Recovery Event giving rise to a Reinvestment Election; provided, however, that (i) such replacement assets shall be employed in the business of, and be owned by, Holdings and/or its Subsidiaries and (ii) such replacement assets shall not be subject to any Liens.

"Reinvestment Election" shall have the meaning provided in Section 5.2(a)(iii).

"Reinvestment Notice" shall mean a written notice signed by an Authorized Officer of the Borrower stating that the Borrower, in good faith, intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to purchase, construct or otherwise acquire Reinvestment Assets as provided in Section 5.2(a)(iii).

"Reinvestment Prepayment Amount" shall mean, with respect to any Reinvestment Election, the amount, if any, on the Reinvestment Prepayment Date relating thereto by which (a) the Anticipated Reinvestment Amount in respect of such Reinvestment Election exceeds (b) the

aggregate amount thereof expended by the Borrower and its Subsidiaries to acquire Reinvestment Assets as provided in Section 5.2(a)(iii).

"Reinvestment Prepayment Date" shall mean, with respect to any Reinvestment Election, the earliest of (i) the date on which a Default or Event of Default occurs following any such Reinvestment Election, (ii) the date occurring 180 days after such Reinvestment Election if the related reinvestment in Reinvestment Assets has not been completed by such date and (iii) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, proceed with the purchase, construction or other acquisition of Reinvestment Assets with the related Anticipated Reinvestment Amount.

"Reinvestment Test" shall be satisfied if no Default or Event of Default then exists.

"Relief Fund" shall mean ABX Air Employee Catastrophic Relief Fund, an Ohio non-profit corporation.

"Replaced Lender" shall have the meaning provided in Section 2.13.

"Replacement Lender" shall have the meaning provided in Section 2.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan as to which the 30-day notice requirement has not been waived by the PBGC.

"Required Lenders" shall mean Non-Defaulting Lenders whose outstanding Term Loans and Revolving Commitments (or, if after the Total Revolving Commitment has been terminated, Total Revolving Extensions of Credit) constitute at least a majority of the sum of (i) the total outstanding Term Loans of Non-Defaulting Lenders and (ii) the Total Revolving Commitment less the aggregate Revolving Commitments of Defaulting Lenders (or, if after the Total Revolving Commitment has been terminated, the Total Revolving Extensions of Credit of Non-Defaulting Lenders).

"Requirement of Law" shall mean, as to any Person or Aircraft, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, including, with respect to any Aircraft, the airworthiness certificate issued with respect to such Aircraft, the Cape Town Convention, all FARs and special FARs, or the equivalent issued by an applicable Aviation Authority other than the FAA, and airworthiness directives applicable to such Aircraft.

"Revolving Commitment" shall mean, with respect to each Lender, (x) the amount set forth opposite such Lender's name in Annex 1.1A hereto directly below the column entitled "Revolving Commitment", as the same may be reduced from time to time pursuant to Section 4.2, Section 4.3 and/or Section 10 or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 12.4.

"Revolving Commitment Increase" has the meaning given such term in Section 2.14.

"Revolving Extensions of Credit" shall mean as to any Revolving Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Lender then outstanding, (b) such Lender's Revolving Percentage of the Letter of Credit Outstandings then outstanding and (c) such Lender's Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

"Revolving Facility" shall mean the Facility evidenced by the Total Revolving Commitment.

"Revolving Facility Final Maturity Date" shall mean the date which is the fifth (5^{th}) anniversary of the Closing Date or, if earlier, the date on which the Revolving Commitments are terminated pursuant to Section 10 hereof.

"Revolving Lender" shall mean each Lender that has a Revolving Commitment or that holds Revolving Loans.

"Revolving Loan" shall have the meaning provided in Section 2.1(b).

"Revolving Percentage" shall mean at any time for each Lender with a Revolving Commitment, the percentage obtained by dividing such Lender's Revolving Commitment by the Total Revolving Commitment or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes of the aggregate amount of the Total Revolving Extensions of Credit then outstanding.

"Sanctioned Entity" shall mean (a) an agency of the government of, (b) an organization directly or indirectly controlled by, or (c) a Person resident in, in each case, a country that is subject to a sanctions program identified on the list maintained by the OFAC and published from time to time, as such program may be applicable to such agency, organization or Person.

"Sanctioned Person" shall mean a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by the OFAC as published from time to time.

"SEC" shall have the meaning provided in Section 8.1(j).

"Secured Parties" shall have the meaning provided in the Security Documents.

"Security Documents" shall mean the Guarantee and Collateral Agreement and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Credit Party under any Credit Document.

"Specified Hedge Agreement" shall mean any Hedge Agreement entered into by any Credit Party and any Lender or Lender Affiliate.

"Standard & Poor's" shall mean Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"Stated Amount" of each Letter of Credit shall mean the maximum available to be drawn thereunder (regardless of whether any conditions for drawing could then be met).

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture or other entity in which such Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time. Unless otherwise expressly provided, all references herein to "Subsidiary" shall mean a Subsidiary of Holdings.

"Subsidiary Guarantor" shall mean any Domestic Subsidiary of Holdings (other than the Borrower) which is a party to the Guarantee and Collateral Agreement; provided that the Relief Fund shall not be a Subsidiary Guarantor.

"Swingline Commitment" shall mean $5,000,000.

"Swingline Expiry Date" shall mean the date which is one Business Day prior to the Revolving Facility Final Maturity Date.

"Swingline Exposure" shall mean, with respect to each Lender, the principal amount of the Swingline Loans in which such Lender is legally obligated either to make a Mandatory Borrowing or to purchase a participation in accordance with Section 2.1(c), which shall equal such Lender's Revolving Percentage of all outstanding Swingline Loans.

"Swingline Facility" shall mean the Facility evidenced by the Swingline Commitment.

"Swingline Lender" shall mean SunTrust Bank.

"Swingline Loan" shall have the meaning provided in Section 2.1(c).

"Taxes" mean present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein and all interest, penalties or similar liabilities with respect thereto, provided, however, that Taxes shall exclude (i) any tax imposed on or measured by the net income (or any franchise tax based on such net income) of such recipient pursuant to the laws of the United States or of the jurisdiction (or any political subdivision or taxing authority thereof or therein) under which such recipient is organized or in which the principal office or applicable lending office of such recipient is located and (ii) any amounts due by reason of the failure of a Lender to comply with its obligations under sections 1271-1474 of the Code.

"Term Commitment" shall mean, with respect to each Lender, the amount set forth opposite such Lender's name in Annex 1.1A hereto directly below the column entitled "Term Loan Commitment", pursuant to which such Lenders made Term Loans on the Closing Date.

"Term Facility" shall mean the Facility evidenced by the Term Commitments.

"Term Facility Final Maturity Date" shall mean the date which is the fifth (5^{th}) anniversary of the Closing Date or, if earlier, the date on which the Term Loans are declared immediately due and payable pursuant to Section 10 hereof.

"Term Loan" shall have the meaning provided in Section 2.1(a).

"Term Loan Scheduled Repayment" shall have the meaning provided in Section 5.2(a)(ii).

"Test Period" shall mean, at any time of determination, the four consecutive Fiscal Quarters of Holdings (taken as one accounting period) then last ended.

"Total Commitment" shall mean the sum of the Total Term Commitment and the Total Revolving Commitment.

"Total Leverage Ratio" shall mean at any date the ratio of Consolidated Total Debt of Holdings and its Subsidiaries at such date to Consolidated EBITDA of Holdings and its Subsidiaries for the Test Period ending on or immediately preceding such date.

"Total Revolving Commitment" shall mean the sum of the Revolving Commitments of each of the Lenders.

"Total Revolving Commitment Excess Amount" shall have the meaning provided in Section 5.2(a)(i).

"Total Revolving Extensions of Credit" shall mean at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Lenders outstanding at such time.

"Total Term Commitment" shall mean the sum of the Term Loan Commitments.

"Total Unutilized Revolving Commitment" shall mean, at any time, (i) the Total Revolving Commitment at such time less (ii) the sum of the aggregate principal amount of all Revolving Loans at such time plus the Letter of Credit Outstandings at such time.

"TSA" shall mean the United States Transportation Security Administration, and any successor or replacement Governmental Authority having the same or similar authority and responsibilities.

"Type" shall mean any type of Loan determined with respect to the interest option applicable thereto, i.e., a Base Rate Loan or Eurodollar Rate Loan.

"UCC" shall mean the Uniform Commercial Code.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the projected benefit obligation under the Plan as of the close of its most recent plan year exceeds the Fair Market Value of the assets allocable thereto, each determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

"Unpaid Drawing" shall have the meaning provided in Section 3.3(a).

"Unutilized Commitment" for any Lender at any time shall mean the excess of (i) the Revolving Commitment of such Lender over (ii) the sum of (x) the aggregate outstanding principal amount of Revolving Loans made by such Lender plus (y) an amount equal to such Lender's

Revolving Percentage, if any, of the Letter of Credit Outstandings at such time; provided that solely for purposes of calculating the Commitment Fee pursuant to Section 4.1(a), Swingline Loans shall be deemed not to be outstanding.

"Withdrawal Liability" shall mean a liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle B of Title IV of ERISA.

"Written" or "in writing" shall mean any form of written communication or a communication by facsimile transmission or electronic mail.

Section 1.2 Rules of Interpretation. Any definition of or reference to any document, instrument or agreement (including this Agreement) shall include such document, instrument or agreement as amended, restated, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(a) The singular includes the plural and the plural includes the singular.

(b) A reference to any law includes any amendment or modification to such law.

(c) A reference to any Person includes its permitted successors and permitted assigns.

(d) Accounting terms not otherwise defined herein have the meanings assigned to them by GAAP applied on a consistent basis by the accounting entity to which they refer.

(e) The words "include", "includes" and "including" are not limiting. The word "will" shall be construed to have the same meaning and effect as the word "shall". Reference to a particular "Section", "Exhibit" or "Schedule" refers to that section, exhibit or schedule of this Agreement unless otherwise indicated. The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement. Unless otherwise expressly indicated, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including."

(f) All terms not specifically defined herein or by GAAP, which terms are defined in the Uniform Commercial Code, have the meanings assigned to them in the Uniform Commercial Code of the relevant jurisdiction, with the term "instrument" being that defined under Article 9 of the Uniform Commercial Code of such jurisdiction.

(g) This Agreement and the other Credit Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are, however, cumulative and are to be performed in accordance with the terms thereof.

(h) To the extent that any of the representations and warranties contained in under this Agreement or in any of the other Credit Documents is qualified by "Material Adverse Effect", the qualifier "in all material respects" contained in Section 6.2 and the qualifier "in any material respect" contained in Section 10.2 shall not apply.

(i) Whenever the phrase "to the knowledge of" or words of similar import relating to the knowledge of a Person are used herein, such phrase shall mean and refer to (x) the actual knowledge of the Authorized Officers of such Person, or (y) the knowledge that such officers would have obtained if they had engaged in good faith in the diligent performance of their duties, including the making of such reasonable specific inquiries as may be necessary in the reasonable credit judgment of such officers to ascertain the accuracy of the matter to which such phrase relates.

(j) This Agreement and the other Credit Documents are the result of negotiation among, and have been reviewed by counsel to, among others, the Administrative Agent and the Credit Parties, and are the product of discussions and negotiations among all parties. Accordingly, this Agreement and the other Credit Documents are not intended to be construed against the Administrative Agent or any of the Lenders merely on account of the Administrative Agent's or any Lender's involvement in the preparation of such documents.

(k) Unless otherwise indicated, all references to a specific time shall be construed to Eastern Standard Time or Eastern Daylight Savings Time, as the case may be. Unless otherwise expressly provided herein, all references to dollar amounts shall mean Dollars.

(l) References in this Agreement to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, to the extent permitted hereby and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, supplemented, restated or otherwise modified as of the date of this Agreement and from time to time thereafter to the extent not prohibited hereby and in effect at any given time.

SECTION 2 AMOUNT AND TERMS OF CREDIT.

Section 2.1 Commitment. Subject to and upon the terms and conditions herein set forth, each Lender severally agrees to make a loan or loans (each a "Loan" and, collectively, the "Loans") to the Borrower, which Loans shall be drawn, to the extent such Lender has a Commitment under such Facility, under the Term Facility, the Revolving Facility, the Swingline Facility and the Incremental Facility, as set forth below:

(a) Loans under the Term Facility (each a "Term Loan" and, collectively, the "Term Loans") (i) shall be made pursuant to a single borrowing on the Closing Date and (ii) shall not exceed in aggregate principal amount for any Lender at the time of incurrence thereof the Term Commitment, if any, of such Lender. Once repaid, Term Loans borrowed on the Closing Date may not be reborrowed.

(b) Loans under the Revolving Facility (each a "Revolving Loan" and, collectively, the "Revolving Loans") (i) shall be made at any time and from time to time on or after the Closing Date and prior to the Revolving Facility Final Maturity Date, (ii) except as hereinafter provided, may, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Rate Loans, provided that all Revolving Loans made as part of the same Borrowing shall, unless otherwise specifically provided herein, consist of Revolving Loans of the same Type, (iii) may be repaid and reborrowed in accordance with the provisions hereof, (iv) shall not exceed for any Lender at any time outstanding that aggregate principal amount which, when added to the product of (x) such Lender's Revolving Percentage and (y) the sum of (I) the aggregate amount of Letter of Credit Outstandings at such time and (II) the aggregate principal

amount of all Swingline Loans then outstanding, equals the Revolving Commitment of such Lender at such time and (v) shall not exceed in aggregate principal amount at any time outstanding, when added to the sum of (x) the aggregate amount of Letters of Credit Outstandings at such time and (y) the aggregate principal amount of all Swingline Loans then outstanding, the Total Revolving Commitment. The Borrower shall repay all outstanding Revolving Loans on the Revolving Facility Final Maturity Date.

(c) Subject to and upon the terms and conditions herein set forth, the Swingline Lender, in its individual capacity, agrees, at any time and from time to time after the Closing Date and prior to the Swingline Expiry Date, to make a loan or loans (each a "Swingline Loan" and, collectively, the "Swingline Loans") to the Borrower, which Swingline Loans (i) shall be made and maintained as Base Rate Loans, (ii) shall not exceed at any time outstanding the Swingline Commitment, (iii) shall not exceed in aggregate principal amount at any time outstanding, when combined with (x) the aggregate principal amount of all Revolving Loans then outstanding and (y) all Letter of Credit Outstandings at such time, the Total Revolving Commitment then in effect, and (iv) may be repaid and reborrowed in accordance with the provisions hereof. The Borrower shall repay in full each Swingline Loan on the earlier to occur of (1) the date five (5) Business Days after such Swingline Loan is made and (2) the Swingline Expiry Date; *provided*, that the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan to refinance another outstanding Swingline Loan. The Swingline Lender shall not make any Swingline Loan after receiving a written notice from the Borrower or any Lender stating that a Default or an Event of Default exists and is continuing until such time as the Swingline Lender shall have received written notice of (i) rescission of all such notices from the party or parties originally delivering such notice (which notice of rescission such Person or Persons shall give to the Swingline Lender promptly upon the discontinuance of such Default or Event of Default) or (ii) the waiver of such Default or Event of Default in accordance with this Agreement. Also, the Swingline Lender shall not have any obligation to make any Swingline Loan in the event there is a Defaulting Lender (unless the Swingline Exposure of such Defaulting Lender has been reallocated or cash collateralized in accordance with Section 2.15). On any Business Day, the Swingline Lender may in its sole discretion, give notice to the Lenders that all then outstanding Swingline Loans shall be funded with a Borrowing of Revolving Loans (provided that such notice shall be deemed to have been automatically given upon the occurrence of an Event of Default), in which case a Borrowing of Revolving Loans constituting Base Rate Loans (each such Borrowing, a "Mandatory Borrowing") shall be made on the immediately succeeding Business Day by all Lenders with a Revolving Commitment pro rata based on such Lender's Revolving Percentages and the proceeds thereof shall be applied directly to the Swingline Lender to repay such outstanding Swingline Loans. Each Lender with a Revolving Loan Commitment hereby irrevocably agrees to make such Revolving Loans upon one Business Day's notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified to it in writing by the Swingline Lender notwithstanding (i) that the amount of the Mandatory Borrowing may not comply with the minimum amount for a Borrowing specified in Section 2.2, (ii) whether any conditions specified in Section 6.2 are then satisfied, (iii) the date of such Mandatory Borrowing and (iv) any reduction in the Total Revolving Commitment after such Swingline Loans were made. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code in respect of the Borrower), each Lender with a Revolving Commitment hereby agrees that it shall forthwith purchase from the Swingline Lender (without recourse or warranty), by assignment, such outstanding Swingline Loans as shall be necessary to cause such Lenders to share in such

Swingline Loans ratably based upon their respective Revolving Percentages, provided that all interest payable on such Swingline Loans shall be for the account of the Swingline Lender until the date the respective purchase is made and, to the extent attributable to such purchase, shall be payable to such Lender purchasing same from and after such date of purchase. Each Lender's obligations pursuant to the preceding sentence shall be absolute and unconditional.

(d) In addition to the foregoing, Incremental Revolving Commitments and/or Incremental Term Loans may be provided under this Agreement as described in Section 2.14.

(e) Notwithstanding any contrary provision of this Agreement, the Borrower and the Swingline Lender may enter into a separate agreement providing for the operation of the Swingline Facility, including without limitation, the integration of the Swingline Facility into the Borrower's operating accounts. The terms of any such separate agreement shall control over any contrary provision of this Agreement, provided that such separate agreement may not alter (i) the rates of interest applicable to Swingline Loans, (ii) the amount of the Swingline Commitment, (iii) the amount of the Revolving Commitment, (iv) the Swingline Expiry Date or the date on which any Swingline Loan is required to be paid, or (v) increase or otherwise change the Lenders' respective obligations to fund Mandatory Borrowings or purchase Swingline Loans as set forth herein.

Section 2.2 Minimum Borrowing Amounts, etc. The aggregate principal amount of each Borrowing under a Facility shall be the Minimum Borrowing Amount for such Facility (except that Mandatory Borrowings shall be made in the amounts required by Section 2.1(c)). More than one Borrowing may be incurred on any day, provided that at no time shall there be outstanding more than an aggregate of ten (10) Borrowings of Eurodollar Rate Loans.

Section 2.3 Notice of Borrowing (a) Whenever the Borrower desires to incur Loans under any Facility (other than the Swingline Facility and any Mandatory Borrowings), it shall give the Administrative Agent at its Notice Office, prior to 11:00 a.m., at least three Business Days' prior written notice of each Borrowing of Eurodollar Rate Loans and at least one Business Day's prior written notice of each Borrowing of Base Rate Loans to be made hereunder. Each such notice (each a "Notice of Borrowing") shall be in the form of Exhibit A, shall be irrevocable once given, and shall specify (i) the Facility pursuant to which such Borrowing is being made, (ii) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (iii) the date of Borrowing (which shall be a Business Day) and (iv) whether the respective Borrowing shall consist of Base Rate Loans or Eurodollar Rate Loans, and in the case of Eurodollar Rate Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall promptly give each applicable Lender written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing, of such Lender's proportionate share thereof and of the other matters covered by the Notice of Borrowing.

(b) Whenever the Borrower desires to incur Swingline Loans hereunder, it shall give the Swingline Lender no later than 11:00 a.m. on the day such Swingline Loan is to be made, written notice (or telephonic notice promptly confirmed in writing) of such incurrence. Each such notice shall specify in each case (i) the date of Borrowing (which shall be a Business Day) and (ii) the aggregate principal amount of the Swingline Loans to be made pursuant to such Borrowing. Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice permitted to be given hereunder with respect to Swingline Loans, the Administrative Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of the Borrower as a person entitled to give telephonic notices under this Agreement on behalf of the

Borrower. In each such case, the Administrative Agent's record of the terms of such telephonic notice shall be conclusive absent manifest error.

(c) Mandatory Borrowings shall be made upon the notice specified in Section 2.1(c), with the Borrower irrevocably agreeing, by its incurrence of any Swingline Loans, to the making of Mandatory Borrowings as set forth in such Section.

Section 2.4 Disbursement of Funds. (a) No later than 11:00 a.m. on the date specified in each Notice of Borrowing, each Lender with a Commitment under the respective Facility will make available its pro rata share of each Borrowing requested to be made on such date in the manner provided below. All amounts shall be made available to the Administrative Agent in Dollars and immediately available funds at the Payment Office, and the Administrative Agent promptly will make available to the Borrower by depositing to its account at the Payment Office the aggregate of the amounts so made available in the type of funds received. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (x) if paid by such Lender, the overnight Federal Funds Effective Rate or (y) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with Section 2.8, for the respective Loans.

(b) Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.5 Evidence of Indebtedness. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 12.4(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The accounts of each Lender and the entries made in the Register maintained pursuant to Section 2.5(a) and , respectively, shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that they will execute and deliver to each Lender upon such Lender's request therefor a promissory note of the Borrower evidencing any Term Loans or Revolving Loans, as the case may be, of such Lender, substantially in the form of Exhibit B-1 or B-2, respectively, with appropriate insertions as to date and principal amount.

Section 2.6 Conversions/Continuations. So long as no Default or Event of Default is in existence, the Borrower shall have the option to convert on any Business Day all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of the Loans owing pursuant to a single Facility (other than under the Swingline Facility, with all Swingline Loans to at all times be maintained as Base Rate Loans) into a Borrowing or Borrowings pursuant to such Facility of another Type of Loan, provided that (i) except as otherwise provided in Section 2.10(b), Eurodollar Rate Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable thereto and no partial conversion of a Borrowing of Eurodollar Rate Loans shall reduce the outstanding principal amount of the Eurodollar Rate Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) Base Rate Loans may only be converted into Eurodollar Rate Loans if no Default or Event of Default is in existence on the date of the conversion, and (iii) Borrowings of Eurodollar Rate Loans resulting from this Section 2.6 shall be limited in numbers as provided in Section 2.2. So long as no Default or Event of Default shall be in existence, the Borrower shall have the option to continue any Eurodollar Rate Loan as a Eurodollar Rate Loan by selecting a new Interest Period for such Eurodollar Rate Loan. Each new Interest Period selected under this Section shall commence on the last day of the immediately preceding Interest Period. If the Borrower shall fail to select in a timely manner a new Interest Period for any Eurodollar Rate Loan in accordance with this Section, such Loan will automatically, on the last day of the current Interest Period therefor, be continued as provided in Section 2.9 (b). Each such conversion or continuation shall be effected by the Borrower giving the Administrative Agent at its Notice Office, prior to 11:00 a.m., at least three Business Days' (or one Business Day's, in the case of a conversion into Base Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each a "Notice of Conversion/Continuation") specifying the Loans to be so converted, the Type of Loans to be converted into and, if to be converted into a Borrowing of Eurodollar Rate Loans, the Interest Period to be initially applicable thereto or, as the case may be, specifying the Loans to be so continued and the Interest Period applicable to such continuation. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion or continuation affecting any of its Loans. Notwithstanding the foregoing or the provisions of Section 2.9, if a Default or an Event of Default is in existence at the time any Interest Period in respect of any Borrowing of Eurodollar Rate Loans is to expire and the Administrative Agent or the Required Lenders have determined that a continuation of Eurodollar Rate Loans as such is not appropriate, such Loans may not be continued as Eurodollar Rate Loans but instead shall be automatically converted on the last day of such Interest Period into Base Rate Loans.

