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 the quarterly period ended June 30, 2015

Commission file number 000-50368

ATSG
Air Transport Services Group, Inc.

(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 7, 2015, 64,860,351 shares of the registrant's common stock, par value $0.01, were outstanding.

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

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FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION

The financial information, including the financial statements, included in the Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on March 9, 2015.

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.

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 2014 Annual Report filed on Form 10-K with the Securities and Exchange Commission.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
REVENUES	$ 148,353	$ 149,618	$ 295,378	$ 293,211
OPERATING EXPENSES				
Salaries, wages and benefits	42,036	40,895	85,715	83,960
Fuel	12,275	14,014	23,053	26,274
Maintenance, materials and repairs	23,993	23,168	46,686	48,047
Depreciation and amortization	31,400	27,142	60,393	52,121
Travel	4,342	4,419	8,765	8,992
Rent	2,447	6,924	6,654	14,234
Landing and ramp	2,166	2,576	4,874	5,314
Insurance	546	1,573	1,804	2,778
Other operating expenses	9,354	10,790	20,111	19,538
	128,559	131,501	258,055	261,258
OPERATING INCOME	19,794	18,117	37,323	31,953
OTHER INCOME (EXPENSE)				
Interest income	24	24	46	43
Net gain (loss) on derivative instruments	264	31	251	330
Interest expense	(2,839)	(3,481)	(5,904)	(7,304)
	(2,551)	(3,426)	(5,607)	(6,931)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	17,243	14,691	31,716	25,022
INCOME TAX EXPENSE	(6,673)	(5,393)	(12,251)	(9,202)
EARNINGS FROM CONTINUING OPERATIONS	10,570	9,298	19,465	15,820
EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAXES	214	211	428	422
NET EARNINGS	$ 10,784	$ 9,509	$ 19,893	$ 16,242
BASIC EARNINGS PER SHARE				
Continuing operations	$ 0.16	$ 0.14	$ 0.30	$ 0.25
Discontinued operations	0.01	0.01	0.01	—
TOTAL BASIC EARNINGS PER SHARE	$ 0.17	$ 0.15	$ 0.31	$ 0.25
DILUTED EARNINGS PER SHARE				
Continuing operations	$ 0.16	$ 0.14	$ 0.30	$ 0.24
Discontinued operations	—	0.01	—	0.01
TOTAL DILUTED EARNINGS PER SHARE	$ 0.16	$ 0.15	$ 0.30	$ 0.25
WEIGHTED AVERAGE SHARES				
Basic	64,541	64,285	64,498	64,217
Diluted	65,471	65,207	65,404	65,174

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
NET EARNINGS	$ 10,784	$ 9,509	$ 19,893	$ 16,242
OTHER COMPREHENSIVE INCOME (LOSS):				
Defined benefit pension	1,142	—	2,284	(1)
Defined benefit post-retirement	(40)	(504)	(80)	(1,008)
Interest rate derivatives	2	(7)	(4)	(14)
Foreign currency translation	144	—	(296)	—
TOTAL COMPREHENSIVE INCOME, net of tax	$ 12,032	$ 8,998	$ 21,797	$ 15,219

See notes to condensed consolidated financial statements.

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

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,182	$ 30,560
Accounts receivable, net of allowance of $315 in 2015 and $812 in 2014	36,663	43,513
Inventory	10,709	10,665
Prepaid supplies and other	10,583	12,613
Deferred income taxes	19,770	19,770
TOTAL CURRENT ASSETS	99,907	117,121
Property and equipment, net	859,482	847,268
Other assets	26,904	28,230
Goodwill and acquired intangibles	38,870	39,010
TOTAL ASSETS	**$ 1,025,163**	**$ 1,031,629**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 39,316	$ 40,608
Accrued salaries, wages and benefits	20,485	25,633
Accrued expenses	8,022	8,201
Current portion of debt obligations	24,672	24,344
Unearned revenue	12,812	12,914
TOTAL CURRENT LIABILITIES	105,307	111,700
Long term debt	290,781	319,750
Post-retirement obligations	86,102	92,050
Other liabilities	59,266	57,647
Deferred income taxes	115,985	102,993
TOTAL LIABILITIES	657,441	684,140
Commitments and contingencies (Note G)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 20,000,000 shares authorized, including 75,000 Series A Junior Participating Preferred Stock	—	—
Common stock, par value $0.01 per share; 75,000,000 shares authorized; 64,987,351 and 64,854,950 shares issued and outstanding in 2015 and 2014, respectively	650	649
Additional paid-in capital	525,104	526,669
Accumulated deficit	(77,060)	(96,953)
Accumulated other comprehensive loss	(80,972)	(82,876)
TOTAL STOCKHOLDERS' EQUITY	367,722	347,489
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,025,163**	**$ 1,031,629**