Section 2.7 Pro Rata Borrowings. All Borrowings of Term Loans and Revolving Loans under this Agreement shall be made by the Lenders pro rata on the basis of their Term Commitments or Revolving Commitments, respectively. It is understood that the obligations of the Lenders hereunder are several (and not joint), that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

Section 2.8 Interest. (a) The unpaid principal amount of each Base Rate Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Applicable Margin plus the Base Rate in effect from time to time.

(b) The unpaid principal amount of each Eurodollar Rate Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times be the Applicable Margin plus the relevant Eurodollar Rate.

(c) After the occurrence and during the continuance of an Event of Default, and after acceleration, all Loans and all other Obligations (including, without limitation, the Letter of Credit Fee) shall bear interest until paid in full at a rate per annum that is two percent (2.0%) in excess of the rate otherwise applicable thereto and such interest shall be payable on demand; *provided, however,* that, Eurodollar Rate Loans outstanding at the end of an Interest Period therefor shall thereafter bear interest until paid in full at a rate per annum equal to the Base Rate then in effect *plus* the Applicable Margin *plus* two percent (2.0%). If this Agreement or the other Credit Documents do not specify an interest rate for a particular Obligation, such Obligation shall, for purposes of this Section 2.8, be deemed to be a Base Rate Loan.

(d) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each March, June, September and December, commencing June 30, 2011, (ii) in respect of each Eurodollar Rate Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period of six months, on the date occurring every three months after the first day of such Interest Period during such Interest Period and (iii) in respect of each Loan (x) other than a Revolving Loan that is an Base Rate Loan, on any prepayment, conversion or continuation (on the amount so prepaid, converted or continued) and (y) at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(e) All computations of interest hereunder shall be made in accordance with Section 12.7.

(f) The Administrative Agent, upon determining the interest rate for any Borrowing of Eurodollar Rate Loans for any Interest Period, shall promptly notify the Borrower and the Lenders thereof.

Section 2.9 Interest Periods. (a) At the time the Borrower gives a Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, a Borrowing of Eurodollar Rate Loans (in the case of the initial Interest Period applicable thereto) or prior to 11:00 a.m. on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Rate Loans, the Borrower shall have the right to elect by giving the

Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower, be a one, two, three or six month period. Notwithstanding anything to the contrary contained above:

(i) the initial Interest Period for any Borrowing of Eurodollar Rate Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of Base Rate Loans), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) no Interest Period shall extend beyond the applicable Final Maturity Date;

(v) no Interest Period with respect to any Borrowing of Term Loans may be elected that would extend beyond any date upon which a Term Loan Scheduled Repayment in respect of such Term Loans is required to be made if, after giving effect to the selection of such Interest Period, the aggregate principal amount of Term Loans maintained as Eurodollar Rate Loans with Interest Periods ending after such date would exceed the aggregate principal amount of Term Loans permitted to be outstanding after such Term Loan Scheduled Repayment; and

(vi) no Interest Period may be elected at any time when a Default or an Event of Default is then in existence.

(b) If upon the expiration of any Interest Period, the Borrower has failed to (or may not) elect a new Interest Period to be applicable to the respective Borrowing of Eurodollar Rate Loans as provided above, the Borrower shall be deemed to have elected to continue such Borrowing for a new Interest Period of the same duration as the current Interest Period, effective as of the expiration date of such current Interest Period.

Section 2.10 Increased Costs, Illegality, etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Eurodollar Rate for any Interest Period that, by reason of any changes arising after the date of this Agreement

affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder in an amount which such Lender deems material with respect to any Eurodollar Rate Loans (other than any increased cost or reduction in the amount received or receivable resulting from a change in the rate of income taxes) because of any change in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate); or

(iii) at any time, that the making or continuance of any Eurodollar Rate Loan has become unlawful by compliance by such Lender in good faith with any change in any law, governmental rule, regulation, guideline or order (or interpretation or application thereof);

then, and in any such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall (x) on such date and (y) within ten Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to the Borrower and to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Rate Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by the Borrower with respect to Eurodollar Rate Loans which have not yet been incurred shall be deemed rescinded by the Borrower or, in the case of a Notice of Borrowing, shall, at the option of the Borrower, be deemed converted into a Notice of Borrowing for Base Rate Loans to be made on the date of Borrowing contained in such Notice of Borrowing, (y) in the case of clause above, the Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine in good faith) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing the basis for the calculation thereof, submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause above, the Borrower shall take one of the actions specified in Section 2.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Rate Loan is affected by the circumstances described in Section 2.10(a)(ii) or (iii), the Borrower may (and in the case of a Eurodollar Rate Loan affected pursuant to Section 2.10(a)(iii) the Borrower shall) either (i) if the affected Eurodollar Rate Loan is then being made pursuant to a Borrowing, by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Borrower was notified by a Lender pursuant to Section 2.10(a)(ii) or (iii), cancel said Borrowing or convert the related Notice of Borrowing into one requesting a Borrowing of Base Rate Loans, or (ii) if the affected Eurodollar Rate Loan is then outstanding, upon at least one Business Day's notice to the Administrative Agent,

require the affected Lender to convert each such Eurodollar Rate Loan into a Base Rate Loan, provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 2.10(b).

(c) If any Lender shall have determined that after the Closing Date a Change in Law occurs has or would have the effect of reducing by an amount deemed by such Lender to be material the rate of return on such Lender's or Parent Company's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender or Parent Company could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or Parent Company for such reduction. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 2.10(c), will give prompt written notice thereof to the Borrower, which notice shall set forth the basis of the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2.10(c) upon the subsequent receipt of such notice.

Section 2.11 Compensation. The Borrower shall compensate each Lender, upon its written request (which request shall set forth the basis for requesting and the method of calculating such compensation), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Rate Loans) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of Eurodollar Rate Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to (a)); (ii) if any repayment or conversion of any of its Eurodollar Rate Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay its Eurodollar Rate Loans when required by the terms of this Agreement or (y) an election made pursuant to Section 2.10(b).

Section 2.12 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.10(a)(ii) or (iii), Section 3.5 or Section 5.4 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section 2.12 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Section 2.10 or Section 5.4.

Section 2.13 Replacement of Lenders. If any Lender is owed increased costs or additional amounts, or the Borrower receives notice from any Lender or the Administrative Agent, under Section 2.10, Section 3.5 or Section 5.4, or any Lender becomes a Defaulting Lender or a Non-Consenting Lender, then the Borrower shall have the right, unless such Lender has theretofore removed or cured the conditions which resulted in the obligation to pay such increased costs or

additional amounts or which caused it to be a Defaulting Lender or a Non-Consenting Lender, to replace in its entirety such Lender (the "Replaced Lender"), on ten Business Days' (or three Business Days', in the case of the replacement of a Non-Consenting Lender) prior written notice to the Administrative Agent and such Replaced Lender, with one or more other Persons (collectively, the "Replacement Lender") reasonably acceptable to the Administrative Agent and, to the extent required by Section 12.4(b), reasonably acceptable to the Borrower (which acceptance in either case shall not be unreasonably withheld); provided, that: (i) at the time of any replacement pursuant to this Section 2.13, the Replaced Lender and the Replacement Lender shall enter into one or more Assignment Agreements, substantially in the form of Exhibit C (appropriately completed), pursuant to which the Replacement Lender shall acquire all of the Commitments (including all participation interests in Letters of Credit) and outstanding Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (a) an amount equal to the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Replaced Lender and (b) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Lender pursuant to Section 4.1 and (c) any other amounts payable to the Replaced Lender under this Agreement (including, without limitation, amounts payable under Section 2.11) and (ii) a Defaulting Lender shall be a Replaced Lender only to the extent not prohibited by law. Upon the execution of the respective assignment documentation, the payment of amounts referred to in the preceding sentence and, if so requested by the Replacement Lender, delivery to the Replacement Lender of appropriate Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder, and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions arising under this Agreement, which shall survive as to such Replaced Lender.

Section 2.14 Incremental Facility. (a) Upon notice to the Administrative Agent (whereupon the Administrative Agent shall promptly notify the Lenders), at any time after the Closing Date, the Borrower may from time to time request (i) additional Commitments under the Term Facility (each an "Incremental Term Commitment" and all of them, collectively, the "Incremental Term Commitments") or (ii) increases in the aggregate amount of the Revolving Commitments (each such increase, an "Incremental Revolving Commitment" and, together with the Incremental Term Commitments, the "Incremental Commitments"); provided that (x) both before and after giving effect to any such addition, the aggregate amount of Incremental Commitments that have been added pursuant to this shall not exceed $50,000,000, (y) any such addition or increase shall be in an amount of not less than $10,000,000 and (z) there shall be not more than three (3) such increases.

(b) Any Loans made in respect of any Incremental Revolving Commitments shall be made by increasing the Total Revolving Commitment with the same terms (including pricing) as the existing Revolving Loans (each, a "Revolving Commitment Increase"). Any Loans made in respect of any Incremental Term Commitments (the "Incremental Term Loans") may be made, at the option of the Borrower, by either (i) increasing the Total Term Commitment with the same terms (including pricing) as the existing Term Loans, or (ii) creating a new tranche of terms loans (an "Incremental Term Loan Tranche"). Any Revolving Commitment Increases or Incremental Term Loans (A) shall not have a final maturity earlier than the Revolving Facility Final Maturity Date or Term Facility Final Maturity Date or a weighted average life which is shorter than the then remaining average life of the Term Loans, as the case may be, (B) shall rank pari passu in right of payment and of security (including Guaranties) with the Revolving Loans and the Term Loans and (C) shall have such other terms and provisions, to the extent not consistent with the Revolving Loans or the Term Loans, as the case may be, as are reasonably satisfactory to the Joint Lead Arrangers.

(c) Each notice from the Borrower pursuant to this Section 2.14 shall set forth the requested amount and proposed terms of the Incremental Commitments. Incremental Term Loans (or any portion thereof) may be made, and Revolving Commitment Increases may be provided, by any existing Lender or by any other bank, financial institution or other investing entity (any such bank, financial institution or other investing entity, an "Incremental Lender"), in each case on terms permitted in this Section 2.14 and otherwise on terms reasonably acceptable to the Administrative Agent, provided that the Administrative Agent (and, in the case of a Revolving Commitment Increase, the Letter of Credit Issuer and the Swingline Lender) shall have consented (not to be unreasonably withheld) to such Lender's or Incremental Lender's, as the case may be, making such Incremental Term Loans or providing such Revolving Commitment Increase if such consent would be required under Section 12.4 for an assignment of Loans or Revolving Commitments, as applicable, to such Lender or Incremental Lender, as the case may be. No Lender shall be obligated to provide any Incremental Term Loans or Revolving Commitment Increases, unless it so agrees. Any Incremental Commitments shall become Commitments (or in the case of any Revolving Commitment Increase to be provided by an existing Revolving Lender, an increase in such Revolving Lender's Revolving Commitment) under this Agreement pursuant to an amendment (an "Incremental Facility Amendment") to this Agreement and, as appropriate, the other Credit Documents, executed by the Borrower, each Lender agreeing to provide such Commitment, if any, each Incremental Lender, if any, and the Administrative Agent. An Incremental Facility Amendment may, without the consent of any other Lenders, effect such amendments to any Credit Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 2.14. At the time of the sending of such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders). Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to provide an Incremental Commitment and, if so, whether by an amount equal to, greater than, or less than its pro rata share of such requested increase (which shall be calculated on the basis of the amount of the funded and unfunded exposure under all the Facilities held by each Lender). Any Lender not responding within such time period shall be deemed to have declined to provide an Incremental Commitment. The Administrative Agent shall notify the Borrower and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase, the Borrower may, after first offering such increase to the existing Lenders as provided above, invite Incremental Lenders to become Lenders pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(d) If any Incremental Commitments are added in accordance with this Section 2.14, the Administrative Agent and the Borrower shall determine the effective date (the "Incremental Commitments Effective Date") and the final allocation of such addition; provided, that any existing Lender electing to participate in the proposed Incremental Commitments shall have the right to participate in the proposed increase or addition on a pro rata basis in accordance with such Lender's Revolving Commitment (in the case of an increase of the Revolving Commitments) or the outstanding Term Loans held by such Lender (in the case of Incremental Term Commitments) as of the Business Day prior to the Incremental Commitments Effective Date. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final allocation of such addition and the Incremental Commitments Effective Date. As a condition precedent to such addition, the Borrower shall deliver to the Administrative Agent (i) a pro forma Compliance Certificate after giving effect to such addition and (ii) a certificate of the Borrower dated as of the Incremental Commitments Effective Date signed by a Responsible Officer of the Borrower certifying that, before and after

giving effect to such increase, (A) the representations and warranties contained in Section 7 and the other Credit Documents are true and correct in all material respects on and as of the Incremental Commitments Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall have been true and correct in all material respects as of such earlier date, (B) no Default or Event of Default exists before or after giving effect to such addition and (C) all conditions set forth in Section 6.2 are satisfied as of such date. On each Incremental Commitments Effective Date, each Lender or Incremental Lender which is providing an Incremental Commitment (x) shall become a "Lender" for all purposes of this Agreement and the other Credit Documents, (y) shall have, as applicable, an Incremental Term Commitment and/or an Incremental Revolving Commitment which shall become "Commitments" hereunder and (z) in the case of an Incremental Term Commitment, shall make an Incremental Term Loan to the Borrower in a principal amount equal to such Incremental Term Commitment, and such Incremental Term Loan shall be a "Term Loan" for all purposes of this Agreement and the other Credit Documents (except that the interest rate applicable to any Incremental Term Loan under an Incremental Term Loan Tranche may be different).

(e) Upon each Revolving Commitment Increase pursuant to this Section 2.14, (i) each Revolving Lender immediately prior to such increase will automatically and without further act be deemed to have assigned to each existing Revolving Lender, if any, and each Incremental Lender, if any, in each case providing a portion of such Revolving Commitment Increase (each an "Incremental Revolving Lender"), and each such Incremental Revolving Lender will automatically and without further act be deemed to have assumed, a portion of such Revolving Lender's risk participation hereunder in outstanding Letters of Credit and Swingline Loans such that, after giving effect to such Revolving Commitment Increase and each such deemed assignment and assumption of such risk participations, the percentage of the aggregate outstanding (A) risk participations hereunder in Letters of Credit and (B) risk participations in Swingline Loans, in each case, held by each Revolving Lender (including each such Incremental Revolving Lender) will equal such Revolving Lender's pro rata share of the outstanding Revolving Loans based on each such Revolving Lender's Revolving Percentage immediately after giving effect to such Revolving Commitment Increase and (ii) if, on the date of such Revolving Commitment Increase, there are any Revolving Loans outstanding, the Administrative Agent shall take those steps which it deems, in its sole discretion, necessary and appropriate to result in each Revolving Lender (including each Incremental Revolving Lender) having a pro rata share of the outstanding Revolving Loans based on each such Revolving Lender's Revolving Percentage immediately after giving effect to such Revolving Commitment Increase, provided that any prepayment made in connection with the taking of any such steps shall be accompanied by accrued interest on the Revolving Loans being prepaid and any costs incurred by any Lender in accordance with Section 2.11. The Administrative Agent and the Lenders hereby agree that the minimum borrowing, pro-rata borrowing and pro-rata payment requirements contained elsewhere in this Agreement shall not apply to any transaction that may be effected pursuant to the immediately preceding sentence.

(f) This Section 2.14 shall supersede any provisions in Section 12.12 to the contrary.

Section 2.15 Defaulting Lenders. (a) If any Lender becomes, and during the period it remains, a Defaulting Lender, the following provisions shall apply, notwithstanding anything to the contrary in this Agreement:

(i) the Letter of Credit Exposure and Swingline Exposure of such Defaulting Lender will, subject to the limitation in the first proviso below, automatically be reallocated (effective on the day such Lender becomes a Defaulting Lender) among the Non-Defaulting Lenders pro rata in accordance with their respective Revolving Commitments; provided that (a) the sum of each Non-Defaulting Lender's total Revolving Credit Exposure may not in any event exceed the Revolving Commitment of such Non-Defaulting Lender as in effect at the time of such reallocation and (b) neither such reallocation nor any payment by a Non-Defaulting Lender pursuant thereto will constitute a waiver or release of any claim the Borrower, the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender or any other Lender may have against such Defaulting Lender or cause such Defaulting Lender to be a Non-Defaulting Lender;

(ii) to the extent that any portion (the "unreallocated portion") of the Letter of Credit Exposure and Swingline Exposure of any Defaulting Lender cannot be so reallocated, for any reason, the Borrower will, not later than two (2) Business Days after demand by the Administrative Agent (at the direction of the Letter of Credit Issuer and/or the Swingline Lender), (a) Cash Collateralize the obligations of the Borrower to the Letter of Credit Issuer or Swingline Lender in respect of such Letter of Credit Exposure or Swingline Exposure, as the case may be, in an amount equal to the aggregate amount of the unreallocated portion of the Letter of Credit Exposure and Swingline Exposure of such Defaulting Lender, or (b) in the case of such Swingline Exposure, prepay and/or Cash Collateralize in full the unreallocated portion thereof, or (c) make other arrangements satisfactory to the Administrative Agent, the Letter of Credit Issuer and the Swingline Lender in their sole discretion to protect them against the risk of non-payment by such Defaulting Lender; provided that (a) the sum of each Non-Defaulting Lender's Revolving Credit Exposure may not in any event exceed the Revolving Commitment of such Non-Defaulting Lender, and (b) neither any such reallocation nor any payment by a Non-Defaulting Lender pursuant thereto nor any such Cash Collateralization or reduction or other arrangements will constitute a waiver or release of any claim the Borrower, the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender or any other Lender may have against such Defaulting Lender, or cause such Defaulting Lender to be a Non-Defaulting Lender;

(iii) except as otherwise provided herein, any amount paid by the Borrower for the account of a Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity payments or other amounts) will be retained by the Administrative Agent in a segregated non-interest bearing account until the termination of the Revolving Commitments at which time the funds in such account will be applied by the Administrative Agent, to the fullest extent permitted by law, in the following order of priority: ***first***, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent under this Agreement, ***second***, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Letter of Credit Issuer or the Swingline Lender under this Agreement, ***third***, if so determined by the Administrative Agent or requested by the Letter of Credit Issuer or Swingline Lender, to be held as cash collateral for future funding obligations of such Defaulting Lender in respect of any participation in any Swingline Loan or Letter of Credit, ***fourth***, to the payment of any amounts owing to

the Lenders, the Letter of Credit Issuer or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Letter of Credit Issuer or Swingline Lender against that Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, ***fifth***, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and ***sixth***, to pay amounts owing under this Agreement to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this clause (iii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) If the Borrower, the Administrative Agent, the Letter of Credit Issuer and the Swingline Lender agree in writing that any Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, the Letter of Credit Exposure and the Swingline Exposure of the other Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Commitment, and such Lender will purchase at par such portion of outstanding Revolving Loans of the other Lenders and/or make such other adjustments as the Administrative Agent may determine to be necessary to cause the Revolving Credit Exposure of the Lenders to be on a pro rata basis in accordance with their respective Revolving Commitments, whereupon such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender (and such Revolving Credit Exposure of each Lender will automatically be adjusted on a prospective basis to reflect the foregoing), and if any cash collateral has been posted with respect to such Defaulting Lender, the Administrative Agent will promptly return such cash collateral to the Borrower; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder.

SECTION 3 LETTERS OF CREDIT.

Section 3.1 Letters of Credit. (a) Subject to and upon the terms and conditions herein set forth, the Borrower may request the Letter of Credit Issuer at any time and from time to time on any Business Day on or after the Closing Date and prior to the Revolving Facility Final Maturity Date to issue, for the account of the Borrower and in support of (i) obligations of Holdings and/or any Subsidiary, contingent or otherwise, incurred in the Ordinary Course of Business of such Persons, (ii) obligations of Holdings and its Subsidiaries under insurance policies or related to self-insurance obligations, (iii) obligations of Holdings and its Subsidiaries related to surety bonds and (iv) such other obligations of Holdings and its Subsidiaries to any other Person that are reasonably acceptable to the Administrative Agent, and subject to and upon the terms and conditions herein set forth, the Letter of Credit Issuer agrees to issue from time to time, irrevocable letters of credit in such form as may be approved by the Letter of Credit Issuer and the Administrative Agent (each such letter of credit, a "Letter of Credit" and collectively, the "Letters of Credit"). Letters of Credit listed on Annex 3.1 issued under the Existing Credit Agreement ("Existing Letters of Credit") shall

automatically be deemed to constitute and continue as Letters of Credit issued hereunder on the Closing Date.

(b) Notwithstanding the foregoing, (i) each Letter of Credit shall be denominated in Dollars, (ii) no Letter of Credit shall be issued, the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to or at the time of, the issuance of the relevant Letter of Credit) at such time, would exceed either (x) $75,000,000 or (y) when added to the aggregate principal amount of all Revolving Loans and Swingline Loans then outstanding, an amount equal to the Total Revolving Commitment at such time (after giving effect to any reductions to the Total Revolving Commitment on such date), and (iii) each Letter of Credit shall have an expiry date occurring not later than the earlier of (x) one year after such Letter of Credit's date of issuance although any Letter of Credit may be automatically renewable for successive periods, which shall in no event extend beyond the date referred to in clause (y) below, of up to 12 months (unless notice of non-renewal is given to the Borrower by the Letter of Credit Issuer, or such Letter of Credit does not include an automatic renewal provision) and (z) unless Cash Collateralized ten (10) Business Days prior to the Revolving Facility Final Maturity Date, on terms acceptable to the Administrative Agent and the Letter of Credit Issuer, the Revolving Facility Final Maturity Date.

Section 3.2 Letter of Credit Requests; Notices of Issuance. (a) Whenever it desires that a Letter of Credit be issued, the Borrower shall give the Administrative Agent and the Letter of Credit Issuer written notice (including by way of telecopier) in the form of Exhibit D prior to 11:00 a.m. at least five Business Days (or such shorter period as may be acceptable to the Letter of Credit Issuer) prior to the proposed date of issuance (which shall be a Business Day) (each a "Letter of Credit Request"), which Letter of Credit Request shall include an application for such Letter of Credit and any other documents that the Letter of Credit Issuer customarily requires in connection therewith. The Administrative Agent shall promptly notify each Revolving Lender of each Letter of Credit Request.

(b) The Letter of Credit Issuer shall, on the date of each issuance of a Letter of Credit by it, give the Administrative Agent, each Revolving Lender and the Borrower written notice of the issuance of such Letter of Credit, accompanied by a copy to the Administrative Agent of the Letter of Credit or Letters of Credit issued by it.