See notes to 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,	
	2015	**2014**
OPERATING ACTIVITIES:		
Net earnings from continuing operations	$ 19,465	$ 15,820
Net loss from discontinued operations	428	422
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	60,393	52,121
Reclassification of pension and post-retirement balance	3,460	(1,585)
Deferred income taxes	11,940	9,047
Amortization of stock-based compensation	1,645	1,286
Amortization of DHL promissory note	(1,550)	(3,100)
Net gain on derivative instruments	(251)	(330)
Changes in assets and liabilities:		
Accounts receivable	6,977	(4,619)
Inventory and prepaid supplies	1,082	(3,713)
Accounts payable	2,738	(976)
Unearned revenue	2,354	(2,334)
Accrued expenses, salaries, wages, benefits and other liabilities	(5,963)	96
Pension and post-retirement	(5,948)	(4,660)
Other	(184)	(2,041)
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,586	55,434
INVESTING ACTIVITIES:		
Capital expenditures	(76,308)	(23,508)
Proceeds from property and equipment	1,030	1,404
Investment in nonconsolidated affiliate	—	(15,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(75,278)	(37,104)
FINANCING ACTIVITIES:		
Principal payments on long term obligations	(47,091)	(44,285)
Proceeds from borrowings	20,000	15,000
Purchase of common stock	(2,595)	—
Funding for hangar construction	—	3,019
NET CASH (USED IN) FINANCING ACTIVITIES	(29,686)	(26,266)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,378)	(7,936)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,560	31,699
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 22,182	$ 23,763
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid, net of amount capitalized	$ 5,646	$ 7,118
Federal alternative minimum and state income taxes paid	$ 501	$ 565
SUPPLEMENTAL NON-CASH INFORMATION:		
Debt extinguished	$ 1,550	$ 3,100
Accrued capital expenditures	$ 3,618	$ 1,184

See notes to condensed consolidated financial statements.

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 two independently certificated airlines. The Company provides airline operations, aircraft leases, aircraft maintenance and other support services primarily to the cargo transportation and package delivery industries. Through the Company's subsidiaries, it offers a range of complementary services to delivery companies, freight forwarders, airlines and government customers.

The airlines, ABX Air, Inc. (“ABX”) and Air Transport International, Inc. (“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.

The Company provides aircraft and airline operations to its customers, typically under contracts providing for a combination of aircraft, crews, maintenance and insurance ("ACMI") services. The Company serves a base of concentrated customers who have a diverse line of international cargo traffic. DHL Network Operations (USA), Inc. and its affiliates, “DHL,” is the Company's largest customer. ATI provides passenger transportation, primarily to the U.S. Military, using "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, and operates mail sorting facilities for the U.S. Postal Service (“USPS”).

Basis of Presentation

The accompanying unaudited condensed interim consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and such principles are applied on a basis consistent with information reflected in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC related to interim financial statements. In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring adjustments, necessary for the fair presentation of the Company’s results of operations and financial position for the periods presented. Due to seasonal fluctuations, among other factors common to the airline industry, the results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year or any interim period. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. The accounting estimates reflect the best judgment of management, but actual results could differ materially.

The accompanying condensed consolidated financial statements include the accounts of Air Transport Services Group, Inc. and its wholly-owned subsidiaries. Investments in an affiliate in which the Company has significant influence but does not exercise control are accounted for using the equity method of accounting. Using the equity method, the Company’s share of the nonconsolidated affiliate's income or loss is recognized in the consolidated statement of earnings and cumulative post-acquisition changes in the investment are adjusted against the carrying amount of the investment. Inter-company balances and transactions are eliminated.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 with earlier adoption permitted for reporting periods beginning after December 15, 2016. The Company is currently evaluating the methods of adoption allowed by the new standard and the effect the standard is expected to have on the Company's consolidated financial position, results of operations or cash flows and related disclosures.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. The amendments in ASU 2015-03 are effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the impact of adopting ASU 2015-03 to be material to the Company's financial statements and related disclosures.

NOTE B—SIGNIFICANT CUSTOMERS

DHL

The Company's largest customer is DHL. The Company has had long-term contracts with DHL since August 2003. Commencing March 31, 2010, the Company and DHL executed commercial agreements under which DHL leases Boeing 767 freighter aircraft from CAM and ABX operates those aircraft under a separate crew, maintenance and insurance ("CMI") agreement. The initial term of the CMI agreement was five years, ending March 31, 2015 while the terms of the aircraft leases were seven years. Effective April 1, 2015, the Company and DHL amended and restated the CMI agreement ("restated CMI agreement") under which ABX continues to operate Boeing 767 aircraft for DHL through March of 2019 and the Boeing 767 aircraft lease terms were extended through March of 2019. Pricing for services provided through the restated CMI agreement is based on pre-defined fees scaled for the number of aircraft hours flown, aircraft scheduled and flight crews provided to DHL for its U.S. network. During the second quarter of 2015, CAM leased 16 Boeing 767 aircraft to DHL and ABX operated them under the restated CMI agreement for DHL's network.

The Company has other agreements to provide additional air cargo transportation services to DHL. During the second quarter of 2015, ATI operated four CAM-owned Boeing 757 aircraft for DHL's network through ACMI agreements in which the Company provides the aircraft, crews, maintenance and insurance under a single contract. Additionally, ATI operated a Boeing 757 aircraft, supplied by DHL, for DHL's network. Revenues generated from the ACMI agreements are typically based on hours flown during the period. The Company also provides maintenance services to DHL for ground equipment, such as power units and air starts under separate agreements.

Revenues from continuing operations performed for DHL were approximately 48% and 50% of the Company's consolidated revenues from continuing operations for the three and six month periods ended June 30, 2015, respectively, compared to 57% and 57% for the corresponding periods of 2014. The Company's balance sheets include accounts receivable with DHL of $9.0 million and $12.2 million as of June 30, 2015 and December 31, 2014, 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 18% and 17% of the Company's total revenues from continuing operations for the three and six month periods ended June 30, 2015, respectively, compared to 17% and 16% for the corresponding periods of 2014. The Company's balance sheets included accounts receivable with the U.S. Military of $5.3 million and $6.0 million as of June 30, 2015 and December 31, 2014, respectively.

NOTE C—GOODWILL, ACQUIRED INTANGIBLES AND EQUITY INVESTMENTS

The Company has one reporting unit that has goodwill, CAM. The carrying amounts of goodwill are as follows (in thousands):

	CAM	Total
Carrying value as of December 31, 2014	$ 34,395	$ 34,395
Carrying value as of June 30, 2015	$ 34,395	$ 34,395

The Company's intangible assets relate to the ACMI Services segment and are as follows (in thousands):

	Customer Relationships	Airline Certificates	Total
Carrying value as of December 31, 2014	$ 1,615	$ 3,000	$ 4,615
Amortization	(140)	—	(140)
Carrying value as of June 30, 2015	$ 1,475	$ 3,000	$ 4,475

The customer relationship intangible amortizes through 2020. The airline certificates have an indefinite life and therefore are not amortized.

In January 2014, the Company acquired a 25 percent equity interest in West Atlantic AB of Gothenburg, Sweden ("West"). West, through its two airlines, Atlantic Airlines Ltd. and West Air Sweden AB, operates a fleet of approximately 40 aircraft primarily in Europe. West operates its aircraft on behalf of European regional mail carriers and express logistics providers. The airlines operate a combined fleet of British Aerospace ATPs, Bombardier CRJ-200-PFs, Boeing 737 and Boeing 767 aircraft.

The Company has significant influence, but does not exercise control, over West. Accordingly, the investment in West is accounted for using the equity method of accounting and was initially recognized at cost. The Company's carrying value of West was $12.9 million and $13.8 million at June 30, 2015 and December 31, 2014, respectively, including $5.5 million of excess purchase price over the Company's proportional fair value of West's net assets in January of 2014. The carrying value is reflected in "Other Assets" in the Company's consolidated balance sheets.

NOTE D—FAIR VALUE MEASUREMENTS

The Company's money market funds and interest rate swaps are reported on the Company's consolidated balance sheets at fair values based on market values from identical or comparable transactions. The fair value of the Company's money market funds and interest rate swaps 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, 2015	Fair Value Measurement Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents—money market	$ 20	$ 5,505	$ —	$ 5,525
Total Assets	$ 20	$ 5,505	$ —	$ 5,525
Liabilities				
Interest rate swap	$ —	$ (1,169)	$ —	$ (1,169)
Total Liabilities	$ —	$ (1,169)	$ —	$ (1,169)

As of December 31, 2014	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents—money market	$ 20	$ 2,306	$ —	$ 2,326
Total Assets	$ 20	$ 2,306	$ —	$ 2,326
Liabilities				
Interest rate swap	$ —	$ (1,419)	$ —	$ (1,419)
Total Liabilities	$ —	$ (1,419)	$ —	$ (1,419)

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, based on Level 2 observable inputs, was approximately $0.3 million less than the carrying value, which was $315.5 million at June 30, 2015. As of December 31, 2014, the fair value of the Company's debt obligations was approximately $2.5 million more than the carrying value, which was $344.1 million. The non-financial assets, including goodwill, intangible assets and property and equipment are measured at fair value on a non-recurring basis.

NOTE E—PROPERTY AND EQUIPMENT

The Company's property and equipment consists primarily of cargo aircraft, aircraft engines and flight equipment. Property and equipment, to be held and used, is summarized as follows (in thousands):

	June 30, 2015	December 31, 2014
Flight equipment	$ 1,335,943	$ 1,285,966
Ground equipment	33,735	33,677
Leasehold improvements, facilities and office equipment	25,152	25,180
Aircraft modifications and projects in progress	21,043	18,612
	1,415,873	1,363,435
Accumulated depreciation	(556,391)	(516,167)
Property and equipment, net	$ 859,482	$ 847,268

CAM owned aircraft with a carrying value of $370.2 million and $289.5 million that were under leases to external customers as of June 30, 2015 and December 31, 2014, respectively.

The carrying value of Boeing 727 and DC-8 freighter aircraft and engines available for sale totaled $0.4 million and $0.7 million as of June 30, 2015 and December 31, 2014, respectively.

NOTE F—DEBT OBLIGATIONS

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

	June 30, 2015	December 31, 2014
Unsubordinated term loan	$ 108,750	$ 116,250
Revolving credit facility	165,000	180,000
Aircraft loans	41,703	46,294
Promissory note due to DHL, unsecured	—	1,550
Total long term obligations	315,453	344,094
Less: current portion	(24,672)	(24,344)
Total long term obligations, net	$ 290,781	$ 319,750

The Company executed a syndicated credit agreement ("Senior Credit Agreement") in May 2011 which includes an unsubordinated term loan and a revolving credit facility. On May 8, 2015, the Company executed an amendment to the Senior Credit Agreement (the "Fifth Credit Amendment"). The Fifth Credit Amendment extended the maturity of the term loan and revolving credit facility to May 5, 2020, increased the capacity of the Revolving credit facility by $50.0 million to $325.0 million, increased the permitted additional indebtedness by $50.0 million to $150.0 million, and retained the accordion feature whereby the Company can draw up to an additional $50.0 million subject to the lenders' consent. Under the amended terms of the Senior Credit Agreement, the Company is required to maintain collateral coverage equal to 150% of the outstanding balances of the term loan and the maximum capacity of revolving credit facility or 175% of the outstanding balance of the term loan and the total funded revolving credit facility, whichever is less. The minimum collateral coverage which must be maintained is 50% of the outstanding balance of the term loan plus the revolving credit facility commitment which was $325.0 million as of May 8, 2015. Each year, through May 6, 2019, the Company may request a one year extension of the final maturity date, subject to the lenders' consent.