Section 3.3 Agreement to Repay Letter of Credit Drawings. (a) The Borrower hereby agrees to reimburse the Letter of Credit Issuer (whether with its own funds or with the proceeds of Revolving Loans), by making payment to the Administrative Agent in immediately available funds at the Payment Office, for any payment or disbursement made by the Letter of Credit Issuer under any Letter of Credit (each such amount so paid or disbursed until reimbursed, an "Unpaid Drawing"), not later than 2:00 p.m., on the Business Day immediately following the day that the Borrower receives notice from the Letter of Credit Issuer of such Unpaid Drawing, with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 2:00 p.m. on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date the Letter of Credit Issuer is reimbursed therefor at a rate per annum which shall be the rate then applicable to Revolving Loans that are Base Rate Loans pursuant to Section 2.8(a) (plus an additional 2% per annum if not reimbursed by the third Business Day after the date of such payment or disbursement), such interest also to be payable on demand.

(b) The Borrower's obligation under this Section 3.3 to reimburse the Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Letter of Credit Issuer, the Administrative Agent or any Lender, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such drawing; provided that, to the extent the Borrower has derived no direct or indirect benefit therefrom, the Borrower shall not be obligated to reimburse the Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer.

Section 3.4 Letter of Credit Participations. (a) Immediately upon the issuance by the Letter of Credit Issuer of any Letter of Credit, the Letter of Credit Issuer shall be deemed to have sold and transferred to each Revolving Lender, and each Revolving Lender (each a "Participant") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Revolving Lender's Revolving Percentage, in such Letter of Credit, each substitute letter of credit, each drawing made thereunder and the obligations of the Borrower under this Agreement with respect thereto (although Letter of Credit Fees shall be payable directly to the Administrative Agent for the account of the Revolving Lenders as provided in Section 4.1(b) and the Participants shall have no right to receive any portion of any Fronting Fees) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments of the Revolving Lenders pursuant to Section 12.4(b), it is hereby agreed that, with respect to all then outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 3.4 to reflect the new Revolving Percentages of the assigning and assignee Revolving Lender.

(b) In determining whether to pay under any Letter of Credit, the Letter of Credit Issuer shall not have any obligation relative to the Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Letter of Credit Issuer under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for the Letter of Credit Issuer any resulting liability.

(c) In the event that the Letter of Credit Issuer makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to the Letter of Credit Issuer pursuant to Section 3.3 (a), the Letter of Credit Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Participant of such failure, and each Participant shall promptly and unconditionally pay to the Administrative Agent for the account of the Letter of Credit Issuer, the amount of such Participant's Revolving Percentage of such payment in Dollars and in same day funds. If the Administrative Agent so notifies any Participant required to fund a payment under a Letter of Credit prior to 11:00 a.m. on any Business Day, such Participant shall make available to the Administrative Agent for

the account of the Letter of Credit Issuer such Participant's Revolving Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such Participant shall not have so made its Revolving Percentage of the amount of such payment available to the Administrative Agent for the account of the Letter of Credit Issuer, such Participant agrees to pay to the Administrative Agent for the account of the Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of the Letter of Credit Issuer at the overnight Federal Funds Effective Rate. The failure of any Participant to make available to the Administrative Agent for the account of the Letter of Credit Issuer its Revolving Percentage of any payment under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available to the Administrative Agent for the account of the Letter of Credit Issuer its Revolving Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Administrative Agent for the account of the Letter of Credit Issuer such other Participant's Revolving Percentage of any such payment.

(d) Whenever the Letter of Credit Issuer receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of the Letter of Credit Issuer any payments from the Participants pursuant to Section 3.4(c), the Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each Participant which has paid its Revolving Percentage thereof, in Dollars and in same day funds, an amount equal to such Participant's Revolving Percentage of the principal amount thereof and interest thereon accruing after the purchase of the respective participations.

(e) The obligations of the Participants to make payments to the Administrative Agent for the account of the Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the Letter of Credit Issuer, any Lender, or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default.

Section 3.5 Increased Costs; Illegality. (a) If a Change of Law occurs after the Closing Date which shall either (i) impose, modify or make applicable any reserve, deposit, capital

adequacy or similar requirement against Letters of Credit issued by the Letter of Credit Issuer or such Lender's participation therein, or (ii) shall impose on the Letter of Credit Issuer or any Lender any other conditions affecting this Agreement, any Letter of Credit or such Lender's participation therein; and the result of any of the foregoing is to increase the cost to the Letter of Credit Issuer or such Lender of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by the Letter of Credit Issuer or such Lender hereunder (other than any increased cost or reduction in the amount received or receivable resulting from a change in the rate of income taxes), then, upon demand to the Borrower by the Letter of Credit Issuer or such Lender (a copy of which notice shall be sent by the Letter of Credit Issuer or such Lender to the Administrative Agent), the Borrower shall pay to the Letter of Credit Issuer or such Lender such additional amount or amounts as will compensate the Letter of Credit Issuer or such Lender for such increased cost or reduction. A certificate submitted to the Borrower by the Letter of Credit Issuer or any Lender, as the case may be (a copy of which certificate shall be sent by the Letter of Credit Issuer or such Lender to the Administrative Agent), setting forth the basis for the determination of such additional amount or amounts necessary to compensate the Letter of Credit Issuer or any such Lender as aforesaid shall be conclusive and binding on the Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section.

SECTION 4 FEES; COMMITMENTS.

Section 4.1 Fees. (a) The Borrower agrees to pay to the Administrative Agent a commitment fee ("Commitment Fee for Revolver") for the account of each Revolving Lender for the period from and including the Closing Date to but not including the date the Total Revolving Commitment has been terminated, in an amount equal to the Commitment Fee Rate for Revolver then in effect multiplied by the average daily Unutilized Commitment of each Lender. Such Commitment Fee for Revolver shall be due and payable in arrears on the last Business Day of each March, June, September and December, commencing on June 30, 2011, and on the first date upon which the Total Revolving Commitments shall have been terminated.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender pro rata on the basis of its Revolving Percentage, a fee in respect of each outstanding Letter of Credit (the "Letter of Credit Fee") for each day computed at the rate equal to the Applicable Margin for Revolving Loans that are Eurodollar Rate Loans for such day on the Stated Amount of such Letter of Credit on such day. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on June 30, 2011, and on the date upon which the Total Revolving Commitment is terminated.

(c) The Borrower agrees to pay to the Administrative Agent for the account of the Letter of Credit Issuer a fee in respect of each Letter of Credit (the "Fronting Fee") computed at the rate of 0.125% per annum on the average daily Stated Amount of such Letter of Credit. Accrued Fronting Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on June 30, 2011, and on the date upon which the Total Revolving Commitment is terminated.

(d) The Borrower agrees to pay directly to the Letter of Credit Issuer upon each issuance of, drawing under, and/or amendment or transfer by a beneficiary of, a Letter of Credit such amount as shall at the time of such issuance, drawing, transfer or amendment be the administrative

charge which the Letter of Credit Issuer is customarily charging for issuances of, drawings under or amendments or transfers of, letters of credit issued by it.

(e) The Borrower agrees to pay to the Administrative Agent (x) on the Closing Date for its own account and/or for distribution to the Lenders such fees as have heretofore been agreed to by the Borrower and the Administrative Agent and (y) for its own account such other fees as may be agreed to from time to time between the Borrower and the Administrative Agent, when and as due.

(f) All computations of Fees shall be made in accordance with Section 12.7.

(g) Anything herein to the contrary notwithstanding, during such period as a Lender is a Defaulting Lender, such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to clauses (a) and (b) of this Section (without prejudice to the rights of the Lenders other than Defaulting Lenders in respect of such fees) (and, with respect to the fees referenced in clause (a) of this Section, Borrower shall not be required to pay such fees to, or for the account of, such Defaulting Lender), or any amendment fees hereafter offered to any Lender, and the pro rata payment provisions of Section 12.6 will automatically be deemed adjusted to reflect the provisions of this Section; provided that (a) to the extent that a portion of the Letter of Credit Exposure of a Defaulting Lender is reallocated to the Non-Defaulting Lenders pursuant to clause (a)(i) of Section 2.15, such fees that would have accrued for the benefit of such Defaulting Lender will instead accrue for the benefit of and be payable to such Non-Defaulting Lenders, pro rata in accordance with their respective Revolving Commitments and (b) to the extent any portion of such Letter of Credit Exposure cannot be so reallocated, an amount equal to one-half (1/2) of such fees will instead accrue for the benefit of and be payable to the Letter of Credit Issuer.

Section 4.2 Voluntary Reduction of Commitments. Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, without premium or penalty, to terminate or partially reduce the Total Unutilized Revolving Commitment, provided that (x) any such termination shall apply to proportionately and permanently reduce the Revolving Commitment of each of the Lenders with such a Commitment and (y) any partial reduction pursuant to this clause Section 4.2 shall be in the amount of at least $5,000,000 or a whole multiple thereof.

Section 4.3 Commitment Terminations. Unless earlier terminated pursuant to the terms of the Agreement:

(a) The Total Revolving Commitment (and the Revolving Commitment of each Lender) shall terminate on the Revolving Facility Final Maturity Date.

(b) The Swingline Commitment shall terminate on the Swingline Expiry Date.

SECTION 5 PAYMENTS.

Section 5.1 Voluntary Prepayments. (a) The Borrower shall have the right to prepay Term Loans and/or Revolving Loans and/or Swingline Loans, in whole or in part, without premium or penalty, from time to time on the following terms and conditions: (i) the Borrower shall give the Administrative Agent at the Payment Office written notice (or telephonic notice promptly

confirmed in writing) of its intent to prepay the Loans, whether such Loans are Term Loans, Revolving Loans or Swingline Loans, the amount of such prepayment and (in the case of Eurodollar Rate Loans) the specific Borrowing (s) pursuant to which made, which notice shall be received by the Administrative Agent by 11:00 a.m. (x) one Business Day prior to the date of such prepayment in the case of Base Rate Loans, (y) three Business Days' prior written notice in the case of Eurodollar Rate Loans and (z) 11:00 a.m. on the date of prepayment, in the case of Swingline Loans, which notice shall promptly be transmitted by the Administrative Agent to each of the Lenders; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least $500,000 or a whole multiple of $100,000 in excess thereof; provided that no partial prepayment of Eurodollar Rate Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans; and (iv) each prepayment of Term Loans pursuant to this Section 5.1 shall be applied to the then remaining applicable Term Loan Scheduled Repayments on a pro rata basis (based upon the then remaining principal amount of each such Term Loan Scheduled Repayment). Any prepayment made pursuant to this Section shall be subject to Section 2.11.

Section 5.2 Mandatory Prepayments.

(a) Requirements:

(i) If on any date (after giving effect to any other repayments or prepayments on such date) the sum of (i) the aggregate outstanding principal amount of Revolving Loans and Swingline Loans plus (ii) the aggregate amount of Letter of Credit Outstandings exceeds the Total Revolving Commitment as then in effect, the Borrower shall repay on such date that principal amount of Swingline Loans and, after Swingline Loans have been paid in full, Unpaid Drawings and, after Unpaid Drawings have been paid in full, Revolving Loans, in an aggregate amount equal to such excess. If, after giving effect to the prepayment of all outstanding Swingline Loans, Unpaid Drawings and Revolving Loans, the aggregate amount of Letter of Credit Outstandings exceeds the Total Revolving Commitment as then in effect (any such excess, a "Total Revolving Commitment Excess Amount"), the Borrower shall pay to the Administrative Agent an amount in cash and/or Cash Equivalents equal to such Total Revolving Commitment Excess Amount, and the Administrative Agent shall hold such payment as security for the obligations of the Borrower hereunder pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent and the Borrower which shall permit certain investments in Cash Equivalents satisfactory to the Administrative Agent and the Borrower, until the proceeds are applied to the Obligations, and which shall provide that a portion of the balance, if any, held in a cash collateral account established under such cash collateral agreement equal to the amount by which such balance exceeds the Total Revolving Commitment Excess Amount from time to time, shall be released to the Borrower, provided that (x) as a result of such release, a mandatory prepayment shall not be required under the first sentence of this paragraph (a)(i) unless such prepayment is made concurrently with such release, and (y) immediately after giving effect thereto, no Default or Event of Default shall have occurred or be continuing or would result from such release.

(ii) The Borrower shall be required to repay the principal amount of the Term Loans on the last day of March, June, September and December of each year and on the Term Facility Final Maturity Date, commencing June 30, 2012 (each such repayment, a "Term Loan Scheduled Repayment"), each such installment on any such date to be in the amount set forth below opposite such date:

Date	Installment Amount
June 30, 2012	$1,875,000
September 30, 2012	$1,875,000
December 31, 2012	$1,875,000
March 31, 2013	$1,875,000
June 30, 2013	$3,750,000
September 30, 2013	$3,750,000
December 31, 2013	$3,750,000
March 31, 2014	$3,750,000
June 30, 2014	$3,750,000
September 30, 2014	$3,750,000
December 31, 2014	$3,750,000
March 31, 2015	$3,750,000
June 30, 2015	$3,750,000
September 30, 2015	$3,750,000
December 31, 2015	$3,750,000
March 31, 2016	$3,750,000
Term Facility Final Maturity Date	All amounts outstanding in respect of the Term Loans

(iii) On or before the third Business Day following the date of receipt thereof by Holdings or any of its Subsidiaries of the Cash Proceeds from any Asset Sale or Recovery Event, an amount equal to 100% of the Net Cash Proceeds then received from such Asset Sale or Recovery Event shall be applied as a mandatory repayment of principal of the then outstanding Term Loans, provided that Net Cash Proceeds from Recovery Events in an aggregate amount not to exceed $75,000,000 in any Fiscal Year shall not be required to be used to so repay Term Loans to the extent the Borrower elects, as hereinafter provided, to cause such Net Cash Proceeds to be reinvested in Reinvestment Assets (a "Reinvestment Election") on or prior to the Reinvestment Prepayment Date; provided, further, that if any such Net Cash Proceeds are not so reinvested on or prior to the Reinvestment Prepayment Date, such Net Cash Proceeds shall promptly thereafter be applied toward prepayments of the Term Loans in accordance with this Section 5.2. The Borrower may exercise its Reinvestment Election (within the parameters specified in the preceding sentence) with respect to a Recovery Event, if (x) the Reinvestment Test is satisfied on the date of delivering the Reinvestment Notice referred to below and (y) the Borrower delivers a Reinvestment Notice to the Administrative Agent by the third Business Day following the date of such Recovery Event, with such Reinvestment Election being effective with respect to the Net Cash Proceeds of such Recovery Event equal to the Anticipated Reinvestment Amount specified in such Reinvestment Notice.

(iv) On or before the third Business Day following the date of the receipt thereof by Holdings and/or any of its Subsidiaries, an amount equal to 100% of the

cash proceeds (net of reasonable and documented underwriting discounts and commissions, other banking and investment banking fees, attorneys', advisors', consultants' and accountants' fees) of the incurrence of Indebtedness by Holdings and/or any of its Subsidiaries (other than Indebtedness permitted by), shall be applied as a mandatory repayment of principal of the then outstanding Term Loans.

(v) On the Reinvestment Prepayment Date with respect to a Reinvestment Election, an amount equal to the Reinvestment Prepayment Amount, if any, for such Reinvestment Election shall be applied as a repayment of the principal amount of the then outstanding Term Loans.

(b) Application:

(i) Each mandatory repayment of Term Loans required to be made pursuant to Section 5.2(a) (iii), (iv) or (v) shall be applied to the repayment of the then remaining Term Loan Scheduled Repayments in inverse order of their maturity. Following the repayment in full of the Term Loans, each mandatory repayment required to be made pursuant to Section 5.2(a) (iii), (iv) or (v) shall thereafter be applied to the repayment of the Revolving Loans (without any permanent reduction in the Revolving Commitment of any Lender).

(ii) With respect to each prepayment of Loans required by Section 5.2, the Borrower may designate the Types of Loans which are to be prepaid and the specific Borrowing(s) under the affected Facility pursuant to which made, provided that (i) the Borrower shall first so designate all Base Rate Loans and Eurodollar Rate Loans under an affected Facility with Interest Periods ending on the date of repayment prior to designating any other Eurodollar Rate Loans and (ii) each prepayment of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans.

Section 5.3 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement shall be made to the Administrative Agent for the ratable (based on its pro rata share) account of the Lenders entitled thereto, not later than 2:00 p.m. on the date when due and shall be made in immediately available funds and in lawful money of the United States of America at the Payment Office, it being understood that prior written notice by the Borrower to the Administrative Agent to make a payment from the funds in the Borrower's account at the Payment Office shall constitute the making of such payment to the extent of such funds held in such account. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. Any payments made by the Borrower under this Agreement which are made later than 2:00 p.m. shall be deemed to have been made by the Borrower on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

Section 5.4 Net Payments. (a) All payments made by the Borrower hereunder, under any Note or any other Credit Document, will be made without setoff, counterclaim or other

defense. Except as provided for in this Section 5.4(a), all such payments will be made free and clear of, and without deduction or withholding for, any Taxes. If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes and such additional amounts (after payment of all Taxes) as may be necessary so that every payment of all amounts due hereunder, under any Note or under any other Credit Document, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note or in such other Credit Document, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Taxes to the extent such Taxes are (i) attributable to such Lender's failure to comply with the requirements of Section 5.4(b) or (ii) United States withholding Taxes that exceed the Taxes imposed on amounts payable to such Lender at the time the Lender becomes a party to this Agreement (or designates a new lending office). The Borrower will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes, or any withholding or deduction on account thereof, is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Borrower. The Borrower will indemnify and hold harmless the Administrative Agent and each Lender, and reimburse the Administrative Agent or such Lender upon its written request, for the amount of any Taxes levied or imposed and paid or withheld by the Administrative Agent or such Lender.

(b) Each Lender that is not a United States person as such term is defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") agrees to deliver to the Borrower and the Administrative Agent (i) on or prior to the date the Lender becomes a Lender two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN or W-8ECI (or successor forms) certifying to such Lender's entitlement to a complete exemption from United States withholding tax (or, upon the written consent of the Borrower, a reduced rate of withholding tax, in which case the amount of such withholding tax due when the Lender becomes a party to this Agreement shall not be considered to be described in clauses (i) or (ii) of Section 5.4(a)) with respect to payments to be made under this Agreement and under any Note and under any other Credit Document, or (ii) if the Non-U.S. Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and is claiming an exemption from U.S. withholding tax under Sections 871(h), 881(c) and/or 1441(c)(9) of the Code with respect to payments of "portfolio interest," (x) a duly executed certificate substantially in the form of Exhibit E (any such certificate, an "Exemption Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN or W-8ECI (or successor forms). In addition, each Non-U.S. Lender agrees that from time to time upon the reasonable request by the Borrower or the Administrative Agent when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of the relevant form or Exemption Certificate, as the case may be, and such other forms as may be required in order to conform or establish the entitlement of such Non-U.S. Lender to a continued complete exemption from (or reduction in, as the case may be) United States withholding tax with respect to payments under this Agreement and any Note, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such form or Exemption Certificate. Notwithstanding any other provision of this Section 5.4, a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 5.4(b) that such Non-U.S. Lender is not legally able to deliver.

SECTION 6 CONDITIONS PRECEDENT.

Section 6.1 Conditions Precedent to Closing Date. The obligation of the Lenders to make each Loan hereunder, and the obligation of the Letter of Credit Issuer to issue Letters of

Credit hereunder, in each case, on the Closing Date are subject to the satisfaction on or prior to the Closing Date of each of the following conditions:

(a) Execution of Agreement. On or prior to the Closing Date, (i) this Agreement shall have been executed and delivered as provided in Section 12.10 and (ii) there shall have been delivered to the Administrative Agent, for the account of each Lender that has requested Notes pursuant to Section 2.5(d), Notes conforming to the requirements hereof and executed by a duly Authorized Officer of the Borrower.

(b) Opinions of Counsel. On the Closing Date, the Administrative Agent shall have received opinions, addressed to the Administrative Agent and each of the Lenders from:

(i) Vorys, Sater, Seymour and Pease LLP, counsel to Holdings and its Subsidiaries, which opinion shall be dated the Closing Date and shall be in the form of Exhibit F-1; and

(ii) W. Joseph Payne, Esq., General Counsel to Holdings, Borrower and all of the Subsidiaries, which opinion shall be dated the Closing Date and shall be in the form of Exhibit F-2; and

(iii) Daugherty, Fowler, Peregrin, Haught & Jenson, P.C., special FAA counsel to Holdings and its Subsidiaries, which opinion shall be in the form of Exhibit F-3;

(iv) Greenberg Traurig, P.A., special Florida counsel to the Borrower and certain Guarantors, which opinion shall be dated the Closing Date and shall be in the form of Exhibit F-4; and

(v) Jones Vargas, special Nevada counsel to Air Transport International Limited Liability Company, a Nevada limited liability company, which opinion shall be dated the Closing Date and shall be in the form of Exhibit F-5.

(c) Proceedings. (i) On the Closing Date, the Administrative Agent shall have received from each Credit Party a certificate, dated the Closing Date, signed by the Secretary of such Credit Party in the form of Exhibit G (together with certifications as to incumbency and signatures of such officers) with appropriate insertions and deletions, together with (x) copies of the articles or certificate of incorporation, the limited liability company agreement, the partnership agreement, any certificate of designation, the by-laws, or other organizational documents of each such Credit Party, (y) the resolutions, or such other administrative approval, of each such Credit Party referred to in such certificate to be reasonably satisfactory to the Administrative Agent and (z) in the case of the certificate delivered by the Borrower, a statement that all of the applicable conditions set forth in have been satisfied as of such date.

(ii) On the Closing Date, all corporate, limited liability company, partnership and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all information and copies of all certificates, documents and papers, including long-form

good standing certificates and any other records of corporate, partnership or limited liability company proceedings and governmental approvals, if any, which the Administrative Agent may have reasonably requested in connection therewith, such documents and papers, where appropriate, to be certified by proper corporate or Governmental Authority.

(iii) A Notice of Borrowing for the Loans to be made on the Closing Date, as well as a memorandum of funds flow, in each case executed by the Borrower.

(d) Adverse Change, etc. There shall not have been any change, effect, event, occurrence, state of facts or development that has had or could reasonably be expected to have a Material Adverse Effect.

(e) Consummation of the Refinancing. The Administrative Agent shall have received reasonably satisfactory evidence that the Indebtedness under the Existing Credit Agreement shall have been repaid or canceled, all documentation representing such Indebtedness shall have been terminated (other than provisions that survive such termination) and all guarantees, liens and security interests associated therewith have been released, or that adequate measures shall have been taken to terminate such documentation and release such guarantees, liens and security interests, except as otherwise agreed by the Administrative Agent.

(f) [Intentionally Deleted.]

(g) Security Documents. (i) On the Closing Date, each of Holdings and the Domestic Subsidiaries of Holdings shall have duly authorized, executed and delivered the Guarantee and Collateral Agreement substantially in the form of Exhibit H (as modified, amended or supplemented from time to time in accordance with the terms thereof and hereof, the "Guarantee and Collateral Agreement").

(ii) On the Closing Date, each of Holdings and the Domestic Subsidiaries of Holdings shall have delivered to the Administrative Agent:

(1) Financing Statements (Form UCC-1) in appropriate form for filing under the UCC of each jurisdiction as may be necessary to perfect the security interests purported to be created by the Guarantee and Collateral Agreement;

(2) evidence that FAA form "Aircraft Security Agreements" and/or "Amended and Restated Aircraft Security Agreements", the substance of which shall be satisfactory to the Administrative Agent, covering the Aircraft and Engines included in the Collateral have been filed with the FAA, and evidence satisfactory to Administrative Agent that the Liens in such Aircraft and Engines have been registered under the Cape Town Convention; and

(3) evidence that all other actions necessary or, in the reasonable opinion of the Administrative Agent, desirable to perfect and protect the security interests purported to be created by the Security Documents have been taken.