Under the terms of the Senior Credit Agreement, 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 facility bear a variable interest rate of 1.94% and 1.94%, respectively. The Credit Amendment did not affect the EBITDA based pricing or covenants of the Senior Credit Agreement. The Senior Credit Agreement provides for the issuance of letters of credit on the Company's behalf. As of June 30, 2015, the unused revolving credit facility totaled $150.9 million, net of draws of $165.0 million and outstanding letters of credit of $9.1 million.

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.

The Senior Credit Agreement is collateralized by certain of the Company's Boeing 767 and 757 aircraft that are not collateralized under aircraft loans. The Senior Credit Agreement contains covenants including, among other things, limitations on certain additional indebtedness, guarantees of indebtedness, as well as a total debt to EBITDA ratio and a fixed charge coverage ratio. The Senior Credit Agreement 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 Senior Credit Agreement. The Senior Credit Agreement 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, provided the Company's total debt to EBITDA ratio is under 2.5 times, after giving effect to the dividend or repurchase.

NOTE G—COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases portions of the air park in Wilmington, Ohio, under long-term lease agreements with a regional port authority. The leased facilities include corporate offices, 310,000 square feet of maintenance hangars and a 100,000 square foot component repair shop at the air park. ABX also has the non-exclusive right to use the airport, which includes one active runway, taxi ways and ramp space. Additionally, the Company leases certain equipment and airport facilities, office space and maintenance facilities at locations outside of the airpark in Wilmington.

Guarantees and Indemnifications

Certain leases and agreements of the Company contain guarantees and 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.

Brussels Noise Ordinance

The Brussels Instituut voor Milieubeheer ("BIM"), a governmental authority in the Brussels-Capital Region of Belgium that oversees the enforcement of environmental matters, imposed four separate administrative penalties on ABX in the approximate aggregate amount of €0.4 million ($0.4 million) for numerous alleged violations of an ordinance limiting the noise caused by aircraft overflying the Brussels-Capital Region (which is located near the Brussels Airport) during the period from May 2009 through December 2010. ABX has exhausted its appeals with respect to all four of the administrative penalties.

The ordinance in question is controversial for the reason that it was adopted by the Brussels-Capital Region and is more restrictive than the noise limitations in effect in the Flemish Region, which is where the Brussels Airport is located. Numerous airlines have been levied fines under the ordinance, which is currently the subject of several court cases pending before the Belgian courts, including with respect to demands for payment. The Brussels government has suspended issuing demands for payment of the penalties pending the outcome of the litigation. ABX has yet to receive a demand for payment of the penalties.

Other

In addition to the foregoing matters, we are also currently a party to legal proceedings, including FAA enforcement actions, in various federal and state jurisdictions arising out of the operation of the Company's business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, we believe that the Company's 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.

Employees Under Collective Bargaining Agreements

As of June 30, 2015, the flight crewmember employees of ABX and ATI were represented by the labor unions listed below:

Airline	Labor Agreement Unit	Percentage of the Company's Employees
ABX	International Brotherhood of Teamsters	11.4%
ATI	Air Line Pilots Association	5.8%

NOTE H—PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Defined Benefit and Post-retirement Healthcare Plans

ABX sponsors a qualified defined benefit pension plan for ABX 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. Employees are no longer accruing benefits under any of the defined benefit pension plans. ABX also sponsors a post-retirement healthcare plan for its ABX employees, which is unfunded. Benefits for covered individuals terminate upon reaching age 65 under the post-retirement healthcare plans.

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 assumptions considered most sensitive in actuarially valuing ABX's pension obligations and determining related expense amounts are discount rates and expected long term investment returns on plan assets. Additionally, other assumptions concerning retirement ages, mortality and employee turnover also affect the valuations. Actual results and future changes in these assumptions could result in future costs significantly higher than those recorded in our results of operations. The Company's net periodic benefit costs for its defined benefit pension plans 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Service cost	$ —	$ —	$ 44	$ 60	$ —	$ —	$ 88	$ 120
Interest cost	8,646	9,879	48	71	17,292	19,758	96	142
Expected return on plan assets	(11,020)	(11,528)	—	—	(22,040)	(23,056)	—	—
Amortization of prior service cost	—	—	(136)	(872)	—	—	(272)	(1,744)
Amortization of net (gain) loss	1,793	—	73	80	3,586	(1)	146	160
Net periodic benefit cost (gain)	$ (581)	$ (1,649)	$ 29	$ (661)	$ (1,162)	$ (3,299)	$ 58	$ (1,322)

During the three and six month periods ended June 30, 2015, the Company contributed $0.3 million and $0.9 million to the pension plans. The Company expects to contribute an additional $5.6 million during the remainder of 2015.

NOTE I—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, 2015 have been estimated utilizing a 38.6% rate based upon year-to-date income and projected results for the full year. The final effective tax rate applied to 2015 will depend on the actual amount of pre-tax book income generated by the Company for the full year.

The Company has operating loss carryforwards for U.S. federal income tax purposes. Management expects to utilize the loss carryforwards to offset federal income tax liabilities in the future. Due to the Company's deferred tax assets, including its loss carryforwards, management does not expect to pay federal income taxes until 2017 or later. The Company may, however, be required to pay alternative minimum taxes and certain state and local income taxes before then.