(h) Governmental Approvals and Consents.. Each Credit Party shall have obtained all permits, registrations, filings, licenses, authorizations, consents, orders or approvals of or from any Governmental Authority and all consents of other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Credit Documents (including the Refinancing) and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to Administrative Agent. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Credit Documents (including the Refinancing) and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired.

(i) Solvency. On the Closing Date, the Administrative Agent shall have received from the president, chief financial officer or another senior financial or accounting officer of each of Holdings and the Borrower a solvency certificate in the form attached hereto as Exhibit I that shall document the solvency of Holdings, the Borrower and their respective Subsidiaries on a consolidated basis after giving effect to the Refinancing and the other transactions contemplated hereby.

(j) Fees. On the Closing Date, the Administrative Agent and the Joint Lead Arrangers shall have received all fees required to be paid, and all expenses required to be paid, on or before the Closing Date.

(k) [Intentionally Deleted.]

(l) Evidence of Insurance. The Administrative Agent shall have received a certificate from the Borrower's insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to Section 8.3 is in full force and effect, together with endorsements naming the Administrative Agent, for the benefit of Lenders, as additional insured and lender's loss payee thereunder to the extent required under Section 8.3, or an undertaking by the Borrower to deliver or cause the same to be delivered to the Administrative Agent reasonably promptly following the Closing Date.

(m) No Litigation. There shall not exist any action, suit, investigation, litigation or proceeding or other legal or regulatory developments, pending or threatened in any court or before any arbitrator or Governmental Authority that, in the reasonable opinion of Administrative Agent, singly or in the aggregate, could have a material adverse effect on the business operations, properties, assets, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole.

(n) Total Leverage Ratio. A certificate signed by the Chief Financial Officer of Holdings in form and substance satisfactory to the Administrative Agent evidencing that, on the Closing Date after giving effect to the Refinancing and the initial Borrowings, the Total Leverage Ratio shall not be greater than 3.00 to 1.00.

(o) Appraisals. Receipt by the Administrative Agent and the Joint Lead Arrangers of the Aircraft Appraisal dated not earlier than April 14, 2011.

Section 6.2 Conditions Precedent to All Credit Events. The obligation of the Lenders to make each Loan hereunder, and the obligation of the Letter of Credit Issuer to issue Letters of Credit hereunder, is subject, at the time of each such Credit Event, to the satisfaction of the conditions that at the time of each Credit Event and also after giving effect thereto, (a) there shall exist no Default or Event of Default, (b) all representations and warranties contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Credit Event (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representation and warranty shall have been true and correct in all material respect as of such earlier date) and (c) since December 31, 2010, there shall have been no event, change, condition or occurrence that has had, or could reasonably be expected to have, a Material Adverse Effect.

In addition to other conditions precedent herein set forth, if any Lender is a Defaulting Lender at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, the Letter of Credit Issuer will not be required to issue, amend or increase any Letter of Credit and the Swingline Lender will not be required to make any Swingline Loans, unless in each case it is satisfied that all related Letter of Credit Exposure and Swingline Exposure of such Defaulting Lender is fully covered or eliminated by any combination satisfactory to the Letter of Credit Issuer or the Swingline Lender, as the case may be, of the following:

(i) in the case of a Defaulting Lender, the Letter of Credit Exposure and Swingline Exposure of such Defaulting Lender is reallocated, as to outstanding and future Letters of Credit and Swingline Exposure, to the Non-Defaulting Lenders as provided in Section 2.15(a)(i); and

(ii) in the case of a Defaulting Lender, without limiting the provisions of Section 2.15(a)(ii), the Borrower Cash Collateralizes its payment and reimbursement obligations with respect to such Letter of Credit or Swingline Loan in an amount at least equal to the aggregate amount of the unreallocated obligations of such Defaulting Lender in respect of such Letter of Credit (whether such obligations are contingent or otherwise) or Swingline Loan, or the Borrower makes other arrangements satisfactory to the Administrative Agent, the Letter of Credit Issuer and the Swingline Lender, as the case may be, to protect them against the risk of non-payment by such Defaulting Lender;

provided that (a) the sum of each Non-Defaulting Lender's Revolving Extensions of Credit may not in any event exceed the Revolving Commitment of such Non-Defaulting Lender, and (b) neither any such reallocation nor any payment by a Non-Defaulting Lender pursuant thereto nor any such Cash Collateralization or reduction will constitute a waiver or release of any claim the Borrower, the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender or any other Lender may have against such Defaulting Lender, or cause such Defaulting Lender to be a Non-Defaulting Lender.

The acceptance of the benefits of each Credit Event shall constitute a representation and warranty by the Borrower to each of the Lenders that all of the applicable conditions specified in Section 6.1, and/or Section 6.2, as the case may be, exist as of that time. All of the certificates, legal opinions and other documents and papers referred to in this Section 6, unless otherwise specified,

shall be delivered to the Administrative Agent at its Notice Office for the benefit of each of the Lenders.

SECTION 7 REPRESENTATIONS AND WARRANTIES.

To induce the Lenders to enter into this Agreement and to make the Loans and issue and/or participate in Letters of Credit provided for herein, Holdings and the Borrower make the following representations and warranties to, and agreements with, the Lenders, all of which shall survive the execution and delivery of this Agreement and the making of the Loans (with the making of each Credit Event thereafter being deemed to constitute a representation and warranty that the matters specified in this are true and correct in all material respects on and as of the date of each such Credit Event unless such representation and warranty expressly indicates that it is being made as of any specific date (in which case such representation and warranty shall have been true and correct in all material respect as of such specific date)):

Section 7.1 Corporate Status; Compliance with Law. Each of Holdings and its Subsidiaries (i) is a duly organized and validly existing corporation or limited liability company in good standing under the laws of the jurisdiction of its organization and has the corporate or limited liability company power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage on the date hereof, (ii) has duly qualified and is authorized to do business and is in good standing in all jurisdictions where it is required to be so qualified and where the failure to be so qualified would have, individually or in the aggregate, a Material Adverse Effect and (iii) is in compliance with all Requirements of Law and all Contractual Obligations of Holdings and its Subsidiaries, except where the failure to so comply would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 7.2 Power and Authority. Each Credit Party has the corporate or limited liability company power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary corporate or limited liability company action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each Credit Party has duly executed and delivered each Credit Document to which it is a party, and each such Credit Document constitutes the legal, valid and binding obligation of such Person enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 7.3 No Violation. Neither the execution, delivery and performance by any Credit Party of the Credit Documents to which it is a party nor compliance with the terms and provisions thereof, nor the consummation of the Refinancing or the other transactions contemplated therein (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any Governmental Authority, (ii) will, except as set forth on Annex 7.3, conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or (other than pursuant to the Security Documents) result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Holdings or any of its Subsidiaries pursuant to the terms of any indenture, debt instrument or agreement, mortgage, deed of trust, agreement or other instrument to which Holdings or any of its Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject (including, without limitation, the CMI Service Agreement), (iii) will violate

any provision of the charter or by-laws or limited liability company agreement of Holdings or any of its Subsidiaries or (iv) require any approval of stockholders, members or partners or any approval or consent of any Person under any Contractual Obligation of Holdings and its Subsidiaries, other than, in the case of clause (i), any contravention which could not reasonably be expected to have a Material Adverse Effect.

Section 7.4 Litigation. There are no actions, suits or proceedings pending or threatened with respect to Holdings or any of its Subsidiaries (i) that are likely to have a material adverse effect on the business, assets, liabilities (contingent or otherwise), operations, financial condition or prospects of any such Person, after giving effect to the Refinancing or (ii) that could reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the other Credit Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

Section 7.5 Use of Proceeds; Margin Regulations. (a) The proceeds of Term Loans shall be utilized (i) for the Refinancing and (ii) to pay costs and expenses related to the Refinancing. The proceeds of all Revolving Loans shall be utilized to finance, in part (and to the extent necessary), the transactions described in this clause (a), and thereafter for working capital needs and other general corporate purposes of Holdings and its Subsidiaries.

(b) No part of the proceeds of any Loans will be used for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System and any successor thereto.

Section 7.6 Governmental Approvals. Except for any filings required under the Security Documents, no order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority is required to authorize or is required in connection with (i) the execution, delivery and performance of any Credit Document or (ii) the legality, validity, binding effect or enforceability of any Credit Document.

Section 7.7 Investment Company Act. None of Holdings or any of its Subsidiaries is (i) an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "ICA") or a company "controlled" by an "investment company" within the meaning of the ICA or (ii) subject to any regulation under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any party of the Obligations unenforceable or voidable.

Section 7.8 True and Complete Disclosure. (a) All information and data (excluding projections) concerning Holdings, the Borrower and their respective Subsidiaries and the transactions contemplated herein which have been prepared by or on behalf of the Credit Parties and that have been made available to the Administrative Agent or any Lender by or on behalf of the Credit Parties prior to the Closing Date in connection with the transactions contemplated herein (including the Confidential Information) do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading.

(b) All other factual information furnished on or after the Closing Date by or on behalf of the Credit Parties or any of their Subsidiaries in writing to the Administrative Agent or any Lender (including, without limitation, all information contained in the Credit Documents) for

purposes of or in connection with this Agreement or any transaction contemplated herein is, and will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time in light of the circumstances under which such information was provided. The projections and pro forma financial information contained in such materials are based on good faith estimates and assumptions believed by such Persons to be reasonable at the time made, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There is no fact known to any Credit Party which materially and adversely affects the business, operations, property, assets, liabilities or condition (financial or otherwise) of any such Credit Party and its respective Subsidiaries which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

Section 7.9 Financial Condition; Financial Statements. (a) On and as of the Closing Date, on a pro forma basis after giving effect to the Refinancing and to all Indebtedness incurred, and to be incurred, and Liens created, and to be created, by each Credit Party and its respective Subsidiaries in connection therewith, (x) the sum of the assets, at a fair market valuation, of each Credit Party and its respective Subsidiaries will exceed its debts, (y) no such Credit Party or its Subsidiaries will have incurred or intended to, or believes that it will, incur debts beyond its ability to pay such debts as such debts mature and (z) each such Credit Party and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 7.9, "debt" means any liability on a claim, and "claim" means (i) right to payment whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(b) The audited financial statements of Holdings and its Subsidiaries for the 2010 Fiscal Year consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Year, were prepared in conformity with GAAP and fairly present, in all material respects, the financial position, on a consolidated basis, of the Persons described in such financial statements as at the respective dates thereof and the results of operations and cash flows, on a consolidated basis, of the Persons described therein for each of the periods then ended. As of the Closing Date, none of Holdings, the Borrower or any of their respective Subsidiaries has any contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the foregoing financial statements or the notes thereto and which in any such case is material in relation to the business, operations, properties, assets, condition (financial or otherwise) or prospects of Holdings, the Borrower or any of their respective Subsidiaries. Since December 31, 2010, no event, circumstance or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect.

Section 7.10 Security Interests. On and after the Closing Date, each of the Security Documents creates, as security for the Obligations purported to be secured thereby, a valid and enforceable (and, to the extent perfection thereof can be accomplished pursuant to the filings or other actions required by the Security Documents and such filings or other actions are required to have been made or taken, perfected) security interest in and Lien on all of the Qualified Aircraft included in the Collateral Pool, superior to and prior to the rights of all third Persons and subject to no other

Liens (except that the Qualified Aircraft included in the Collateral Pool may be subject to Permitted Liens relating thereto), in favor of the Administrative Agent for the benefit of the Lenders. No filings or recordings are required in order to perfect the security interests created under any Security Document that are required by the Security Documents to be perfected except for filings or recordings which shall have been made upon or prior to the execution and delivery thereof.

Section 7.11 Tax Returns and Payments. Except as set forth on Annex 7.11, Holdings and its Subsidiaries have filed all federal and state income tax returns and all other material tax returns, domestic and foreign, required to be filed by them and have paid Federal and state income taxes and all other all material taxes and assessments payable by them which have become due, other than those not yet delinquent and except for those contested in good faith, and Holdings and each of its Subsidiaries has paid, or has provided adequate reserves in accordance with GAAP (in the good faith judgment of the management of Holdings) for the payment of, all federal, state and foreign income taxes applicable for all prior Fiscal Years and for the current Fiscal Year to the date hereof.

Section 7.12 Compliance with ERISA. Each Plan is in substantial compliance with ERISA and the Code; no Reportable Event has occurred with respect to a Plan; no Plan has applied for an extension of any amortization period within the meaning of Section 412 of the Code; all contributions required to be made with respect to a Plan have been timely made; neither a Credit Party, nor any Subsidiary of a Credit Party, nor any ERISA Affiliate has incurred any material liability to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064 or 4069 of ERISA or Section 4971 or 4975 of the Code or to or an account of a Multiemployer Plan pursuant to Section 4201 or 4204 of ERISA or expects to incur any liability (including any indirect, contingent or secondary liability) under any of the foregoing Sections with respect to any Plan; no proceedings have been instituted to terminate or appoint a trustee to administer any Plan; no condition exists which presents a material risk to a Credit Party or any Subsidiary of a Credit Party or any ERISA Affiliate of incurring a liability to or on account of a Plan pursuant to the foregoing provisions of ERISA and the Code; no Credit Party, Subsidiary of a Credit Party, or ERISA Affiliate has received any notice, and no Multiemployer Plan has received from any Credit Party, any Subsidiary of a Credit Party or any ERISA Affiliate any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and no lien imposed under the Code or ERISA on the assets of a Credit Party, or any Subsidiary of a Credit Party or any ERISA Affiliate exists or is reasonably likely to arise on account of any Plan, except to the extent that all events described in the preceding clauses of this Section 7.12 and then in existence would not, in the aggregate, be likely to have a Material Adverse Effect.

Section 7.13 Subsidiaries. (a) The Capital Stock of each direct and indirect Subsidiary of Holdings has been duly authorized and validly issued and is fully paid and non-assessable. Annex 7.13 hereto correctly sets forth the ownership interest of Holdings and each of its Subsidiaries in their respective Subsidiaries as of the Closing Date. Holdings will at all times own directly or indirectly the percentages specified in said Annex 7.13 of the outstanding Capital Stock of all of said entities except to the extent otherwise permitted pursuant to Section 9.2 or Section 9.5. Except as set forth on Annex 7.13, as of the Closing Date, there is no existing option, warrant, call, right, commitment or other agreement to which any Subsidiary of Holdings is a party requiring, and there is no membership interest or other Capital Stock of any Subsidiary of Holdings outstanding which upon conversion or exchange would require, the issuance by Holdings or any of its Subsidiaries of any additional membership interests or other Capital Stock of Holdings or any of

its Subsidiaries or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Capital Stock of Holdings or any of its Subsidiaries. None of the Capital Stock of the direct or indirect Subsidiaries of Holdings is subject to any Lien.

(b) There are no restrictions on Holdings or any of its Subsidiaries which prohibit or otherwise restrict the transfer of cash or other assets from any Subsidiary of Holdings to the Borrower, other than prohibitions or restrictions permitted by Section 9.7(b), and there are no restrictions on Holdings or any of its Subsidiaries which prohibit such Person from granting Liens in the Capital Stock of any of the direct or indirect Subsidiaries of Holdings.

Section 7.14 Intellectual Property. Holdings and each of its Subsidiaries owns, or is licensed to use, all material trademarks, trade names, copyrights, technology, know-how, patents, servicemarks, licenses and processes and other rights ("Intellectual Property") free from burdensome restrictions that are necessary for the conduct of their business as currently conducted and as proposed to be conducted.

Section 7.15 Pollution and Other Regulations. Except as set forth on Annex 7.15, (a) each of Holdings and its Subsidiaries is in compliance with all Environmental Laws governing or relating to its business, and to the knowledge of Holdings and the Borrower, there is no condition or circumstance that would be likely to prevent or interfere with such compliance in the future, except in each case, individually or in the aggregate, as could not reasonably be expected to have a Material Adverse Effect, (b) all licenses, permits, registrations or approvals required for the business of Holdings and each of its Subsidiaries, as conducted as of the Closing Date, under any Environmental Law have been secured, and Holdings and each of its Subsidiaries is in compliance therewith, except, in each case, either individually or in the aggregate, as could not be reasonably be expected to have a Material Adverse Effect, (c) neither Holdings nor any of its Subsidiaries has received any written communication from any Person alleging that it is in noncompliance with, breach of or default under, any applicable writ, order, judgment, injunction, or decree, in each case arising under or relating to Environmental Law, to which Holdings or such Subsidiary is a party or which would affect the ability of Holdings or such Subsidiary to operate its business or any Real Property, except in each such case, such noncompliance, breaches or defaults that individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (d) there are no facts, circumstances, conditions or occurrences relating to the business of Holdings or any of its Subsidiaries or on or relating to any Real Property that could reasonably be expected to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any Real Property of Holdings or any of its Subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 7.16 Properties. Holdings and each of its Subsidiaries have good and valid title to all Qualified Aircraft included in the Collateral Pool, free and clear of all Liens, other than as permitted by Section 9.3.

Section 7.17 Labor Matters. (a) There are no strikes or other material labor disputes against any Credit Party pending or, to the knowledge of Holdings or the Borrower, threatened; (b) hours worked by and payments made to employees of the Credit Parties have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from the Credit Parties on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the Credit Parties.

Section 7.18 No Default. Neither Holdings nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

Section 7.19 No Material Adverse Change. Since December 31, 2009, no event, circumstance or change has occurred that has caused or evidences, either in any single case or in the aggregate, a Material Adverse Effect.

Section 7.20 Insurance. Set forth on Annex 7.20 is a true, complete and correct description of all material insurance maintained by or on behalf of Holdings and its Subsidiaries as of the Closing Date. As of such date, such insurance is in full force and effect and complies with Section 8.3.

Section 7.21 Accounts. None of the "accounts" (as such term is defined in the UCC) of Holdings or any of its Subsidiaries is subject to any Lien, other than Permitted Liens, and no restrictions exist that prohibit Holdings or any of its Subsidiaries from granting Liens in its accounts.

Section 7.22 Material Contracts. Annex 7.22 contains a true, correct and complete list of all the Material Contracts in effect on the Closing Date, and except as described thereon, all such Material Contracts are in full force and effect and no defaults currently exist thereunder.

Section 7.23 Indebtedness to be Refinanced. All Indebtedness of Holdings and its Subsidiaries outstanding immediately prior to the Closing Date shall either be repaid on the Closing Date or is permitted pursuant to Section 9.4.

Section 7.24 Foreign Assets Control. None of Holdings or any Subsidiary or Affiliate of Holdings: (i) is a Sanctioned Person, (ii) has any of its assets in Sanctioned Entities, or (iii) derives any of its operating income from investments in, or transactions with, Sanctioned Persons or Sanctioned Entities.

Section 7.25 Patriot Act. Each Credit Party is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of any Loan, and no Letters of Credit, will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 7.26 [Intentionally Deleted.]

Section 7.27 Aircraft. Each Aircraft included in the Collateral Pool (including, without limitation, the Aircraft listed on Annex 8.10), is a Qualified Aircraft.

SECTION 8 AFFIRMATIVE COVENANTS. Holdings and the Borrower covenant and agree that on the Closing Date and thereafter and until the Commitments have terminated, no Letters of Credit or Notes are outstanding and the Loans and Unpaid Drawings, together with interest, Fees and all other Obligations incurred hereunder, are paid in full:

Section 8.1 Information Covenants. Holdings will furnish to Administrative Agent for each Lender:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the end of each Fiscal Year (i) the consolidated balance sheets of Holdings and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail, and (ii) with respect to such consolidated financial statements a report thereon of Deloitte & Touche LLP or other independent certified public accountants of recognized national standing selected by Holdings, and reasonably satisfactory to Administrative Agent (which report shall be unqualified as to going concern and scope of audit, and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements), that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards).

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, the unaudited consolidated balance sheets of Holdings and its Subsidiaries as at the end of such Fiscal Quarter and the related consolidated statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case in comparative form the corresponding figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail.

All such financial statements delivered pursuant to paragraphs and above shall present fairly in all material respects in accordance with GAAP the consolidated financial condition of Holdings and its Subsidiaries as at the applicable dates, and the consolidated results of their operations, their changes in equity (deficit) and their consolidated cash flows for the periods reflected therein, and shall be prepared in accordance with GAAP applied consistently throughout the periods reflected therein (except, in the case of unaudited financial statements, for the absence of footnotes).

(c) Officer's Certificates. At the time of the delivery of the financial statements provided for in Section 8.1(a) and (b), a certificate of the chief financial officer or treasurer of Holdings, substantially in the form of Exhibit J (a "Compliance Certificate"), to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and any proposed action with respect thereto, which Compliance Certificate shall set forth the calculations required to establish the Total Leverage Ratio, the Fixed Charge Coverage Ratio and the Consolidated EBITDA then in effect for the Test Period ending on the last day of such fiscal period or year and the Collateral to Loan Value Ratio as of such date. The Compliance Certificate shall also state whether any change in GAAP or the application thereof has

occurred since the date of the audited financial statements described in Section 7.9(b), and, if any change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate. If, as a result of any change in accounting principles and policies from those used in the preparation of the financial statements of Holdings described in Section 7.9(b), the consolidated financial statements of Holdings and its Subsidiaries delivered pursuant to clauses (a) and (b) immediately above will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such clauses had no such change in accounting principles and policies been made, then, together with the first delivery of such financial statements after such change, one or more statements of reconciliation for all such prior financial statements in form and substance satisfactory to Administrative Agent.

In the event that any financial statement or Compliance Certificate delivered pursuant to this Section 8.1 is shown to be inaccurate regardless of whether this Agreement or any Commitment is in effect when such inaccuracy is discovered and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an "Applicable Period") than the Applicable Margin applied for such Applicable Period, then (i) Holdings shall immediately deliver to the Administrative Agent a correct Compliance Certificate for such Applicable Period, (ii) the Applicable Margin shall be determined as if the highest level set forth in the definition of Applicable Margin (i.e. Level I) were applicable for such Applicable Period, and (iii) the Borrower shall immediately pay to the Administrative Agent the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by the Administrative Agent to the Obligations. This Section 8.1 shall not limit the rights of the Administrative Agent or the Lenders with respect to Section 2.8(c) and Section 10.

(d) Notice of Default or Litigation. Prompt (and in any event within three Business Days after such event) notice of (x) the occurrence of any event which constitutes a Default or Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Credit Parties propose to take with respect thereto, (y) the commencement of or any material development in any litigation or governmental proceeding pending against Holdings or any of its Subsidiaries in which the amount involved is $15,000,000 or more or is reasonably likely to have a material adverse effect on the ability of any Credit Party to perform its obligations hereunder or under any other Credit Document or (z) any order, judgment or decree that is reasonably likely to have a material adverse effect on the ability of any Credit Party to perform its obligations hereunder having been entered against Holdings or any of its Subsidiaries or any of their respective properties or assets.

(e) ERISA Events. Prompt notice of the development of any ERISA Event that, together with all other ERISA Events that have developed or occurred, could reasonably be expected to have a Material Adverse Effect, together with a certificate of the chief financial officer of Holdings setting forth details as to such occurrence and such action, if any, which Holdings, its Subsidiaries or an ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by Holdings or its Subsidiaries, the ERISA Affiliate, the PBGC, a Plan participant (other than notices relating to an individual participant's benefits) or the Plan administrator with respect thereto. Upon request of the Administrative Agent, Holdings will deliver to the Administrative Agent a complete copy of the annual report (Form 5500) of each Plan required to be filed with the Internal Revenue Service. In addition to the foregoing, copies of any material notices received by Holdings, its Subsidiaries or any ERISA Affiliate, with respect to a Plan shall be delivered to the Administrative Agent no later than 15 days after the same are received by Holdings, such Subsidiary or the ERISA Affiliate, as applicable.

(f) Modification of Organizational Documents. A copy of any amendment or other modification to the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other similar organizational documents of Holdings or its Subsidiaries within 15 Business Days after the effectiveness thereof.

(g) Change of Management or Financial Condition; Collateral Loss. Prompt notice of (x) any change in the senior management of Holdings or any of its Subsidiaries, (y) any change in the business, assets, liabilities, financial condition or results of operations of Holdings and its Subsidiaries which has had or could reasonably be expected to have a Material Adverse Effect or (z) any material damage, loss or destruction of any material portion of the Collateral.

(h) Aircraft Appraisals. No later than April 30 of each calendar year, the Borrower shall deliver to the Administrative Agent an Aircraft Appraisal dated as of March 31 of such calendar year.

(i) Notice Regarding Material Contracts.

(i) Promptly, and in any event within five (5) Business Days (i) after any Material Contract of Holdings or any of its Subsidiaries is terminated or amended in a manner that is materially adverse to Holdings or such Subsidiary, as the case may be, or (ii) any new Material Contract is entered into, a written statement describing such event, with copies of such material amendments or new contracts, delivered to Administrative Agent, and an explanation of any actions being taken with respect thereto.

(ii) Promptly, and in any event within two (2) Business Days after any Credit Party becoming aware of the same, notice of any Material Agreement Default.

(iii) Promptly, and in any event within two (2) Business Days after receipt by any Credit Party, notice of the acceleration of Indebtedness under the DHL Note or demand for the payment or prepayment of the DHL Note prior to the scheduled maturity thereof.

(j) Other Information. Promptly after their filing with the Securities and Exchange Commission or any successor thereto (the "SEC") copies of any filings and registrations with, and reports to, the SEC by Holdings or its Subsidiaries and, with reasonable promptness, such other information or documents (financial or otherwise) as the Administrative Agent on its own behalf or on behalf of the Required Lenders may reasonably request from time to time. Holdings may deliver such filings, registrations, reports, information or documents by posting such items to EDGAR so long as the Administrative Agent receives notice from Holdings that such items have been posted to EDGAR; receipt by the Administrative Agent of such notice shall constitute delivery.

(k) FAA Legal Opinion. Within five (5) Business Days after the Closing Date (or such longer period as may be reasonably acceptable to the Administrative Agent), a duly executed opinion of Daugherty, Fowler, Peregrin, Haught & Jenson, P.C., special FAA counsel to Holdings and its Subsidiaries, in the form of Exhibit F-3.

Section 8.2 Books, Records and Inspections. Holdings will, and will cause each of its Subsidiaries to, maintain books and records pertaining to their respective business operations in

such detail, form and scope as is consistent with good business practice and in accordance with GAAP. Holdings will, and will cause its Subsidiaries to, permit, upon two (2) Business Days' notice to any Authorized Officer of Holdings (except if a Default or Event of Default has occurred and is continuing, no prior notice shall be required), officers and designated representatives of the Administrative Agent (which designated representatives may include one or more Lenders) to visit and inspect any of the properties or assets of Holdings and any of its Subsidiaries in whomsoever's possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or, if applicable, the Required Lenders may desire. Further, upon the occurrence and during the continuance of an Event of Default, Holdings will, and will cause its Subsidiaries to, permit officers and designated representatives of any Lender, at the sole cost and expense of such Lender, to visit and inspect any of the properties or assets of Holdings and any of its Subsidiaries in whomsoever's possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants.

Section 8.3 Maintenance of Insurance. Holdings will, and will cause each of its Subsidiaries to, at all times maintain or cause to be maintained in full force and effect insurance in such amounts, covering such risks and liabilities and with such deductibles or self-insured retentions as are in accordance with normal industry practice or otherwise as are acceptable to the Administrative Agent in its reasonable discretion determined in good faith, including with respect to the Qualified Aircraft included in the Collateral Pool, all risk ground, taxiing, and flight aircraft hull insurance. Holdings will cause its Subsidiaries (as applicable) to maintain a policy of FAA War Risk Hull and Liability Insurance or its commercial equivalent, in amounts that are not less than the comprehensive aircraft and general liability and property damage insurance and of the type and covering the same risks as applicable on the Closing Date with respect to the Qualified Aircraft included in the Collateral Pool. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof and name the Administrative Agent as an additional insured and lender's loss payee. Holdings will, and will cause each of its Subsidiaries to, furnish or cause to be furnished annually to the Administrative Agent certificates of insurance carried and other evidence of such insurance, if any, that comply with the immediately preceding sentence.

Section 8.4 Payment of Taxes. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a Lien or charge upon any properties of Holdings or any of its Subsidiaries, provided that neither Holdings nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of the management of Holdings) with respect thereto in accordance with GAAP.

Section 8.5 Franchises. Holdings will do, and will cause each of its Subsidiaries to do, or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its rights, franchises, licenses and privileges in the jurisdiction of its incorporation or

formation and qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect, provided that any transaction permitted by Section 9.2 will not constitute a breach of this Section 8.5.

Section 8.6 Compliance with Contractual Obligations and Laws, Statutes, etc. Holdings will, and will cause each of its Subsidiaries to, comply with all Contractual Obligations, applicable laws, statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities, in respect of the conduct of its business and the ownership of its property, other than those the non-compliance with which could not reasonably be expected to have a Material Adverse Effect.

Section 8.7 Maintain Property. Holdings will, and will cause each of its Subsidiaries to, protect and preserve all of its properties, including, without limitation, its material patents, trademarks, copyrights, franchises and other intellectual property, and ensure that its properties and equipment used or useful in its business in whomsoever's possession they may be, are kept in good repair, working order and condition, normal wear and tear excepted. In addition, and not in limitation of the generality of the foregoing, Holdings and the Borrower will, and will cause the operator of any Qualified Aircraft to, (i) maintain, inspect, service, repair, overhaul and test each such Aircraft in accordance with all Maintenance Requirements and all Requirements of Law and (ii) maintain all Records in accordance with all Requirements of Law and all Maintenance Requirements. All maintenance procedures shall be performed in accordance with all Requirements of Law and by properly trained, licensed, and certified maintenance sources and maintenance personnel utilizing replacement parts approved by the applicable Aviation Authority, so as to keep it and any Engines and APUs attached thereto in good operating condition, ordinary wear and tear, excepted, and to enable the airworthiness certificate for such Aircraft to be continually maintained. Without limiting the foregoing, Holdings and the Borrower will, and will cause the operator of any Qualified Aircraft to, comply with all mandatory service bulletins and airworthiness directives by causing compliance to such bulletins and/or directives not later than the date by which such bulletins and directives make compliance mandatory.

Section 8.8 Environmental Laws. Holdings will, and will cause each of its Subsidiaries and each operator of any Aircraft to (a) comply with all applicable Environmental Laws except for such non-compliance as would not reasonably be expected to have a Material Adverse Effect, and obtain and comply in all respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws the failure to obtain or comply with which would reasonably be expected to have a Material Adverse Effect and (b) conduct and complete, in all material respects, all investigations, studies, sampling and testing, and all remedial, removal and other actions, required under Environmental Laws and comply in all material respects with all lawful and binding orders and directives of all Governmental Authorities regarding Environmental Laws, except with respect to all matters above to the extent Holdings and/or its Subsidiaries, as applicable, challenge or appeal any such requirements, orders or directives, so long as such challenges or appeals are made in good faith by appropriate proceedings (which proceedings are being diligently pursued) by Holdings and/or its Subsidiaries, as applicable, and with respect to which adequate reserves are being maintained in accordance with GAAP.

Section 8.9 Use of Proceeds. All proceeds of the Loans and all Letters of Credit shall be used as provided in Section 7.5. No part of the proceeds of any Loan or Letter of Credit will

be used (a) for the purpose of buying or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any such margin stock, in each case in violation of such Regulation U or (b) to fund any operations in, to finance any investments or activities in, or to make any payments to, a Sanctioned Person or Sanctioned Entity.

Section 8.10 Collateral Pool; Release of Aircraft; Additional Guarantees. (a) The Aircraft set forth on Annex 8.10 shall be included in the Collateral Pool as of the Closing Date.

(b) If after the Closing Date the Borrower desires to (or is required to pursuant to Section 9.14) include additional Aircraft into the Collateral Pool, the Borrower shall provide the Administrative Agent with prior written notice thereof, which such notice shall reasonably identify such Aircraft and shall include a certification that such Aircraft is a Qualified Aircraft. No Aircraft shall be admitted into the Collateral Pool until the Borrower shall have delivered, or caused to be delivered, each of the following, in form and substance satisfactory to the Administrative Agent:

(i) an Aircraft Appraisal with respect to such Aircraft;

(ii) a supplement or amendment to the Guarantee and Collateral Agreement and other Security Documents as the Administrative Agent reasonably requests (including, without limitation, security documents to be filed with the FAA or other applicable Aviation Authority) in order to grant to the Administrative Agent, for the benefit of the Secured Parties, a security interest in such Aircraft; and

(iii) a legal opinion in substantially the form of Exhibit F-3 with respect to such Aircraft; and

(iv) take all actions reasonably requested by the Administrative Agent to grant to the Administrative Agent, for the benefit of the Lenders, a perfected security interest in such property having the priority required by the Guarantee and Collateral Agreement, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be reasonably requested by the Administrative Agent (including, in the case of Qualified Aircraft included in the Collateral Pool, security documents to be filed with the FAA or other applicable Aviation Authority).

(c) From time to time the Borrower may request, upon not less than 15 Business Days prior written notice to the Administrative Agent (or such shorter period as may be acceptable to the Administrative Agent), that a Qualified Aircraft included in the Collateral Pool be released from the Liens created by the Security Documents applicable thereto, which release (the "Aircraft Release") shall be effected by the Administrative Agent if the Administrative Agent determines all of the following conditions are satisfied as of the date of such Aircraft Release:

(i) No Default or Event of Default exists or will exist immediately after giving effect to such Aircraft Release and the reduction in the Collateral Pool by reason of the release of such Aircraft;

(ii) all representations and warranties contained herein shall be true and correct in all material respects with the same effect as though such representations

and warranties had been made on and as of the date of such Aircraft Release (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representation and warranty shall have been true and correct in all material respect as of such earlier date); and

(iii) the Administrative Agent shall have received a pro forma Compliance Certificate demonstrating, among other things, compliance with the covenants set forth in Section 9.12, Section 9.13 and Section 9.14, after giving effect to the Aircraft Release.

Except as set forth in this Section 8.10(c), no Qualified Aircraft included in the Collateral Pool shall be released from the Liens created by the Security Documents.

(d) With respect to any new Domestic Subsidiary created or acquired by any Credit Party after the Closing Date, the Borrower shall promptly (i) cause such new Domestic Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit G, with appropriate insertions and attachments, and (ii) if reasonably requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

Section 8.11 Hedging Agreements. Not later than sixty (60) days following the Closing Date, the Borrower will, at its sole cost and expense, enter into and thereafter maintain in full force and effect one or more Hedging Agreements, including in Borrower's discretion, forward Hedging Agreements, in any combination, providing protection against fluctuations in interest rates with respect to not less than fifty percent (50%) of the Term Loans made on the Closing Date, which Hedging Agreements, including any such forward Hedging Agreements, shall provide for not less than a three (3) year term and shall contain such protections and other terms as are customary and are reasonably satisfactory to Administrative Agent.

Section 8.12 Aircraft Appraisals. If Holdings or any of its Subsidiaries sells or otherwise disposes of, or grants a Lien in, any Aircraft not included in the Collateral Pool, which results in the Qualified Aircraft to Loan Value Ratio being less than 1.65 to 1.00, the Administrative Agent may, in its reasonable discretion made in good faith, require the Borrower to deliver a new Aircraft Appraisal within 30 days of each such sale or grant of such Lien.

Section 8.13 Further Assurances. Holdings shall, and shall cause it Subsidiaries to, upon request of the Administrative Agent, execute and deliver or cause to be executed and delivered, to the Administrative Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Administrative Agent to carry out more effectively the provisions and purposes of this Agreement and the other Credit Documents.

SECTION 9 NEGATIVE COVENANTS. Holdings and the Borrower hereby covenant and agree that as of the Closing Date and thereafter until the Commitments have terminated, no Letters of Credit or Notes are outstanding and the Loans and Unpaid Drawings, together with interest, Fees and all other Obligations incurred hereunder, are paid in full:

Section 9.1 Changes in Business. Except as otherwise permitted by Section 9.2, Holdings will not, and will not permit any of its Subsidiaries to, engage in any business or operations other than aviation-related services, mail or freight transportation services, and logistics services.

Section 9.2 Consolidation, Merger, Sale of Assets, etc. Holdings will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, sell or otherwise dispose of all or any part of its property or assets (other than Cash Equivalents sold in the Ordinary Course of Business) or agree to do any of the foregoing at any future time, except that the following shall be permitted:

(a) any Subsidiary of Holdings may be merged or consolidated with or into, or be liquidated or dissolved into, a Credit Party (so long as (i) a Credit Party is the surviving entity, (ii) if any such merger or consolidation involves the Borrower, the surviving entity shall be the Borrower and (iii) if any such merger or consolidation involves a Domestic Subsidiary, but not the Borrower, a Domestic Subsidiary (other than the Relief Fund) is the surviving entity, or all or any part of its business, properties and assets may be conveyed, leased, sold or transferred to the Borrower or any Subsidiary Guarantor which must be a Domestic Subsidiary if the transaction involves the conveyance, lease, sale or transfer of all or substantially all the properties and assets of a Domestic Subsidiary), provided that in each case all Liens on any Collateral owned by a Subsidiary affected by any of the foregoing events shall remain in full force and effect after giving effect thereto;

(b) the Investments, Dividends, acquisitions and transfers or dispositions of properties expressly permitted pursuant to Section 9.5 and Section 9.7;

(c) sales of Aircraft, other assets or the Capital Stock of a Subsidiary of Holdings that are not included in the Collateral Pool, so long as: (i) the sale of such Aircraft does not result in a Qualified Aircraft to Loan Value Ratio of less than 1.65 to 1.00 as of the date of such sale, provided that the sale of Qualified Aircraft to an Acquired Person, as such term is defined in Section 9.5(j) hereof, shall be included in the calculation of the Qualified Aircraft to Loan Value Ratio for purposes of this Section 9.5(c), and provided, further, that, for purposes of such calculation, the appraised value of such Qualified Aircraft shall be adjusted in proportion to Holdings or its Subsidiaries percentage ownership of the Capital Stock of such Acquired Person; and (ii) the book value of such other assets or Capital Stock proposed to be sold, when aggregated with all such other assets or Capital Stock sold during the term of this Agreement, does not exceed twenty percent (20%) of the book value of the total assets of Holdings prior to giving effect to such sale; and

(d) leases or subleases granted to others not interfering in any material respect with the business of the Borrower or any of its Subsidiaries.

Section 9.3 Liens. Holdings will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to (i) any Qualified Aircraft included in the Collateral Pool, (ii) any Accounts (as such term is defined in the UCC) of Holdings or any of its Subsidiaries or (iii) any Capital Stock of any Subsidiary of Holdings (the assets described in the immediately preceding clauses (i), (ii) and (iii) referred to as "Restricted Assets") or sell any

such Restricted Asset subject to an understanding or agreement, contingent or otherwise, to repurchase such Restricted Asset or assign any right to receive income, or file or authorize the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute with respect to such Restricted Asset, except:

(a) Liens for taxes and assessments not yet due and payable or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of Holdings) have been established;

(b) Liens in respect of Restricted Assets of Holdings or any of its Subsidiaries imposed by law which were incurred in the Ordinary Course of Business, such as operators', vendors', repairmens', construction, carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens arising in the Ordinary Course of Business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(c) Liens created by or pursuant to this Agreement or the other Credit Documents;

(d) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 10.10; and

(e) leases or subleases of Aircraft granted to others not interfering in any material respect with the business of Holdings or any of its Subsidiaries.

Section 9.4 Indebtedness. Holdings will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the other Credit Documents, including Letters of Credit;

(b) Indebtedness of any Subsidiary Guarantor to the Borrower or any other Subsidiary Guarantor, or of the Borrower to any Subsidiary Guarantor;

(c) existing Indebtedness listed on Annex 9.4(c) hereto ("Existing Indebtedness") and any renewals, extensions, refundings or refinancings of such Indebtedness, provided the amount thereof is not increased and the maturity of principal thereof is not shortened;

(d) Indebtedness under Hedge Agreements (provided that such Agreements are entered into to hedge actual risks and not for speculative purposes);

(e) guarantees (i) by any Credit Party of any Indebtedness of any other Credit Party otherwise permitted hereunder, (ii) by any Subsidiary that is not a Credit Party of any Indebtedness of any Subsidiary that is not a Credit Party (other than the Relief Fund) so long as the Indebtedness so guaranteed is otherwise permitted hereunder and (iii) by Holdings or any Subsidiary making an Investment in a Person permitted by Section 9.5(j) of any Indebtedness of such Person, so long as such guarantee is limited to the Fair Market Value (determined as of the date of such Investment) of the Investment made in such Person;

(f) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the Ordinary Course of Business, provided that such Indebtedness is extinguished within two Business Days of its incurrence;

(g) the DHL Note;

(h) Capital Leases in an aggregate amount outstanding not to exceed at any time $250,000,000; and

(i) other Indebtedness of Holdings and its Subsidiaries in an aggregate outstanding principal amount not to exceed at any time $100,000,000.

Section 9.5 Advances, Investments and Loans. Holdings will not, and will not permit any of its Subsidiaries to, make or permit to exist any Investment in any Person, except:

(a) Holdings and its Subsidiaries may invest in cash and Cash Equivalents;

(b) Holdings and any of its Subsidiaries may acquire and hold receivables owing to them, if created or acquired in the Ordinary Course of Business and payable or dischargeable in accordance with customary trade terms;

(c) the intercompany Indebtedness described in Section 9.4(b);

(d) the Investments owned by Holdings and each of its Subsidiaries on the Closing Date and set forth in Annex 9.5(d) may continue to be owned by the Borrower and such Subsidiary;

(e) Holdings and any of its Subsidiaries may acquire and own investments (including, without limitation, debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the Ordinary Course of Business;

(f) Hedge Agreements permitted by Section 9.4(d);

(g) Dividends permitted by Section 9.7;

(h) promissory notes issued to Holdings or any of its Subsidiaries by the purchasers of assets sold in accordance with Section 9.2(c);

(i) Investments in any Domestic Subsidiary of Holdings (other than the Relief Fund); provided that either (i) such Investment is approved by the Required Lenders in their sole discretion or (ii) the Domestic Subsidiary in which such Investment is made has become a party to the Guarantee and Collateral Agreement and Holdings and such Domestic Subsidiary have complied with each of the provisions of Section 8.10(d) contemporaneously with the making of such Investment; and

(j) Investments in a Person (the "Acquired Person") in which Holdings or the applicable Subsidiary acquires less than 50% of the outstanding Capital Stock of such Acquired Person so long as the Acquired Person is in a line of business of a type described in Section 9.1.

Section 9.6 Amendments to Documents, etc. (a) Holdings will not, and will not permit any of its Subsidiaries to, amend, modify or change (i) in any manner materially adverse to the interests of the Lenders or (ii) in a manner having, or reasonably expected to have, an adverse effect on any Credit Party's ability to pay or perform any Obligations, the certificate or articles of incorporation, by-laws, partnership agreement, limited liability company agreement or other charter documents of Holdings or any Subsidiary of Holdings, or any agreement entered into by Holdings or any of its Subsidiaries with respect to its Capital Stock, or enter into any new agreement in any manner materially adverse to the interests of the Lenders with respect to the Capital Stock of Holdings or any of its Subsidiaries.

(b) Holdings will not, and will not permit any of its Subsidiaries to, amend, restate, supplement, modify or change the DHL Note in any manner, individually or in the aggregate, which is adverse to the Lenders or their interests, the determination of which will be in the sole and absolute discretion of the Administrative Agent.

Section 9.7 Dividends, Restrictive Agreements. (a) Holdings will not, and will not permit any of its Subsidiaries to declare or pay any dividends (other than dividends payable solely in Capital Stock of such Person) or return any capital to, its stockholders or other equity holders, or authorize or make any other distribution, payment or delivery of property or cash to its stockholders or equity holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any shares of any class of its Capital Stock now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the Capital Stock of Holdings or any of its Subsidiaries, as the case may be, now or hereafter outstanding (or stock appreciation or similar rights issued by such Person with respect to its Capital Stock) (all of the foregoing "Dividends"), except that:

(i) any Subsidiary of Holdings may pay Dividends to the holders of its Capital Stock;

(ii) Holdings may make noncash repurchases of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options;

(iii) Holdings may pay cash Dividends to the holders of its common stock after the Closing Date; provided that (w) no Default or Event of Default is then in existence or would result from such payment of Dividends, (x) after giving effect to the payment of such Dividends and any related Borrowing, the Total Leverage Ratio of Holdings is less than 2.00 to 1.00 for the Test Period ending on, or most recently ended prior to, the proposed making of such Dividend payment, such compliance determined on a p*ro forma* basis as if such Borrowing and such Dividend payments occurred on the first day of such Test Period, (y) after giving effect to such payment of Dividends and any related Borrowing, Holdings and its Subsidiaries shall be in compliance with Section 9.12, Section 9.13 and Section 9.14, such compliance determined on a p*ro forma* basis giving effect to such Borrowing and such Dividend payments and (z) the aggregate amount of all cash Dividends paid under this clause (iii) shall not exceed $50,000,000 in any Fiscal Year of Holdings; and

(iv) Holdings may make cash repurchases of Capital Stock pursuant to employee compensation arrangements; so long as no Default or Event of Default is then in existence or would result therefrom.