NOTE J—DERIVATIVE INSTRUMENTS

The Company's Senior Credit Agreement requires the Company to maintain derivative instruments for protection from fluctuating interest rates, for at least fifty percent of the outstanding balance of term loan. Accordingly, the Company entered into interest rate swaps, which are described in the table below (in thousands):

		June 30, 2015		December 31, 2014	
Expiration Date	Stated Interest Rate	Notional Amount	Market Value (Liability)	Notional Amount	Market Value (Liability)
May 9, 2016	2.020%	54,375	(713)	58,125	(1,071)
June 30, 2017	1.183%	54,375	(456)	58,125	(348)

The outstanding interest rate swaps are not designated as hedges 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 operations. The Company recorded unrealized gain on derivatives of $0.3 million and $0.3 million for the six month periods ending June 30, 2015 and 2014, respectively. The liability for outstanding derivatives is recorded in other liabilities and in accrued expenses.

NOTE K—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes the following items by components for the three and six month periods ending June 30, 2015 and 2014 (in thousands):

	Defined Benefit Pension	Defined Benefit Post-Retirement	Gains and Losses on Derivative	Foreign Currency Translation	Total
Balance as of March 31, 2014	(31,073)	741	2	—	(30,330)
Amounts reclassified from accumulated other comprehensive income:					
Actuarial costs (reclassified to salaries, wages and benefits)	—	80	—	—	80
Negative prior service cost (reclassified to salaries, wages and benefits)	—	(872)	—	—	(872)
Hedging gain (reclassified to interest expense)	—	—	(11)	—	(11)
Income Tax (Expense) or Benefit	—	288	4	—	292
Other comprehensive income (loss), net of tax	—	(504)	(7)	—	(511)
Balance as of June 30, 2014	(31,073)	237	(5)	—	(30,841)
Balance as of December 31, 2013	(31,072)	1,245	9	—	(29,818)
Amounts reclassified from accumulated other comprehensive income:					
Actuarial costs (reclassified to salaries, wages and benefits)	(1)	160	—	—	159
Negative prior service cost (reclassified to salaries, wages and benefits)	—	(1,744)	—	—	(1,744)
Hedging gain (reclassified to interest expense)	—	—	(22)	—	(22)
Income Tax (Expense) or Benefit	—	576	8	—	584
Other comprehensive income (loss), net of tax	(1)	(1,008)	(14)	—	(1,023)
Balance as of June 30, 2014	(31,073)	237	(5)	—	(30,841)

	Defined Benefit Pension	Defined Benefit Post-Retirement	Gains and Losses on Derivative	Foreign Currency Translation	Total
Balance as of March 31, 2015	(80,049)	(670)	(2)	(1,499)	(82,220)
Other comprehensive income (loss) before reclassifications:					
Foreign currency translation adjustment	—	—	—	224	224
Amounts reclassified from accumulated other comprehensive income:					
Actuarial costs (reclassified to salaries, wages and benefits)	1,793	73	—	—	1,866
Negative prior service cost (reclassified to salaries, wages and benefits)	—	(136)	—	—	(136)
Hedging gain (reclassified to interest expense)	—	—	(41)	—	(41)
Income Tax (Expense) or Benefit	(651)	23	43	(80)	(665)
Other comprehensive income (loss), net of tax	1,142	(40)	2	144	1,248
Balance as of June 30, 2015	(78,907)	(710)	—	(1,355)	(80,972)
Balance as of December 31, 2014	(81,191)	(630)	4	(1,059)	(82,876)
Other comprehensive income (loss) before reclassifications:					
Foreign currency translation adjustment	—	—	—	(453)	(453)
Amounts reclassified from accumulated other comprehensive income:					
Actuarial costs (reclassified to salaries, wages and benefits)	3,586	146	—	—	3,732
Negative prior service cost (reclassified to salaries, wages and benefits)	—	(272)	—	—	(272)
Hedging gain (reclassified to interest expense)	—	—	(50)	—	(50)
Income Tax (Expense) or Benefit	(1,302)	46	46	157	(1,053)
Other comprehensive income (loss), net of tax	2,284	(80)	(4)	(296)	1,904
Balance as of June 30, 2015	(78,907)	(710)	—	(1,355)	(80,972)

NOTE L—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. 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 invested capital 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 vesting periods of approximately a six or twelve months. 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, 2015		June 30, 2014	
	Number of Awards	Weighted average grant-date fair value	Number of Awards	Weighted average grant-date fair value
Outstanding at beginning of period	1,406,550	$ 6.21	1,477,762	$ 5.83
Granted	390,200	9.61	467,567	7.52
Converted	(263,791)	6.42	(186,179)	7.50
Expired	(1,600)	10.11	(4,300)	7.64
Forfeited	—	—	(17,800)	6.26
Outstanding at end of period	1,531,359	$ 7.04	1,737,050	$ 6.10
Vested	329,059	$ 5.61	415,550	$ 5.28

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 2015 was $9.22, 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 2015 was $10.99. The market condition awards were valued using a Monte Carlo simulation technique, a risk-free interest rate of 0.9% and a volatility of 41.5% based on volatility over three years using daily stock prices.

For the six month periods ended June 30, 2015 and 2014, the Company recorded expense of $1.6 million and $1.3 million, respectively, for stock incentive awards. At June 30, 2015, there was $4.4 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. As of June 30, 2015, none of the awards were convertible, 329,059 units of the Board members time-based awards had vested and none of the outstanding shares of the restricted stock had vested. These awards could result in a maximum number of 1,837,409 additional outstanding shares of the Company’s common stock depending on service, performance and market results through December 31, 2017.