(b) Holdings will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist any encumbrance or restriction which prohibits or otherwise restricts (A) the ability of any other Subsidiary to (a) pay Dividends or make other distributions or pay any Indebtedness owed to Holdings, the Borrower or any other Subsidiary, (b) make loans or advances to Holdings, the Borrower or any other Subsidiary or (c) transfer any of its properties or assets to Holdings, the Borrower or any Subsidiary or (B) the ability of Holdings, the Borrower or any of their respective Subsidiaries to create, incur, assume or suffer to exist any Lien upon its property or assets to secure the Obligations, other than prohibitions or restrictions existing under or by reason of:

(i) this Agreement and the other Credit Documents;

(ii) applicable law;

(iii) customary non-assignment provisions entered into in the Ordinary Course of Business, but only with respect to assets that are not Restricted Assets;

(iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Subsidiary, provided that such restrictions apply only to leasehold interest created by such lease;

(v) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 9.2 pending the consummation of such sale, provided that such restrictions or conditions apply only to the property subject to such sale; and

(vi) any restriction in effect at the time such Subsidiary becomes a Subsidiary of Holdings, so long as such agreement was not entered into in connection with or in contemplation of such person becoming a Subsidiary of Holdings.

(c) If an Event of Default has occurred and is continuing, Holdings will not, and will not permit any of its Subsidiaries to, make any payment or prepayment of principal of, premium, if any, or interest on, or any redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to, the DHL Note unless such payment, in the case of interest, is reimbursed by DHL Network Operations (USA), Inc. under the CMI Services Agreement.

Notwithstanding anything in this Agreement to the contrary (except as provided in clause (c) immediately above), so long as there is any principal outstanding under the DHL Note and demand for payment of principal has not been made, Holdings or its Subsidiaries may make or cause to be made regularly scheduled payments of interest on the DHL Note in accordance with the terms of the DHL Note.

Section 9.8 Transactions with Affiliates. Holdings will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the Ordinary Course of Business, with any Affiliate other than on terms and conditions substantially as

favorable to Holdings or such Subsidiary as would be obtainable by Holdings or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate; provided that the foregoing restrictions shall not apply to (i) transactions set forth in Annex 9.8 (as in existence on the Closing Date, without giving effect to any amendment or modification thereto after the Closing Date), (ii) transactions between or among any of Holdings and its Subsidiaries that are Credit Parties, (iii) transactions expressly permitted by Section 9.2, Section 9.5, Section 9.6 or Section 9.7 and (iv) compensation arrangements for the directors and senior management of Holdings and its Subsidiaries and approved by Holdings' or its Subsidiaries' board of directors or compensation committee; provided, further that in no event shall transactions between any Credit Party and the Relief Fund be permitted.

Section 9.9 Sales and Leasebacks. Holdings will not, and will not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by any Credit Party of any Qualified Aircraft that is included in the Collateral Pool that has been or is to be sold or transferred by such Credit Party to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Credit Party.

Section 9.10 Changes in Fiscal Periods. Holdings shall not change its Fiscal Year to end on a day other than as set forth in the definition of "Fiscal Year" in Section 1 or change its method of determining Fiscal Quarters, except that Holdings may make such changes as are required by GAAP.

Section 9.11 Activities of Holdings. Holdings shall not (a) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than (i) the Indebtedness and obligations under the Credit Documents and (ii) obligations under the Securities Exchange Act of 1934, as amended; (b) create or suffer to exist any Lien upon any property or assets now owned or hereafter acquired by it other than the Liens created under the Security Documents to which it is a party or permitted pursuant to ; (c) engage in any business or activity or own any assets other than (i) holding 100% of the Capital Stock of the Borrower, (ii) performing its obligations and activities incidental thereto under the Credit Documents; and (iii) making Dividends expressly permitted by Section 9.7 and Investments expressly permitted by Section 9.5; (d) consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person; (e) sell or otherwise dispose of any Capital Stock of any of its Subsidiaries; or (f) create or acquire any Subsidiaries after the Closing Date, unless such Subsidiary is a Domestic Subsidiary, such Subsidiary becomes a party to the Guarantee and Collateral Agreement and Holdings and such Subsidiary have complied with each of the provisions of Section 8.10(d) promptly after its creation or acquisition.

Section 9.12 Fixed Charge Coverage Ratio. Holdings will not permit the Fixed Charge Coverage Ratio for any Test Period to be less than 1.50 to 1.00. For the purposes of calculating the financial covenant set forth in this Section, the Relief Fund shall be deemed not to be a "Subsidiary."

Section 9.13 Total Leverage Ratio. Holdings will not permit the Total Leverage Ratio at the end of any Test Period ending on March 31, June 30, September 30 and December 31 of any calendar year to be more than 3.00 to 1.00. For the purposes of calculating the financial covenant set forth in this Section, the Relief Fund shall be deemed not to be a "Subsidiary."

Section 9.14 Collateral to Loan Value Ratio. Holdings will not at any time permit the Collateral to Loan Value Ratio to be less than 1.50 to 1.00; *provided, however*, if Holdings shall fail to maintain the Collateral to Loan Value Ratio as set forth in this Section, the Borrower shall as soon as reasonably practicable, but not in any event later than 45 days after the occurrence of such failure, cause one or more Qualified Aircraft to be admitted to the Collateral Pool in order to cause the Collateral to Loan Value Ratio to be greater than or equal to 1.50 to 1.00.

SECTION 10 EVENTS OF DEFAULT.

Upon the occurrence of any of the following specified events (each an "Event of Default"):

Section 10.1 Payments. The Borrower shall (i) default in the payment when due of any principal of the Loans or any Unpaid Drawing, or (ii) default, and such default shall continue for three (3) or more days, in the payment when due of any interest on the Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

Section 10.2 Representations etc. Any representation, warranty or statement made by Holdings or any of its Subsidiaries herein or in any other Credit Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue or incorrect in any material respect on the date as of which made or deemed made; or

Section 10.3 Covenants. Holdings or any of its Subsidiaries shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.1, the second sentence of Section 8.2, Section 8.3, Section 8.5 (solely with respect to the continued existence of a Credit Party), Section 8.9, Section 8.10, Section 8.12 or Section 9, or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 10.1, Section 10.2 or clause (a) of this Section 10.3) contained in this Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 20 days after the earlier of: (i) notice to the defaulting party by the Administrative Agent or any Lender and (ii) any officer of Holdings or any of its Subsidiaries shall have become aware of any such default; or

Section 10.4 Default Under Other Agreements. Holdings or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations), (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist (except for an event of default relating to such Indebtedness or any instrument or agreement evidencing, securing or relating thereto to the extent such event of default is either based on an alleged material adverse event or other subjective criteria (a "Subjective Cross-Default"), but only so long as the Administrative Agent agrees in its reasonable discretion that such Subjective Cross-Default should be disregarded for purposes of this Section), the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity, or to require the obligor (s) of such Indebtedness to offer to prepay, repurchase or redeem any obligations under such Indebtedness or (iii) breach, default under, fail to observe or perform, cancel or fail to renew any Contractual Obligation and such breach, default, cancellation or failure could (x) reasonably be expected to have a Material Adverse Effect or (y) result in liquidated damages owing by Holdings or its Subsidiaries in an aggregate amount of $20,000,000 or more; provided that it shall not constitute an Event of

Default pursuant to this Section 10.4 unless at the time of such default, defaults, events or conditions of the type described in clauses (i) and (ii) of this Section 10.4 shall have occurred and be continuing with respect to Indebtedness the aggregate outstanding principal amount of which exceeds $20,000,000; or

Section 10.5 Bankruptcy, etc. Holdings or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy", as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Holdings or any of its Subsidiaries and the petition is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Holdings or any of its Subsidiaries; or Holdings or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Holdings or any of its Subsidiaries; or there is commenced against Holdings or any of its Subsidiaries any such proceeding which remains undismissed for a period of 60 days; or Holdings or any of its Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Holdings or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or Holdings or any of its Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by Holdings or any of its Subsidiaries for the purpose of effecting any of the foregoing; or

Section 10.6 ERISA. (a) A Plan shall fail to satisfy the minimum funding standard required by Section 412 of the Code for any plan year or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or shall provide security to induce the issuance of such waiver or extension, (b) any Plan is or shall have been or is likely to be terminated or the subject of termination proceedings under ERISA or an event has occurred entitling the PBGC to terminate a Plan under Section 4042(a) of ERISA, (c) any Plan shall have had or is likely to have a trustee appointed to administer such Plan, (d) a contribution required to be made to a Plan has not been timely made, (e) any Plan shall have an Unfunded Current Liability, (f) Holdings or any of its Subsidiaries or any ERISA Affiliate has incurred or is likely to incur a material liability to or on account of a termination of or a withdrawal from a Plan under Section 4062, 4063, 4064 or 4069 of ERISA or Section 401(a)(29) of the Code, (g) Holdings or any of its Subsidiaries or any ERISA Affiliate has incurred or is likely to incur a material liability to or on account of the withdrawal from a Multiemployer Plan pursuant to Section 4201, 4204 or 4212 of ERISA or (h) Holdings or any of its Subsidiaries or any ERISA Affiliate has received any notice, or a Multiemployer Plan has received from Holdings or any of its Subsidiaries or any ERISA Affiliate any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and there shall result from any such event or events described in the preceding clauses of this Section 10.6 the imposition of a lien upon the assets of Holdings or any of its Subsidiaries, the granting of a security interest, or a liability or a material risk of incurring a liability to the PBGC or a Plan or a trustee appointed under ERISA or a penalty under Section 4971 of the Code, which in any of the foregoing cases, could have a Material Adverse Effect; or

Section 10.7 Credit Documents. (a) Any Security Document shall be cancelled, terminated, revoked, rescinded or otherwise ceases to be in full force and effect (except to the extent resulting from a sale or liquidation of the applicable Credit Party (other than the Borrower) expressly

permitted hereby), (b) any Security Document shall cease to give the Administrative Agent perfected Liens having the priority contemplated by the Security Documents, (c) any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any such Guaranty or Security Document (subject to any grace period provided for therein)) or (d) any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Credit Documents shall be commenced by or on behalf of a Credit Party thereto or any of their respective stockholders, or any court or any other Governmental Authority shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Credit Documents is illegal, invalid or unenforceable in accordance with the terms thereof, or any Credit Party denies that it has any further liability under any Credit Document to which it is party, or gives notice to such effect; or

Section 10.8 Restraint of Business. (a) Any Credit Party shall be enjoined, restrained or in any way prevented by the order of any Governmental Authority from conducting any material part of the business of such Credit Party and such order shall continue in effect for more than thirty (30) days, (b) there shall occur any damage to, or loss, theft, attachment, levy or destruction of, any material part of the Collateral, whether or not insured, or (c) any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy or terrorism, or other casualty, which in any such case causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities of a Credit Party if such event or circumstance is not covered by business interruption insurance and would have a Material Adverse Effect.

Section 10.9 Loss of Authority. The loss, suspension or revocation of, or failure to renew, any license, permit or authorization now held or hereafter acquired by any Credit Party, or any other action shall be taken by any Governmental Authority in response to any alleged failure by any Credit Party to be in compliance with applicable law if such loss, suspension, revocation or failure to renew or other action, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect

Section 10.10 Judgments. One or more judgments or decrees shall be entered against Holdings or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has confirmed coverage) of $15,000,000 or more and (i) such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof or (ii) enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or

Section 10.11 Certified Air Carrier Status. Any of ABX Air, Inc., Air Transport International, LLC or Capital Cargo International Airlines, Inc. shall cease to be classified a Certified Air Carrier, except pursuant to a merger or consolidation permitted by Section 9.2(a); or

Section 10.12 Change in Control. A Change in Control shall have occurred;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for in this Agreement (provided that, if an Event of Default specified in Section 10.5 shall occur, the result which would occur upon the giving of written notice by the

Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Commitment Fee shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all obligations owing hereunder (including Unpaid Drawings) and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; (iii) enforce, as Administrative Agent (or direct the Administrative Agent to enforce), any or all of the Liens and security interests created pursuant to the Security Documents; (iv) terminate any Letter of Credit which may be terminated in accordance with its terms; and (v) direct the Borrower to pay (and the Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in Section 10.5 in respect of the Borrower, it will pay) to the Administrative Agent at the Payment Office such additional amounts of cash, to be held as security for the Borrower's Reimbursement Obligations then outstanding equal to the aggregate Stated Amount of all Letters of Credit then outstanding. Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default is waived in writing in accordance with the terms of Section 12.12 notwithstanding (i) any attempted cure or other action taken by the Borrower or any other Person subsequent to the occurrence of such Event of Default or (ii) any action taken or omitted to be taken by the Administrative Agent or any Lender prior to or subsequent to the occurrence of such Event of Default (other than the granting of a waiver in writing in accordance with the terms of Section 12.12).

Except as expressly provided in this Section and in the Security Documents, presentment, demand, protest and all other notices of any kind are hereby expressly waived with respect to the exercise of remedies upon an Event of Default.

Section 10.13 Payments Subsequent to Declaration of Event of Default. Subsequent to the acceleration of the Loans under Section 10, payments made under this Agreement and/or the Notes to the Administrative Agent and the Lenders or otherwise received by any of such Persons (from realization on the Collateral or otherwise) shall be paid over to the Administrative Agent (if necessary) and distributed by the Administrative Agent as follows: *first*, to the Administrative Agent's reasonable costs and expenses, if any, incurred in connection with the collection of such payment, including, without limitation, any and all reasonable costs incurred by it in connection with the sale or disposition of any Collateral and all amounts under Section 12.1; *second*, to the Lenders or the Administrative Agent for any Fees hereunder or under any of the other Credit Documents then due and payable; *third*, to the Swing Line Lender, toward the payment of any unpaid interest which may have accrued on the Swing Line Loans; *fourth*, to the Lenders pro rata on the basis of their respective unpaid principal amounts outstanding under the Loans (other than Swing Line Loans), toward the payment of any unpaid interest which may have accrued on the Loans; *fifth*, to the Swing Line Lender until all Swing Line Loans have been paid in full; *sixth*, to the Lenders pro rata based on the unpaid principal amount of the Loans then outstanding until all Loans have been paid in full (and, for purposes of this clause, (x) obligations under Hedge Agreements permitted under Section 9.4(d) with the Lenders (or their Affiliates) or any of them and (y) Reimbursement Obligations owing to the Letter of Credit Issuer shall be paid on a pro rata basis with the Loans); *seventh*, to Cash Collateralize Letters of Credit then outstanding; *eighth*, to the Lenders pro rata on the basis of their respective unpaid amounts, to the payment of any other unpaid Obligations; and *ninth*, to the Borrower or as otherwise required by law.

SECTION 11 THE ADMINISTRATIVE AGENT.

Section 11.1 Appointment. Each Lender hereby irrevocably designates and appoints SunTrust Bank as Administrative Agent of such Lender (such term to include for purposes of this Section 11, SunTrust Bank acting as Administrative Agent) to act as specified herein and in the other Credit Documents, and each such Lender hereby irrevocably authorizes SunTrust Bank as the Administrative Agent for such Lender, to (i) enter into the Security Documents on behalf of the Lenders and (ii) take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Section 11. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Credit Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Section 11 are solely for the benefit of the Administrative Agent and the Lenders, and, except as provided in Section 11.9, no Credit Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for any Credit Party.

Section 11.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Credit Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 11.3.

Section 11.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by Holdings or any of its Subsidiaries or any of their respective officers contained in this Agreement, any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement, any other Credit Document or for any failure of Holdings or any of its Subsidiaries or any of their respective officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of Holdings or any of its Subsidiaries. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Credit Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of Holdings and its Subsidiaries to the Administrative Agent or any Lender or be required to ascertain or inquire as to the

performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 11.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile transmission, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Credit Parties), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

Section 11.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower or any other Credit Party referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders, provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

Section 11.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of Holdings or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of Holdings and its Subsidiaries and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of Holdings and its Subsidiaries. The Administrative Agent shall not have any duty or responsibility

to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other conditions, prospects or creditworthiness of Holdings or any of its Subsidiaries which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates. Each of the Lenders acknowledges and agrees that outside legal counsel to the Administrative Agent in connection with the preparation, negotiation, execution, delivery and administration (including any amendments, waivers and consents) of this Agreement and the other Credit Documents is acting solely as counsel to the Administrative Agent and is not acting as counsel to any Lender (other than the Administrative Agent and its Affiliates) in connection with this Agreement, the other Credit Documents or any of the transactions contemplated hereby or thereby.

Section 11.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such ratably according to their respective percentages of Loans and Commitments used in determining Required Lenders at such time (with such percentages to be determined as if there are no Defaulting Lenders), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Administrative Agent in its capacity as such in any way relating to or arising out of this Agreement or any other Credit Document, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by Holdings or any of its Subsidiaries; provided that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting solely from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section 11.7 shall survive the payment of all Obligations.

Section 11.8 The Administrative Agent and Joint Lead Arrangers in their Individual Capacity. The Administrative Agent, the Joint Lead Arrangers and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with Holdings or any of its Subsidiaries as though the Administrative Agent and the Joint Lead Arrangers were not the Administrative Agent hereunder or the Joint Lead Arrangers with respect to the Facilities. With respect to the Loans made by it and all Obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 11.9 Successor Administrative Agent. The Administrative Agent may resign as the Administrative Agent upon 20 days' notice to the Borrower and the Lenders. The Required Lenders shall appoint a successor Administrative Agent for the Lenders (which may be an existing Lender) subject to prior approval, so long as no Default or Event of Default then exists, by the Borrower (such approval not to be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall include such successor agent effective upon its appointment, and the resigning Administrative Agent's rights, powers and duties as the Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the retiring Administrative Agent's resignation hereunder as the

Administrative Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 11.10 Withholding Tax. To the extent required by any applicable law, the Administrative Agent may withhold from any interest payment to any Lender an amount equivalent to any applicable withholding tax. If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances that rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent (to the extent that the Administrative Agent has not already been reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out of pocket expenses.

Section 11.11 Administrative Agent May File Proofs of Claim. (a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan or any Revolving Extensions of Credit shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans or Revolving Extensions of Credit and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Letter of Credit Issuer, the Swingline Lender and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Letter of Credit Issuer, the Swingline Lender and the Administrative Agent and its agents and counsel and all other amounts due the Lenders, the Letter of Credit Issuer, the Swingline Lender and the Administrative Agent under Section 12.1) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and

(b) Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender, the Swingline Lender and the Letter of Credit Bank to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, the Swingline Lender and the Letter of Credit Bank, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 12.1.

(c) Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender, the Swingline Lender or

the Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

SECTION 12 MISCELLANEOUS.

Section 12.1 Payment of Expenses, etc. The Borrower agrees to: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Joint Lead Arrangers in connection with the syndication of the Facilities, the negotiation, preparation, execution, delivery and administration of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto (including, without limitation, the reasonable fees and disbursements of Crowe & Dunlevy, special FAA counsel to the Administrative Agent, and Alston & Bird LLP, counsel to the Administrative Agent and SunTrust Robinson Humphrey, Inc.) and the creation and perfection of the Liens created under the Security Documents; (ii) pay all out-of-pocket costs and expenses of the Administrative Agent, the Joint Lead Arrangers and each of the Lenders in connection with the enforcement (including pursuant to the administration of any bankruptcy proceeding relating to any Credit Party) or preservation of any rights under this Agreement and the other Credit Documents and the documents and instruments referred to therein (including, without limitation, the fees and disbursements of counsel for the Administrative Agent, the Letter of Credit Issuer and for each of the Lenders), including such out-of-pocket costs and expenses incurred during any refinancing, work-out or restructuring (pursuant to any insolvency or bankruptcy proceeding or otherwise) in respect of this Agreement, the Loans or Letters of Credit; (iii) pay and hold each of the Lenders harmless from and against any and all present and future stamp, court or documentary taxes or any other excise or property taxes or charges and other similar taxes with respect to the foregoing matters and save the Administrative Agent and each of the Lenders and the Letter of Credit Issuer harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes; and (iv) indemnify the Administrative Agent, the Letter of Credit Issuer and each Lender, and each of their respective officers, directors, employees, representatives, agents, affiliates, trustees and investment advisors from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of, (x) any investigation, litigation or other proceeding (whether or not the Administrative Agent, the Letter of Credit Issuer or any Lender is a party thereto and whether or not such investigation, litigation or other proceeding is brought by or on behalf of any Credit Party) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of any Letter of Credit or the proceeds of any Loans hereunder or the consummation of the Refinancing or any other transactions contemplated herein or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (y) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property at any time owned, leased or operated by either of Holdings or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials by Holdings or any of its Subsidiaries at any location, whether or not owned, leased or operated by Holdings or any of its Subsidiaries, the non-compliance by Holdings or any of its Subsidiaries with any Environmental Law (including applicable permits thereunder) applicable to any Real Property, or any Environmental Claim asserted against Holdings or any of its Subsidiaries or any Real Property at any time owned, leased or operated by Holdings or

any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses (x) to the extent incurred by reason of the gross negligence or willful misconduct of, or the breach in bad faith of its commitments by, the Person to be indemnified or (y) to the extent arising directly out of or resulting directly from claims of one or more Person to be indemnified hereunder against another Person to be indemnified hereunder (other than claims of a Person to be indemnified hereunder against the Administrative Agent, the Letter of Credit Issuer, their Affiliates and their respective officers, directors, employees, attorneys, agents and representatives, in each case as finally determined by a court of competent jurisdiction in a final and non-appealable decision). To the extent that the undertaking to indemnify, pay or hold harmless the Administrative Agent, the Letter of Credit Issuer or any Lender set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

Section 12.2 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, during the continuance of an Event of Default, the Administrative Agent and each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by the Administrative Agent or such Lender (including, without limitation, by branches and agencies of the Administrative Agent or such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of such Credit Party then due and payable to the Administrative Agent or such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of such Credit Party purchased by such Lender pursuant to Section 12.6 (b), and all other claims of any nature or description then due and payable arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not the Administrative Agent or such Lender shall have made any demand hereunder and although said deposits or Indebtedness owing by the Administrative Agent or such Lender, or any of them, shall be contingent or unmatured.

Section 12.3 Notices/Electronic Delivery of Information. (a) Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied or delivered, if to a Credit Party, at the address specified opposite its signature below or in the other relevant Credit Documents, as the case may be; if to any Lender, at its address specified for such Lender on Annex 1.1A hereto; or, at such other address as shall be designated by any party in a written notice to the other parties hereto. All such notices and communications shall be mailed, telecopied or sent by overnight courier, and shall be effective when received.

(b) In addition to the foregoing, Holdings and the Borrower may deliver documents, materials and other information required to be delivered pursuant to Section 8.1 (collectively, "Information") in pdf format or any other electronic format acceptable to the Administrative Agent by e-mailing any such Information to an e-mail address of the Administrative Agent as specified by the Administrative Agent from time to time. The Administrative Agent will promptly provide such Information to the Lenders.

(c) Notwithstanding anything in this Section to the contrary (i) Holdings and the Borrower shall deliver paper copies (which may include .pdf copies) of Information to the Administrative Agent if requested until a written request to cease delivering paper copies is given to Holdings and the Borrower by the Administrative Agent and (ii) in every instance Holdings and the Borrower shall be required to provide to the Administrative Agent a paper original of the Compliance Certificate required by Section 8.1(c).