NOTE M—EARNINGS PER SHARE

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

	Three Months Ending June 30, 2015	Three Months Ending June 30, 2014	Six Months Ending June 30, 2015	Six Months Ending June 30, 2014
Earnings from continuing operations	$ 10,570	$ 9,298	$ 19,465	$ 15,820
Weighted-average shares outstanding for basic earnings per share	64,541	64,285	64,498	64,217
Common equivalent shares:				
Effect of stock-based compensation awards	930	922	906	957
Weighted-average shares outstanding assuming dilution	65,471	65,207	65,404	65,174
Basic earnings per share from continuing operations	$ 0.16	$ 0.14	$ 0.30	$ 0.25
Diluted earnings per share from continuing operations	$ 0.16	$ 0.14	$ 0.30	$ 0.24

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 none and 13,000 at June 30, 2015 and 2014, respectively.

NOTE N—SEGMENT INFORMATION

The Company operates in two reportable segments. 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 agreement with DHL as well as ACMI and charter service agreements that the Company has with other customers. Due to the similarities among the Company's airline operations, the airline operations are aggregated into a single reportable segment, ACMI Services. The Company's other activities, which include contracts with the USPS, the sale of aircraft parts and maintenance services, facility and ground equipment maintenance services and management services for workers' compensation 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 from continuing operations is presented below (in thousands):

	Three Months Ending June 30,		Six Months Ending June 30,	
	2015	2014	2015	2014
Total revenues:				
CAM	$ 45,632	$ 40,590	$ 88,486	$ 81,225
ACMI Services	103,892	111,304	209,360	219,900
All other	32,179	36,493	67,785	63,301
Eliminate inter-segment revenues	(33,350)	(38,769)	(70,253)	(71,215)
Total	$ 148,353	$ 149,618	$ 295,378	$ 293,211
Customer revenues:				
CAM	$ 24,660	$ 17,839	$ 44,541	$ 36,253
ACMI Services	103,892	111,304	209,360	219,900
All other	19,801	20,475	41,477	37,058
Total	$ 148,353	$ 149,618	$ 295,378	$ 293,211
Depreciation and amortization expense:				
CAM	$ 22,356	$ 20,328	$ 43,266	$ 38,673
ACMI Services	9,027	7,191	17,118	14,026
All other	17	(377)	9	(578)
Total	$ 31,400	$ 27,142	$ 60,393	$ 52,121
Segment earnings (loss):				
CAM	$ 14,441	$ 10,667	$ 28,879	$ 25,107
ACMI Services	1,126	309	(1,445)	(6,737)
All other	1,840	4,108	4,916	7,125
Net unallocated interest expense	(428)	(424)	(885)	(803)
Net gain on derivative instruments	264	31	251	330
Pre-tax earnings from continuing operations	$ 17,243	$ 14,691	$ 31,716	$ 25,022

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

	June 30, 2015	December 31, 2014
Assets:		
CAM	$ 785,686	$ 801,195
ACMI Services	140,372	135,109
All other	$ 99,105	$ 95,325
Total	$ 1,025,163	$ 1,031,629

Interest expense allocated to CAM was $2.4 million and $5.0 million for the three and six month periods ending June 30, 2015, respectively, compared to $3.0 million and $6.3 million for the corresponding periods of 2014, respectively.

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 condensed consolidated financial statements and the related notes prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") contained in this report and our Annual Report on Form 10-K for the year ended December 31, 2014.

INTRODUCTION

The Company leases aircraft, provides air cargo lift and performs aircraft maintenance and other support services primarily to the air cargo transportation and package delivery industries. Through the Company's subsidiaries, we offer a range of complementary services to delivery companies, freight forwarders, airlines and government customers. The Company's principal subsidiaries include two independently certificated airlines, ABX Air, Inc. ("ABX") and Air Transport International, Inc. ("ATI"), and an aircraft leasing company, Cargo Aircraft Management, Inc. ("CAM").

The Company has two reportable segments: CAM, which leases Boeing 767 and Boeing 757 aircraft and aircraft engines, and ACMI Services, which primarily includes the cargo transportation operations of the Company's two airlines. The ACMI Services segment provides airline operations to its customers, typically under contracts providing for a combination of aircraft, crews, maintenance and insurance ("ACMI"). The Company's other business operations, which primarily provide support services to the transportation industry, include aircraft maintenance, aircraft parts sales, ground equipment leasing and mail handling services. These operations do not constitute reportable segments due to their size.

The Company's largest customer is DHL Network Operations (USA), Inc. and its affiliates ("DHL"). The Company has had long-term contracts with DHL since August 2003. Commencing March 31, 2010, the Company and DHL executed commercial agreements under which DHL leased thirteen Boeing 767 freighter aircraft from CAM and ABX operate those aircraft under a separate crew, maintenance and insurance ("CMI") agreement. The initial term of the CMI agreement was five years while the terms of the aircraft leases were seven years.

UPDATE

DHL agreements

In 2015, the Company and DHL amended and restated the CMI agreement ("restated CMI agreement"). As a result, effective April 1, 2015, the existing monthly aircraft lease rates for the thirteen Boeing 767-200 freighter aircraft declined approximately 5%, DHL agreed to lease an additional two Boeing 767 aircraft were previously supporting DHL under short-term operating arrangements, and all Boeing 767 aircraft lease terms with DHL were extended through March 2019. Under the restated CMI agreement, ABX continues to operate and maintain the aircraft through March 2019. Additionally, during June 2015, DHL began a long-term lease for a sixteenth Boeing 767 aircraft from CAM which ABX operates for DHL under the restated CMI agreement.

Similar to the previous agreement, pricing for services provided under the restated CMI agreement is based on pre-defined fees scaled for the number of aircraft hours flown, aircraft scheduled and flight crews provided to DHL for its network. Under the new pricing structure of the restated CMI agreement, ABX assumes responsibility for the cost of complying with FAA airworthiness directives, the cost of Boeing 767 airframe maintenance and certain engine maintenance events for the DHL-leased aircraft that it operates. While the Company's operating results will be negatively impacted by provisions of the restated CMI agreement, we project that the reduced earnings from the CMI operations for DHL will be offset through additional aircraft lease revenues, international ACMI opportunities, cost controls and aircraft maintenance growth.

DHL accounted for 50% of the Company's consolidated revenues for the first six months of 2015 compared with 57% of the Company's consolidated revenues in the corresponding period in 2014. During the second quarter ended June 30, 2015, ABX operated 16 CAM-owned Boeing 767 aircraft leased to DHL under long-term leases primarily in

DHL's U.S network under the restated CMI agreement. Additionally, ATI operated four CAM-owned and one DHL-supplied Boeing 757 freighter aircraft in DHL's U.S. network.

Fleet Summary 2015

At June 30, 2015, the Company's combined operating fleet of owned freighter aircraft consisted of 36 Boeing 767-200 aircraft, 10 Boeing 767-300 aircraft, four Boeing 757-200 aircraft and four Boeing 757 "combi" aircraft. The Boeing 757 combi aircraft are capable of simultaneously carrying passengers and cargo containers on the main flight deck.

Aircraft fleet activity during the first six months of 2015 is summarized below:

- Two DHL-owned Boeing 767-200 aircraft, previously leased by ABX for operation in DHL's network, were returned to DHL.
- CAM placed one Boeing 767-300 freighter aircraft with an external customer in February 2015 under a multi-year lease.
- In February 2015, CAM purchased the Boeing 767-300 freighter aircraft that ABX was leasing from an external lessor and began to lease it to ABX.
- ABX returned three Boeing 767-200 freighters to CAM, two of which were leased to external lessors in April 2015 with the third being staged for another external lease.
- During the second quarter, CAM began to lease three Boeing 767-300 aircraft, which are operated by ABX, directly to DHL under multi-year leases.
- ATI began to operate a Boeing 757 freighter that DHL leases from a third party.
- An external lessee returned a Boeing 767-200 to CAM and that aircraft is now being prepped for releasing.
- CAM purchased one Boeing 767-300 passenger aircraft in June, which is currently being modified to standard freighter configuration.

The Company’s cargo aircraft fleet is summarized below as of June 30, 2015 ($'s in thousands):

	ACMI Services	CAM	Total
In-service aircraft			
Aircraft owned			
Boeing 767-200	11	23	34
Boeing 767-300	4	6	10
Boeing 757-200	4	—	4
Boeing 757-200 Combi	4	—	4
Total	23	29	52
Carrying value			$ 740,347
Operating lease			
Boeing 757-200	1	—	1
Total	1	—	1
Other aircraft			
Owned Boeing 767-200s available or staging for lease	—	2	2
Owned Boeing 767-300 under modification	—	1	1

As of June 30, 2015, ACMI Services leased 23 of its in-service aircraft internally from CAM. As of June 30, 2015, 13 of CAM's 23 leased Boeing 767-200 aircraft shown above and three of the six Boeing 767-300 aircraft, were leased to DHL and operated by ABX. CAM leased the other ten Boeing 767-200 and three Boeing 767-300 aircraft to external airlines.

The table above does not reflect CAM's only Boeing 767-200 passenger aircraft. This aircraft was under lease to an external airline. In July 2015, CAM purchased another Boeing 767-300 passenger aircraft with the intent of modifying it to a freighter aircraft. Also in July, upon the expiration of external customer leases, CAM received two Boeing 767-200 freighters. The aircraft are being prepped for operation by other airlines.

RESULTS OF OPERATIONS

Summary

External customer revenues from continuing operations decreased by $1.3 million to $148.4 million and increased by $2.2 million to $295.4 million for the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Increased external customer revenues from CAM were offset by lower revenues from ACMI services during the three and six month periods ended June 30, 2015, and by lower aircraft maintenance revenues during the three months ended June 30, 2015, compared to the corresponding periods of 2014. Since March 31, 2014, and June 30, 2014, six and two of our aircraft, respectively, have been removed from ACMI services through June 30, 2015 and leased by CAM to external customers.

The consolidated net earnings from continuing operations were $10.6 million and $19.5 million for the three and six month periods ended June 30, 2015, respectively, compared to $9.3 million and $15.8 million for the corresponding periods of 2014. The pre-tax earnings from continuing operations were $17.2 million and $31.7 million for the three and six month periods ended June 30, 2015, respectively, compared to $14.7 million and $25.0 million for the corresponding periods of 2014. Pre-tax earnings from continuing operations for 2015 improved compared to 2014, due primarily to better aircraft fleet utilization.