Section 12.4 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, provided that neither Holdings nor the Borrower may assign or transfer any of its rights or obligations hereunder without the prior written consent of all the Lenders. Each Lender may, in accordance with applicable law, at any time grant participations in any of its rights hereunder or under any of the Notes to another financial institution or any fund that regularly invests in bank loans, provided that in the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of Section 2.10, Section 2.11, Section 3.5 and Section 5.4 of this Agreement to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold and the participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participation in amounts owing under this Agreement to the same extent as if the amount of its participation were owing directly to it as a Lender under this Agreement provided that, in purchasing such participation, such participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 12.6(b) as fully as if it were a Lender hereunder, and, provided, further, that no Lender shall transfer, grant or assign any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) waive any Term Loan Scheduled Repayment or extend the final scheduled maturity of any Loan or Note in which such participant is participating (it being understood that any waiver of the application of any prepayment or the method of any application of any prepayment to, the amortization of the Term Loans shall not constitute a waiver of any Term Loan Scheduled Repayment or an extension of the final maturity date), or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitment, or a mandatory prepayment, shall not constitute a change in the terms of any Commitment), (ii) release Holdings or all or substantially all of the Subsidiary Guarantors from their obligations under their respective Guaranties except in accordance with the terms thereof, (iii) release all or substantially all of the Collateral except in accordance with the Credit Documents or (iv) consent to the assignment or transfer by Holdings or the Borrower of any of its rights and obligations under this Agreement or any other Credit Document.

(b) Notwithstanding the foregoing, in accordance with applicable law at any time and from time to time, any Lender may assign all or a portion of its Loans and/or Commitments and its rights and obligations under this Agreement to one or more other Persons (other than Holdings, the Borrower or any of their Affiliates) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(i) the Borrower, provided that no consent of the Borrower shall be required (x) for an assignment of any Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund, (y) for an assignment of any Revolving Commitment to a Lender with a Revolving Commitment immediately prior to such assignment or (z) if an Event of Default has occurred and is continuing;

(ii) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund; and

(iii) in the case of any assignment of any Revolving Commitment, the Letter of Credit Issuer.

Any assignment pursuant to this Section 12.4(b) need not be ratable as among the Term Loans and the Revolving Commitments of the assigning Lender except as provided in the next sentence. Unless the Borrower and the Administrative Agent otherwise agree, no assignment pursuant to the immediately preceding sentence shall to the extent such assignment represents an assignment to an institution other than one or more Lenders or their Affiliates or an Approved Fund hereunder, be in an aggregate amount less than $1,000,000 unless the entire Commitment and Loans and other interests of the assigning Lender (and of all Lenders which are Approved Funds managed by the same investment advisor as the assigning Lender) are so assigned. In the case of an assignment by a Lender to its CLO, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment Agreement between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the third proviso to the second sentence of Section 12.4(a) that directly affects such CLO. If any Lender so sells or assigns all or a part of its interests hereunder or under the Notes, any reference in this Agreement or the Notes to such assigning Lender shall thereafter refer to such Lender and to the respective assignee to the extent of their respective interests, and the respective assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights and benefits as it would if it were such assigning Lender. Each assignment pursuant to this Section 12.4(b) shall be effected by the assigning Lender and the assignee Lender executing an Assignment Agreement substantially in the form of Exhibit C (appropriately completed) and either the assigning or the assignee Lender shall pay to the Administrative Agent a nonrefundable assignment fee of $3,500. At the time of any assignment pursuant to this Section 12.4(b), (i) Annex 1.1A shall be deemed to be amended to reflect the Commitment of the respective assignee (which shall result in a direct reduction to the Commitment of the assigning Lender) and of the other Lenders, and (ii) if any such assignment occurs after the Closing Date, the Borrower will, if requested by the assignee or assignor, issue new Notes to the respective assignee and to the assigning Lender in conformity with the requirements of Section 2.5. Each Lender and the Borrower agrees to execute such documents (including, without limitation, amendments to this Agreement) as shall be necessary to effect the foregoing. Nothing in this clause (b) shall prevent or prohibit any Lender from pledging its Notes or Loans, including, without limitation, to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank.

(c) The Administrative Agent acting on behalf of the Borrower shall maintain at its Payment Office a copy of each Assignment Agreement delivered to it (as required hereby) and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time

(whether or not evidenced by a Note). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan or Note evidencing a Loan recorded therein for all purposes of this Agreement, notwithstanding any notice to the contrary. Any assignment of any Loan whether or not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment Agreement, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated assignee and the old Notes shall be returned by the Administrative Agent to the Borrower marked "cancelled". The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 12.5 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between any Credit Party and the Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

Section 12.6 Payments Pro Rata. (a) Subject to the next sentence, and subject to Section 4.2 and Section 5.1 hereof, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party hereunder, it shall distribute such payment to the Lenders pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Reimbursement Obligations, interest, indemnities and Fees then due hereunder, such funds shall be applied (i) first, towards payment of interest, indemnities, Fees and expenses then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, indemnities, Fees and expenses then due to such parties; provided, that any interest, indemnities, Fees and expenses and owing to the Administrative Agent (excluding any such amounts owing to the Administrative Agent in its capacity as a Lender, Issuing Bank or Swingline Lender) shall first be paid before any Lender or the Letter of Credit Issuer is paid any amount under this clause (i), (ii) second, towards payment of principal, obligations in respect of any Hedge Agreements with any Lender or any Affiliate of any Lender and Reimbursement Obligations then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal, obligations in respect of any Hedge Agreements and Reimbursement Obligations then due to such parties and (iii) third, towards the payment of other Obligations ratably among the parties entitled thereto.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit

Documents, or otherwise) which is applicable to the payment of the principal of, or interest on, the Loans, Fees or Reimbursement Obligations, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount, provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 12.7 Calculations; Computations. The financial statements to be furnished to the Administrative Agent and the Lenders pursuant hereto shall be made and prepared in accordance with GAAP as in effect from time to time during the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Holdings or the Borrower to the Administrative Agent). Any changes in GAAP after the Closing Date, as applied in the preparation of such financial statements, or changes in the presentation of such financial statements that are mandated or otherwise required by a Governmental Authority, will be incorporated in such calculations, computations and presentation unless Holdings, by written notice to the Administrative Agent, or the Administrative Agent or the Required Lenders, by written notice to Holdings, objects to the inclusion of such changes in GAAP or presentation, whereupon such changes in GAAP or presentation shall be excluded from calculations and computations hereunder until such time as the parties hereto have amended this Agreement to reflect appropriately the effect of such change in GAAP or presentation, and, in any event, Holdings shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP or presentation. Interest and Fees shall be calculated on the basis of a 360-day year for the actual days elapsed. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change in the Base Rate is announced or such change in the Eurocurrency Reserve Requirements becomes effective, as the case may be.

Section 12.8 Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the Federal District Court of the Southern District of New York, and of any state court of the State of New York located in the Borough of Manhattan and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or , to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Administrative Agent, the Letter of Credit Issuer or any Lender may otherwise have to

bring any action or proceeding relating to this Agreement or any other Credit Document against Holdings or the Borrower or their properties in the courts of any jurisdiction. With respect to the choice of law provided for in this paragraph, the parties hereto expressly acknowledge that, given the large number of state jurisdictions which have relationships to one or more of the parties or to the transactions in question, thoughtful negotiations were had in respect to that issue and the parties ultimately selected the State of New York for a number of reasons, including that (i) the State of New York had direct relationships to certain of the parties and the related transactions (e.g., the transactional documents initially were being delivered by the Borrower and the Guarantors to the Administrative Agent's counsel in the State of New York, and the Administrative Agent's counsel and certain of the Lenders maintain places of business in the State of New York) and (ii) the parties and their respective counsel uniformly were comfortable with the law of the State of New York based upon their prior experiences which involved application of that law in similarly sophisticated commercial transactions. In that regard, the parties hereto further expressly acknowledge and agree that a reasonable basis existed for their selection of the choice of law arrangement provided for in this paragraph.

(b) Each party hereto hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 12.3. Nothing in this Agreement or in any other Credit Document will affect the right of any party hereto to serve process in any other manner permitted by law.

(d) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 12.9 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, including by means of facsimile, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

Section 12.10 Effectiveness. This Agreement shall become effective on the date (the "Closing Date") on which (a) Holdings, the Borrower, the Administrative Agent and each of the Lenders shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent or, in the case of the Lenders, shall have given to the Administrative Agent telephonic (confirmed in writing), written or facsimile transmission notice (actually received) at such office that the same has been signed and mailed to it and (b) each of the conditions precedent set forth in Section 6.1 shall have been satisfied.

Section 12.11 Headings. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 12.12 Amendment or Waiver. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by each applicable Credit Party and the Required Lenders, provided that no such change, waiver, discharge or termination shall:

(i) waive any Term Loan Scheduled Repayment, defer any Term Loan Scheduled Repayment or extend the Term Facility Final Maturity Date or the Revolving Facility Final Maturity Date or the date for any scheduled payment of principal (it being understood that any waiver of the application of any prepayment of, or the method of application of any prepayment to the amortization of, the Loans shall not constitute a waiver of any such Term Loan Scheduled Repayment or any such extension), or reduce the rate or extend the time of payment of any interest (except (x) as a result of waiving the applicability of any post-default increase in interest rates and (y) that any amendment or modification of defined terms used in the definition of "Total Leverage Ratio" shall not constitute a reduction in interest rate for purposes of this clause (i)) or Fees payable hereunder, or forgive or reduce the principal of any amounts payable hereunder or under any other Credit Documents, or increase the Commitment of any Lender over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of any Commitment of any Lender), in each case without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby; provided that no increase of the Commitment of any Defaulting Lender will be effective without the consent of such Defaulting Lender;

(ii) release or subordinate all or any material portion of the Collateral (other than in connection with the sale of such Collateral to the extent permitted herein) or release all or substantially all of the Guarantors from their respective Guaranties (in each case except as expressly provided in the Credit Documents) without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(iii) amend, modify or waive any provision of this Section 12.12 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(iv) reduce the percentage specified in, or otherwise modify, the definition of Required Lenders without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(v) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under this Agreement without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(vi) alter any allocation of mandatory prepayments under Section 5.2 between the Term Loans or the Revolving Facility without the written consent of a majority in interest of the Lenders of the Term Loans or the Revolving Facility, as the case may be, adversely affected thereby (provided that, with the written consent of the Required Lenders, mandatory prepayments under clauses (iii), (iv) and (v) of Section 5.2 may be reduced or eliminated);

(vii) change Section 5.3 or Section 12.6, or change Section 6.5 of the Guarantee and Collateral Agreement, in each case, in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby;

(viii) change Section 12.4(b) in a manner that would place addtional restrictions on a Lender's ability to assign its Commitments or Loans without the written consent of each Lender directly affected thereby;

(ix) amend, modify or waive any provision of Section 2.14(f) or Section 11 without the written consent of the Letter of Credit Issuer or the Administrative Agent, respectively; or

(x) amend Section 2.9(a) to permit Interest Periods of greater than six months without the unanimous written consent of the Lenders under the applicable Facility.

In addition, (i) no amendment, waiver or consent shall, unless in writing and signed by the Letter of Credit Issuer in addition to the Lenders required above, affect the rights or duties of the Letter of Credit Issuer under this Agreement or any Letter of Credit Request relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; and (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Credit Document.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Credit Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Credit Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Credit Documents, and any Default or Event of Default waived in accordance with the terms of this Agreement shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing, this Agreement, including this Section 12.12, and the other Credit Documents may be amended (or amended and restated) pursuant to Section 2.14(a) in order to add new Term Loans and Additional Revolving Commitments to this Agreement and (a) to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement (including the rights of the Incremental Lenders who have made new Term Loans pursuant to Section 2.14 (a) to share ratably with the Term Facility in prepayments pursuant to Section 5.1 and Section 5.2) and the other Credit

Documents with the Term Loans and Total Revolving Extensions of Credit and the accrued interest and fees in respect thereof, (b) to include appropriately the Lenders holding such credit facility in any determination of the Required Lenders and (c) to amend other provision of the Credit Documents so that the Lenders that made new Term Loans or that made Additional Revolving Commitments are appropriately incorporated (including this Section 12.12).

In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, Holdings, the Borrower and the Lenders (or new lenders) providing the relevant Replacement Term Loans (as defined below) to permit the refinancing or modification of all outstanding Term Loans ("Refinanced Term Loans") with a replacement term loan tranche hereunder ("Replacement Term Loans"), provided that (a) the aggregate principal amount of such Replacement Term Loans shall not exceed the aggregate principal amount of such Refinanced Term Loans plus the amount of any Incremental Commitments, (b) the Applicable Margin for such Replacement Term Loans shall not be higher than the Applicable Margin for such Refinanced Term Loans, (c) the weighted average life to maturity of such Replacement Term Loans shall not be shorter than the weighted average life to maturity of such Refinanced Term Loans at the time of such refinancing and (d) all other terms applicable to such Replacement Term Loans shall be agreed upon by the Borrower and the Administrative Agent.

Section 12.13 Survival. All indemnities set forth herein including, without limitation, in Section 2.10, Section 2.11, Section 3.5, Section 5.4, Section 11.7 or Section 12.1 shall survive the execution and delivery of this Agreement and the making and repayment or assignment of the Loans.

Section 12.14 Domicile of Loans. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender, provided that the Borrower shall not be responsible for costs arising under Section 2.10, Section 3.5 or Section 5.4 resulting from any such transfer (other than a transfer pursuant to Section 2.12) to the extent not otherwise applicable to such Lender prior to such transfer.

Section 12.15 USA Patriot Act. Each Lender hereby notifies Holdings and the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act"), it is required to obtain, verify and record information that identifies Holdings and the Borrower, which information includes the name and address of Holdings and the Borrower and other information that will allow such Lender to identify Holdings the Borrower in accordance with the Act.

Section 12.16 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it hereunder with respect to any Credit Party pursuant to this Agreement that is designated by such Credit Party as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or, subject to an agreement to comply with the provisions of this Section, any Lender Affiliate, (b) subject to an agreement to comply with the provisions of this Section, to any assignee or participant or prospective assignee or participant or any actual or prospective direct or indirect counterparty to any Hedge Agreement (or any professional advisor to such counterparty), (c) on a need-to-know basis, to its employees involved in the administration of this Agreement or any other Credit Document, directors, agents, attorneys, accountants, consultants and other professional advisors or those of any of its Affiliates (each of whom shall be instructed to hold the same in confidence), (d) upon the request or demand of

any Governmental Authority having supervisory authority over such Lender, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) that has been publicly disclosed other than in breach of this Agreement, (g) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, (h) in connection with the exercise of any remedy hereunder or under any other Credit Document, (i) with the consent of the Borrower or (j) that becomes available to the Administrative Agent or any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower or any of its Subsidiaries.

Section 12.17 Release of Liens and Guarantees. In the event that the Borrower or any Subsidiary conveys, sells, leases, assigns, transfers or otherwise disposes of all or any portion of any of the Capital Stock, assets or property of the Borrower or any of its Subsidiaries in a transaction expressly permitted by this Agreement or any other Credit Document, the Administrative Agent shall promptly (and the Lenders hereby authorize the Administrative Agent to) take such action and execute any such documents as may be reasonably requested by the Borrower and at the Borrower's expense to release any Liens created by any Credit Document in respect of such Capital Stock, assets, property, including the release and satisfaction of record or partial release of record of any mortgage or deed of trust granted in connection herewith, and, in the case of a disposition of all or substantially all the Capital Stock or assets of any Subsidiary Guarantor, terminate such Subsidiary Guarantor's obligations under the Guarantee and Collateral Agreement and release all Liens on the assets of such Subsidiary Guarantor. In addition, the Administrative Agent agrees to take such actions as are reasonably requested by the Borrower and at the Borrower's expense to terminate the Liens and security interests created by the Credit Documents when all the Obligations are paid in full and all Letters of Credit and Commitments are terminated.

Section 12.18 Integration. This Agreement and the other Credit Documents represent the agreement of the Borrower, the other Credit Parties, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

Section 12.19 Acknowledgments. Holdings and the Borrower hereby acknowledge that:

(i) no amendment, modification or waiver of any provision of Section 2.14(f) or Section 11 shall be or become effective without the written consent of the Letter of Credit Issuer or the Administrative Agent, respectively; or

(ii) they have been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents; or

(iii) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between Administrative Agent and Lenders, on one hand, and Holdings and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(iv) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among Holdings, the Borrower and the Lenders.

(b) The parties hereto acknowledge and agree that the each of the "Joint Lead Arrangers" and the "Documentation Agents" (in their respective capacities as such) shall have no obligations, duties or liabilities under this Agreement or the other Credit Documents.

Section 12.20 Interest Rate Limitation. Notwithstanding any terms or provisions contained herein or any of the other Credit Documents, in no event or contingency shall the aggregate amount of Interest (as defined below) contracted for, reserved, charged, collected, taken or received by any Lender pursuant to or in connection with the terms of any of the Credit Documents exceed the maximum amount permissible (the "Maximum Rate") under the Usury Laws. No agreements, conditions, provisions or stipulations contained in any of the Credit Documents or the exercise by any Lender or the Administrative Agent of the rights to accelerate the payment or the maturity of all or any portion of the Obligations, or the exercise of any option whatsoever contained in any of the Credit Documents, or the prepayment by the Borrower of any of the Obligations, or the occurrence of any contingency whatsoever, shall entitle any Lender to charge, collect or receive Interest in excess of the Maximum Rate and in no event shall the Borrower be obligated to pay Interest exceeding the Maximum Rate. All agreements, conditions or stipulations, if any, which may in any event or contingency operate to bind, obligate or compel the Borrower to pay Interest exceeding the Maximum Rate shall be without binding force or effect, at law or in equity, but only to the extent of the excess of Interest over such Maximum Rate. If any Interest is contracted for, charged, collected, taken or received in excess of the Maximum Rate ("Excess"), the Borrower acknowledges and agrees that any such obligation, charge, collection or receipt shall be the result of a bona fide error, and such Excess, to the extent received, shall be applied first to reduce the principal amount of the Obligations and the balance, if any, returned to the Borrower; it being the intent of the parties hereto not to enter into a usurious or otherwise illegal relationship. All monies paid to any Lender under any of the Credit Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by the Usury Laws. By the execution of this Agreement, the Borrower covenants and agrees that (i) the credit or return of any Excess shall constitute the acceptance by the Borrower of such Excess, and (ii) the Borrower shall not seek or pursue any other remedy, legal or equitable, against any Lender, based in whole or in part upon contracting for, charging, collecting or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged, collected or received by any Lender, all Interest at any time contracted for, charged, collected or received from the Borrower in connection with any of the Credit Documents shall, to the extent permitted by the Usury Laws, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Obligations. The Borrower and each Lender shall, to the maximum extent permitted under the Usury Laws, (i) characterize any non-principal payment as an expense rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into every Credit Document (whether or not any provision of this Section is referred to therein). For purposes hereof, the term "Interest" shall mean any and all interest, fees, premiums and other charges for the use of money or the extension of credit and shall include any "interest" (or any amount or sum deemed to be "interest") under and as defined in the Usury Laws; and the term "Usury Laws" shall mean any applicable laws, statutes (including, without limitation, Title 7, Chapter 4 of the Official Code of Georgia), rules, regulations or ordinances limiting, governing or otherwise regulating the rate or amount of Interest or the manner which Interest may be calculated, charged, collected, paid, contracted for or disclosed.

Section 12.21 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 12.22 No Advisory or Fiduciary Relationship. In connection with all aspects of the transactions contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Credit Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Lenders and the Joint Lead Arrangers are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the Lenders and the Joint Lead Arrangers, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents; (ii) (A) each of the Administrative Agent, the Lenders and each Joint Lead Arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor any Lender or Joint Lead Arrangers has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents; and (iii) the Administrative Agent, each Lender and each Joint Lead Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Lender or Joint Lead Arrangers has any obligation to disclose any of such interests to the Borrower or any of its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent or any Lender or any Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

[Signatures on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

Address:
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Quint O. Turner
Chief Financial Officer
E-mail: quint.turner@atsginc.com
Facsimile: (937) 382-2452

with a copy to:
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Joseph E. Roux
Director, Treasury
E-mail: joe.roux@atsginc.com
Facsimile: (937) 382-2452

with a copy to:
145 Hunter Drive
Wilmington, Ohio 45177
Attention: W. Joseph Payne
General Counsel
E-mail: joe.payne@atstinc.com
Facsimile: (937) 382-2452

CARGO AIRCRAFT MANAGEMENT, INC.

By: /S/ RICHARD F. CORRADO
Name: Richard F. Corrado
Title: President

AIR TRANSPORT SERVICES GROUP, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President & Chief Executive Officer

By: /S/ QUINT O. TURNER
Name: Quint O. Turner
Title: Chief Financial Officer

Address:
303 Peachtree Street NE
10th Floor
Atlanta, Georgia 30308
Attention: Bob Anderson
\t\tManaging Director
E-mail: \t robert.h.anderson@suntrust.com
Facsimile:

SUNTRUST BANK, as Administrative Agent and as a Lender

By: /S/ KEITH COX
Name: Keith Cox
Title: Managing Director

REGIONS BANK, as a Lender

By:____/S/ TODD H. BANES_____
Name: Todd H. Banes
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as a Lender

By:____/S/ JOHN B. MIDDELBERG_____
Name: John B. Middelberg
Title: SVP

BANK OF AMERICA, N.A., as a Lender

By:___/S/ JOHN BEARDSLEE_____
Name: John Beardslee
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By:____/S/ JEFFREY L. STEIN_____

Name: Jeffrey L. Stein

Title: Vice President

HUNTINGTON NATIONAL BANK, as a Lender

By:____/S/ JOE TONGES_____
Name: Joe Tonges
Title: VP

THE PRIVATEBANK AND TRUST COMPANY,
as a Lender

By:___/S/ NICHOLAS FADEL_____
Name: Nicholas Fadel
Title: Associate Managing Director

[Signature Page to Credit Agreement with Cargo Aircraft Management, Inc.]

BRANCH BANKING AND TRUST COMPANY,
as a Lender

By: /S/ BRIAN R. JONES
Name: Brian R. Jones
Title: Vice President

[Signature Page to Credit Agreement with Cargo Aircraft Management, Inc.]

THE NORTHERN TRUST COMPANY, as a Lender

By:____/S/ MICHAEL J. KINGSLEY_____
Name: Michael J. Kingsley
Title: Senior Vice President

STELLARONE BANK, as a Lender

By: /S/ JUDSON G. FOSTER
Name: Judson G. Foster
Title: Vice President

ATLANTIC CAPITAL BANK, as a Lender

By:____/S/ J. CHRISTOPHER DEISLEY_____
Name: J. Christopher Deisley
Title: Senior Vice President

TRISTATE CAPITAL BANK, as a Lender

By:____/S/ TRICIA BALSER_____
Name: Tricia Balser
Title: Vice President
TRISTATE CAPITAL

COMPASS BANK, as a Lender

By: /S/ DAVID C. MORINIERE
Name: David C. Moriniere
Title: Senior Vice President

Annex 1.1A

Institution	***Revolving Commitment***	***Term Loan Commitment***	***Address***
SunTrust Bank	$28,500,000	$ 24,500,000	303 Peachtree Street NE 10th Floor Atlanta, Georgia 30308 Attn: Bob Anderson Fax: (404) 588-8833
Regions Bank	$26,900,000	$ 23,100,000	201 Milan Parkway Birmingham, Alabama 35211 Attn: Stephanie Reid Fax: (205) 801-5250
JPMorgan Chase Bank, N.A.	$26,900,000	$ 23,100,000	10 S Dearborn Floor 07 Chicago, Illinois 60603 Attn: Non Agented Servicing Team Fax: (312) 256-2608
Bank of America, N.A.	$17,500,000	$15,000,000	901 Main Street Dallas, Texas 75202 Attn: Susheel Jaiswal Fax: (972) 728-9506
PNC Bank, N.A.	$14,800,000	$12,700,000	6750 Miller Road Brecksville, Ohio 44141 Attn: Mary Ann Cruz Fax: (866) 932-2125
The Huntington National Bank	$10,800,000	$9,200,000	2361 Morse Road Columbus, Ohio 43229 Attn: Amy L. Pierce Fax: (614) 480-2249
The PrivateBank and Trust Company	$9,400,000	$8,100,000	120 South LaSalle Street Chicago, Illinois 60602 Attn: Daniel Arehart Fax: (312) 564-1794
Branch Banking and Trust Company	$8,100,000	$6,900,000	200 W Second Street 16th Floor Winston Salem, NC 27101 Attn: Wendy Gerringer Fax: (336) 733-2740
The Northern Trust Company	$8,100,000	$6,900,000	50 South LaSalle Street Chicago, Illinois 60603 Attn: Mary Green Fax: (312) 630-1566

Institution	***Revolving Commitment***	***Term Loan Commitment***	***Address***
StellarOne Bank	$6,700,000	$5,800,000	105 Arbor Drive Christiansburg, Virginia 24073 Attn: Jim Rice cc: Sofie Rodriguez Fax: (540) 394-6884 cc: (804) 290-4328
Atlantic Capital Bank	$6,500,000	$5,500,000	3525 Piedmont Road, NE Building 7, Suite 510 Atlanta, Georgia 30305 Attn: Trudy Robinson Fax: (404) 995-5804
TriState Capital Bank	$5,400,000	$4,600,000	301 Grant Street Suite 2700 Pittsburgh, Pennsylvania 15219 Attn: Lori Mingone Fax: (412) 304-0391
Compass Bank	$5,400,000	$4,600,000	8080 N Central Expressway Suite 320 Dallas, Texas 75206 Attn: Kathy Kirk Fax: (866) 984-8668
Total	**$175,000,000**	**$150,000,000**	

GUARANTEE AND COLLATERAL AGREEMENT

made by

CARGO AIRCRAFT MANAGEMENT, INC.

and certain of its Affiliates

in favor of

SUNTRUST BANK,
as Administrative Agent

Dated as of May 9, 2011

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THIS GUARANTEE AND COLLATERAL AGREEMENT (this "Agreement") dated as of May 9, 2011, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of SUNTRUST BANK, as Administrative Agent (in such capacity, the "Administrative Agent") for the lending and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Cargo Aircraft Management, Inc., a Florida corporation (the "Borrower"), Air Transport Services Group, Inc., a Delaware corporation ("Holdings"), the Lenders and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, the Borrower, the Lenders and the Administrative Agent have entered into the Credit Agreement, pursuant to which the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, Holdings and the Borrower are members of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, Holdings, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent for the ratable benefit of the Secured Parties;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, and in order to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and in order to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Secured Parties, as follows:

SECTION 1. DEFINED TERMS

1.1. Definitions. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(b) The following terms shall have the following meanings:

"Agreement": this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Obligations": the collective reference to the unpaid principal of and interest on the Loans and Reimbursement Obligations and all other obligations, indebtedness and liabilities of the Borrower (including, without limitation, (i) interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and Reimbursement Obligations and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding, and (ii) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to the Administrative Agent or any of its Affiliates and arising from treasury, depository and cash management services in connection with any automated-clearing-house transfers of funds) to the Administrative Agent, the Letter of Credit Issuer or any Lender (or, in the case of any Specified Hedge Agreement, any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, or pursuant to, the Credit Agreement, this Agreement, the other Credit Documents, any Letter of Credit, any Specified Hedge Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether on account of principal, interest, Reimbursement Obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Citizenship Requirements": as defined in Section 6.5.

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1.

"Guarantor Obligations": with respect to any Guarantor, all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Credit Document or any Specified Hedge Agreement to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Credit Document).

"Guarantors": the collective reference to each Grantor other than the Borrower.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": (i) in the case of the Borrower, the Borrower Obligations and (ii) in the case of each Guarantor, its Guarantor Obligations.

"paid in full" and "payment in full": paid in full in cash.

"Proceeds": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Restricted Accounts": the Accounts of Holdings or any of its Subsidiaries.

"Restricted Capital Stock": any Capital Stock of any of Holdings' Subsidiaries.

"Secured Parties": the collective reference to the Administrative Agent, the Letter of Credit Issuer, the Lenders and any Lender Affiliate to which Borrower Obligations or Guarantor Obligations, as applicable, are owed.

"Securities Act": the Securities Act of 1933, as amended.

"Transportation Code": Title 49 of the United States Code, as the same may be amended, modified, restated or replaced from time to time.

1.2. Other Definitional Provisions. (a) The words "hereof," "herein," "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1. Guarantee. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Secured Parties and their respective successors and permitted indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Credit Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Credit Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without

impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Obligations shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(e) Except as provided in Section 8.15, no payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any setoff, appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit is outstanding and the Commitments are terminated.

2.2. Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor (other than Holdings) shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any setoff or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security, guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit is outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative

Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine. For the avoidance of doubt, nothing in the foregoing shall operate as a waiver of any subrogation rights.

2.4. Amendments, etc., with respect to the Borrower Obligations. To the fullest extent permitted by applicable law, each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon them or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Credit Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may reasonably deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5. Guarantee Absolute and Unconditional. To the fullest extent permitted by applicable law, each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. To the fullest extent permitted by applicable law, each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2, to the fullest extent permitted by applicable law, shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Credit Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any defense, setoff or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower

Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6. Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7. Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without setoff or counterclaim in Dollars at the Payment Office.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired or created by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (wherever located, collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations:

(a) all Aircraft listed on Schedule 1 (or on any additions or supplements to such schedule);

(b) all Aircraft at any time included in the Collateral Pool; and

(c) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each of the other Secured Parties that:

4.1. Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and the Permitted Liens, such Grantor owns each item of the Collateral free and clear of any and all Liens. No effective financing statement, security agreement or other public notice with respect to all or any part of the Collateral is on file, of record or registered in any public office or is of record under the Cape Town Convention, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are expressly permitted by the Credit Agreement or as to which documentation to terminate the same shall have been delivered to the Administrative Agent.

4.2. Perfected First Priority Liens. The security interests granted pursuant to this Agreement (i) upon the filing of financing statements for the Grantors, the filing with the FAA of Aircraft Security Agreements (or Amended and Restated Aircraft Security Agrements) covering the Aircraft included in the Collateral, and the registration of such Liens in the Aircraft under the Cape Town Convention, will constitute valid perfected security interests in all of the Collateral in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor, to the extent the security interest therein may be perfected by filing, recording or registration in the United States pursuant to the New York UCC or the rules and regulations of the FAA and (ii) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens which have priority over the Liens on the Collateral by operation of law (including the priority rules under the New York UCC) or which are expressly permitted pursuant to Section 9.3 of the Credit Agreement to be prior to the security interests granted pursuant to this Agreement.

4.3. Jurisdiction of Organization. On the date hereof, such Grantor's jurisdiction of organization and identification number from the jurisdiction of organization (if any) are specified on Schedule 2. Such Grantor has furnished to the Administrative Agent a certified charter, certificate of incorporation or other organization document and long-form good standing certificate as of a date which is recent to the date hereof.

4.4. Restricted Capital Stock and Restricted Accounts. All Restricted Capital Stock and all Restricted Accounts are free of any and all Liens or options in favor of any other Person, except Permitted Liens.

4.5. Aircraft. As of the date hereof, Schedule 1 lists all Qualified Aircraft included in the Collateral Pool, including the following information for each such Aircraft: (a) the owner, (b) the make, model, serial number and registration number of each applicable Airframe, and (c) the make, model, serial number, if less than 550 horsepower, the takeoff

horsepower rating, of each Engine attached to each applicable Airframe. Such schedule also includes the primary location and base of operations for each of the foregoing. Each Grantor that owns all such Qualified Aircraft are registered pursuant to the Cape Town Convention. The Borrower shall update Schedule 1 concurrently with any addition of any Qualified Aircraft to the Collateral Pool, and the above representations shall be deemed to be remade at such time with respect to all Qualified Aircraft included in the Collateral Pool.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the other Secured Parties that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1. Maintenance of Insurance. Such Grantor will maintain or caused to be maintained the insurance required by Section 8.3 of the Credit Agreement.

5.2. Maintenance of Perfected Security Interest; Further Documentation. (a) Such Grantor shall take all actions reasonably requested by the Administrative Agent to maintain the security interest created by this Agreement as a security interest having at least the perfection and priority described in Section 4.2 and shall take all actions reasonably requested by the Administrative Agent to defend such security interest against the claims and demands of all Persons whomsoever, subject in each case to Liens permitted by the Credit Agreement and to the rights of such Grantor under the Credit Documents to dispose of the Collateral.

(b) Such Grantor will furnish to the Administrative Agent from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby.

5.3. Changes in Locations, Name, etc. Such Grantor will not, except upon 10 days' prior written notice to the Administrative Agent (or such shorter notice as shall be reasonably satisfactory to the Administrative Agent) and delivery to the Administrative Agent of all additional financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization from that referred to in Section 4.3 or (ii) change its name.

5.4. Notices. Such Grantor will advise the Administrative Agent promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Permitted Liens) on any of the Collateral which could affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.5. Restricted Capital Stock and Restricted Accounts. Without the prior written consent of the Administrative Agent, such Grantor shall not (i) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, any Restricted Capital Stock or Restricted Accounts (except pursuant to a transaction expressly permitted by Section 9.2 of the Credit Agreement), or (ii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any Restricted Capital Stock or Restricted Accounts, or any interest therein, except for Permitted Liens.

5.6. Aircraft. (a) Such Grantor shall cause all Qualified Aircraft to be duly registered in its name by the Aviation Authority, and such Aircraft shall at all times be subject to United States registration and bear United States registration markings, and shall take no action that shall cause or permit any Aircraft to fail to be so registered, and in the event any Aircraft is not so registered, take all necessary action to cause such Aircraft to be registered as provided above; provided, that the foregoing shall not apply to the extent the use or operation of such Aircraft does not require such registration. In addition, such Grantor that owns Qualified Aircraft shall at all times be registered pursuant to the Cape Town Convention.

(b) Such Grantor shall maintain, service, repair, overhaul and test, or shall cause to be maintained, serviced, repaired, overhauled or tested, all Qualified Aircraft in accordance with any Material Contracts applicable thereto and so as to keep such Aircraft in good operating condition, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of such Aircraft to be maintained in good standing at all times under the Transportation Code and all FAA regulations thereunder. Each Grantor shall maintain, or cause to be maintained, all records, logs and other materials required to be maintained in respect of all Qualified Aircraft by the Transportation Code, FAA regulations thereunder, the FAA or any other Governmental Authority, and shall promptly furnish to the Administrative Agent such information as the Administrative Agent may reasonably request with respect thereto.

(c) The Qualified Aircraft shall at all times be used solely for commercial or business purposes (including, without limitation, dry leases); provided, however, that such Aircraft may be used as part of Civilian Reserve Air Fleet. No Grantor will permit any Qualified Aircraft to be maintained, used or operated in violation of any insurance policy provisions, any Material Contract or any Requirement of Law of any Governmental Authority having jurisdiction (domestic or foreign), including without limitation the FAA, or in violation of any airworthiness certificate, license, registration or operating certificate relating to such Aircraft and

issued by any such Governmental Authority, nor will any Grantor suffer any such Aircraft to be so maintained, used or operated. No Grantor will operate or suffer any Qualified Aircraft to be operated except within the geographical limits set forth in applicable insurance policies or operating certificates, whichever may be the more restrictive. In the event that any Requirement of Law requires alteration or modification of any Aircraft, the Grantors will conform thereto or obtain conformance therewith at no expense to the Administrative Agent. The Grantors will permit or require each Qualified Aircraft to be operated only by (i) pilots, appropriately qualified and licensed, considering the particular authorized business or commercial purpose involved and (ii) appropriately qualified and licensed mechanics, but only in connection with taxi operations, and will permit each Qualified Aircraft to be maintained only by duly licensed and qualified mechanics or others as permitted by any Aviation Authority with jurisdiction over such maintenance. Without limiting the generality of the foregoing, Grantors will not operate or locate any Qualified Aircraft or suffer such Aircraft to be operated or located in any recognized or, in any Grantor's reasonable judgment, threatened area of hostilities, unless such operation is within the scope of such Grantor's insurance coverage or in connection with a contract with the government of the United States of America pursuant to which said government has assumed liability for all damage, loss, destruction or failure to return possession of such Aircraft at the expiration of the term of such contract as well at for any injury to person or damage to property of others.

(d) Grantors shall not change the primary location or primary base of operations of any Qualified Aircraft included in the Collateral Pool from the locations set forth on Schedule 1 other than with at least 10 Business Days' prior written notice to the Administrative Agent.

(e) Such Grantor will not permit the Qualified Aircraft owned or leased by it to be landed except at established and properly maintained airports and runways except when reasonably necessary as a precautionary measure or in an emergency in order to prevent the probable occurrence of damage to such Aircraft or injury to persons.

5.7. Further Assurances. Each Grantor shall furnish to the Administrative Agent from time to time upon request statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail and in form and substance reasonably satisfactory to the Administrative Agent. Further, at any time and from time to time, at the request of the Administrative Agent, and at the sole expense of such Grantor, each Grantor shall promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further action as the Secured Parties may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including the filing of any financing or continuation statement under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby.

SECTION 6. REMEDIAL PROVISIONS

If any Event of Default shall have occurred and be continuing under Section 10 of the Credit Agreement, the Administrative Agent may exercise in respect of the Collateral any of the following rights and remedies:

6.1. Proceeds to be Turned Over to Administrative Agent. If the Administrative Agent so requests, all Proceeds received by any Grantor consisting of cash, checks and Cash Equivalents shall be held by such Grantor in trust for the Administrative Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Secured Parties) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.2.

6.2. Application of Proceeds. If an Event of Default shall have occurred or be continuing, the Administrative Agent may (and shall at the request of the Required Lenders) apply any payments received by it under any of the Credit Documents and all or any part of Proceeds required to be included in Collateral held in any Collateral Account in payment of the Obligations as set forth in Section 10.16 of the Credit Agreement.

6.3. Code and Other Remedies. The Administrative Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may reasonably deem advisable and at such prices as it may reasonably deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places that the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of

any action taken by it pursuant to this Section 6.3, after deducting all reasonable out-of-pocket costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations in accordance with Section 6.2 hereof, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.4. Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the reasonable fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

6.5. Maintenance of United States Citizenship of Grantors. The parties hereto acknowledge that each Grantor that is granting a security interest in Aircraft is a citizen of the United States as defined under the United States Code, Title 49 (Transportation), Section 40102(a)(15). Notwithstanding any other provision of this Agreement, the Administrative Agent agrees to exercise its rights and remedies under this Agreement in a manner that complies in all material respects at all times, and each Grantor hereby agrees that it will comply at all times, with the United States citizenship requirements of the above-mentioned laws and regulations and any successor provisions thereto (the "Citizenship Requirements"). Any exercise by the Administrative Agent of such rights shall be void ab initio and unenforceable to the extent that such exercise would result in contravention of or failure to meet the Citizenship Requirements. Nothing in this Section shall in any way affect or impair the Lien of the Administrative Agent, for the benefit of the Lenders, in the Collateral or the exercise by the Administrative Agent of its rights and remedies under this Agreement or any Aircraft Security Agreement filed with the FAA, so long as such exercise is in compliance with the Citizenship Requirements. Further, nothing in this Section shall give rise to any claims, causes of action or other rights in favor of any Grantor against the Administrative Agent or any Lender.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1. Administrative Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, subject to the last sentence of this clause (a), as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives

the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Proceeds and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due with respect to any Proceeds whenever payable;

(ii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iii) execute, in connection with any sale provided for in Section , any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iv) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may reasonably deem appropriate; and (7) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless a Default or an Event of Default shall have occurred.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The reasonable out-of-pocket expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2. Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Secured Parties hereunder are solely to protect the Administrative Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final non-appealable judgment.

7.3. Filing of Financing Statements. Pursuant to any applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

7.4. Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no

Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1. Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 12.12 of the Credit Agreement.

8.2. Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 12.3 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 3.

8.3. No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4. Enforcement Expenses; Indemnification. (a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its out-of-pocket costs and expenses incurred in collecting against such Guarantor under the guarantee contained in or otherwise enforcing or preserving any rights under this Agreement and the other Credit Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 12.1 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Credit Documents.

8.5. Successors and Assigns. This Agreement shall be binding upon the permitted successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent, the Letter of Credit Issuer and the Secured Parties and their permitted successors and assigns; provided that no Grantor may, except pursuant to a merger or consolidation expressly permitted by Section 9.2 of the Credit Agreement, assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6. Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, during the continuance of an Event of Default, the Administrative Agent and each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Grantor, any such notice being hereby expressly waived by each Grantor to the fullest extent permitted by applicable law, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by the Administrative Agent or such Lender (including, without limitation, by branches and agencies of the Administrative Agent or such Lender wherever located) to or for the credit or the account of any Grantor against and on account of the Obligations of such Grantor then due and payable to the Administrative Agent or such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of the Borrower purchased by such Lender pursuant to Section 12.4 (b) of the Credit Agreement, and all other claims of any nature or description then due and payable arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not the Administrative Agent or such Lender shall have made any demand hereunder and although said deposits or Indebtedness owing by the Administrative Agent or such Lender, or any of them, shall be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such setoff and the application made by the Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent and each Lender under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Administrative Agent or such Lender may have.

8.7. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9. Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10. Integration. This Agreement and the other Credit Documents represent the agreement of the Grantors, the Administrative Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Credit Documents.

8.11. GOVERNING LAW. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

8.12. Submission To Jurisdiction; Waivers. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Credit Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and of any state court of the State of New York located in the Borough of New York and any appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.12 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13. Acknowledgments. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents to which it is a party;

(b) neither the Administrative Agent, the Letter of Credit Issuer nor any Lender, in such capacity, has any fiduciary relationship with or duty to any Grantor arising out of

or in connection with this Agreement or any of the other Credit Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and the Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties.

8.14. Additional Grantors. Each Subsidiary of Holdings that is required to become a party to this Agreement pursuant to Section 8.10 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15. Releases. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be released as expressly permitted by Section 8.10(c) of the Credit Agreement, then (i) the Liens created hereby on such Collateral shall automatically be released and (ii) the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

8.16. Subordination. Each Grantor agrees that any Indebtedness of any Grantor owing to any other Grantor pursuant to Section 9.4(b) of the Credit Agreement, whether created prior to, on, or after the date hereof (the "Intercompany Debt"), shall be subordinated in right of payment to the prior payment in full of all Obligations. Following the Borrower' receipt of notice from the Administrative Agent given during the existence of an Event of Default, the Grantors shall pay to the Administrative Agent any and all payments in respect of the Intercompany Debt and any amount so paid to the Administrative Agent shall be applied to payment of the Obligations as provided in Section 6.2 hereof. Each payment on the Intercompany Debt received in violation of any of the provisions hereof shall be deemed to have been received by such Grantor as trustee for the Secured Parties and shall be paid over to the Administrative Agent immediately on account of the Obligations, but without otherwise affecting in any manner such Grantor's liability hereof.

8.17. WAIVER OF JURY TRIAL. **EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR**

PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

CARGO AIRCRAFT MANAGEMENT, INC.

By: /S/ W. JOSEPH PAYNE
Name: W. Joseph Payne
Title: Vice President

727 AIRCRAFT TWO, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President

ABX AIR, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: Chief Executive Officer

ABX CARGO SERVICES, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President

AIRBORNE GLOBAL SOLUTIONS, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: Chief Executive Officer

AIRBORNE MAINTENANCE AND ENGINEERING SERVICES, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: Chief Executive Officer

AIR TRANSPORT INTERNATIONAL LIMITED LIABILITY COMPANY

By: /S/ CYNTHIA TREADWELL-MCCONNELL
Name: Cynthia Treadwell-McConnell
Title: President

AMES MATERIAL SERVICES INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President

CAPITAL CARGO INTERNATIONAL AIRLINES, INC.

By: /S/ DENNIS MANIBUSAN
Name: Dennis Manibusan
Title: President

CARGO AVIATION, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President

CARGO HOLDINGS INTERNATIONAL, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: Chief Executive Officer

LGSTX FUEL MANAGEMENT, INC.

By: /S/ QUINT O. TURNER
Name: Quint O. Turner
Title: President

LGSTX SERVICES, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: Chief Executive Officer

AIR TRANSPORT SERVICES GROUP, INC.

By: /S/ JOSEPH C. HETE
Name: Joseph C. Hete
Title: President and Chief Executive Officer

ASSUMPTION AGREEMENT, dated as of _____, 20__, made by _____, a _____ corporation (the "Additional Grantor"), in favor of SUNTRUST BANK, as administrative agent (in such capacity, the "Administrative Agent"), for the lending and other financial institutions (the "Lenders") parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

W I T N E S S E T H :

WHEREAS, CARGO AIRCRAFT MANAGEMENT, INC., a Florida corporation (the "Borrower"), the Lenders and the Administrative Agent have entered into a Credit Agreement, dated as of May 9, 2011 (as amended, modified, supplemented or restated from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Borrower, Holdings and certain of its Affiliates (other than the Additional Grantor) have entered into the Guarantee and Collateral Agreement, dated as of May 9, 2011 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Secured Parties;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.10 of the Credit Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder (including the guaranty obligations in Section 2 of the Guaranty and Collateral Agreement) and further grants to the Administrative Agent on behalf of the Secured Parties a security interest in the Collateral, pursuant to Section 3 of the Guaranty and Collateral Agreement. The information set forth in Annex 1-A hereto is hereby added to the information set forth in the Schedules to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct

on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2. <u>GOVERNING LAW</u>. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

Supplement to Schedule 1

Supplement to Schedule 2

Supplement to Schedule 3

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph C. Hete, certify that:

1. I have reviewed this report on Form 10-Q of Air Transport Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2011

/s/ JOSEPH C. HETE

Joseph C. Hete

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Quint O. Turner, certify that:

1. I have reviewed this report on Form 10-Q of Air Transport Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2011

/s/ QUINT O. TURNER

Quint O. Turner

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Air Transport Services Group, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Hete, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as enacted by § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Air Transport Services Group, Inc. and will be retained by Air Transport Services Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ JOSEPH C. HETE

Joseph C. Hete
Chief Executive Officer

Date: August 3, 2011

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Air Transport Services Group, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Quint O. Turner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as enacted by § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Air Transport Services Group, Inc. and will be retained by Air Transport Services Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer

Date: August 3, 2011