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

	Three Months Ending June 30,		Six Months Ending June 30,	
	2015	**2014**	**2015**	**2014**
Revenues from Continuing Operations:				
CAM	$ 45,632	$ 40,590	$ 88,486	$ 81,225
ACMI Services				
Airline services	97,897	100,288	195,592	199,805
Reimbursable	5,995	11,016	13,768	20,095
Total ACMI Services	103,892	111,304	209,360	219,900
Other Activities	32,179	36,493	67,785	63,301
Total Revenues	181,703	188,387	365,631	364,426
Eliminate internal revenues	(33,350)	(38,769)	(70,253)	(71,215)
Customer Revenues	$ 148,353	$ 149,618	$ 295,378	$ 293,211
Pre-Tax Earnings (Loss) from Continuing Operations:				
CAM, inclusive of interest expense	$ 14,441	$ 10,667	$ 28,879	$ 25,107
ACMI Services	1,126	309	(1,445)	(6,737)
Other Activities	1,840	4,108	4,916	7,125
Net unallocated interest expense	(428)	(424)	(885)	(803)
Net gain on derivative instruments	264	31	251	330
Pre-Tax Earnings from Continuing Operations	17,243	14,691	31,716	25,022
Less: Net (gain) on derivative instruments	(264)	(31)	(251)	(330)
Adjusted Pre-Tax Earnings	$ 16,979	$ 14,660	$ 31,465	$ 24,692

Reimbursable revenues shown above include revenues related to fuel, landing fees, navigation fees, aircraft rent and certain other operating costs that are directly reimbursed to the airlines by their customers. Effective April 1, 2015, the cost of engine and airframe maintenance for all CAM-owned aircraft operated for DHL are the responsibility of the airlines, including Boeing 767-200 maintenance costs previously reimbursed directly by DHL. For all periods presented above, airline service revenues include compensation for maintenance provided by the airlines on aircraft operated for DHL. Reimbursable revenues declined for the three and six month periods ending June 30, 2015 compared to the corresponding periods of 2014 due to lower fuel prices and the return of four DHL-owned Boeing 767-200 aircraft.

Adjusted pre-tax earnings, a non-GAAP measure, is pre-tax earnings excluding interest rate derivative gains and losses. Management uses adjusted pre-tax earnings to compare the performance of core operating results between 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 Segment

Through CAM, we offer aircraft leasing and related services to external customers and also lease aircraft internally to the Company's airlines. Aircraft leases normally cover a term of five to seven years. In a typical leasing agreement, customers pay rent and maintenance deposits on a monthly basis.

As of June 30, 2015, CAM had a fleet of 54 freighter aircraft in service condition, 23 of them leased internally to the Company's airlines, 29 leased to external customers, one that was being staged for lease and one that was available for lease.

CAM's revenues grew $5.0 million and $7.3 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014, primarily as a result of additional aircraft leases to external customers. As of June 30, 2015 and 2014, CAM had 29 and 21 aircraft under lease to external customers, respectively. Revenues from external customers totaled $24.7 million and $44.5 million for the three and six month periods ended June 30, 2015, respectively, compared to $17.8 million and $36.3 million for the corresponding periods of 2014. CAM's revenues from the Company's airlines totaled $21.0 million and $43.9 million during the three and six month periods ended June 30, 2015, respectively, compared to $22.8 million and $45.0 million for the corresponding periods in 2014.

In the first quarter of 2015, CAM placed a recently converted Boeing 767-300 aircraft under a long-term lease with an external customer. During the second quarter of 2015, CAM placed five Boeing 767 aircraft that had previously been operated by ATSG airlines with external customers under long-term leases. These included three Boeing 767-300 aircraft leased to DHL, two in April and one in June 2015, and two Boeing 767-200 aircraft placed with external airlines in April 2015.

CAM's pre-tax earnings, inclusive of an interest expense allocation, grew by $3.8 million in each of the three and six month periods ended June 30, 2015 to $14.4 million and $28.9 million, respectively, compared to the corresponding 2014 periods. The improved earnings reflect the additional external lease revenues offset by depreciation expense for three additional cargo aircraft that have been added to CAM's operating fleet since June of 2014. Also, CAM incurred additional expenses to place and support the larger fleet of aircraft. Administrative expenses included international legal counsel, aircraft records review and other professional services.

ACMI Services Segment

The ACMI Services segment performs airline operations for its customers under contracts providing for a combination of aircraft, crews, maintenance and insurance. Under ACMI agreements, customers are usually responsible for supplying the necessary aviation fuel and cargo handling services and reimbursing our airline for other operating expenses such as landing fees, ramp expenses, and fuel procured directly by the airline. Aircraft charter agreements, including those for the U.S. Military, usually require the airline to provide full service, including fuel and other operating expenses for a fixed, all-inclusive price. As of June 30, 2015, ACMI Services included 40 in-service aircraft, including 23 leased internally from CAM, one DHL-supplied aircraft operated by ATI and 16 CAM-owned freighter aircraft which are under lease to DHL and operated by ABX under the CMI agreement.

Revenues from ACMI Services were $103.9 million and $209.4 million for the three and six month periods ending June 30, 2015, respectively, compared to $111.3 million and $219.9 million for the corresponding periods of 2014. Airline services revenues from external customers, which do not include revenues for the reimbursement of fuel and certain operating expenses, decreased $2.4 million and $4.2 million for the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Revenue decreased due to a fewer number of aircraft operated by our airlines. Since June 30, 2014 the combined freighter fleet operated by our airlines decreased by five aircraft through June 30, 2015, reflecting fewer aircraft operated for DHL. While we operated fewer routes for DHL, billable block hours for customers other than DHL increased 13% and 10% during the three and six month periods ended June 30, 2015, respectively, compared with the corresponding periods in 2014. Total billable block hours declined 6% for both the three and six month periods ended June 30, 2015, respectively, compared with the corresponding periods in 2014, reflecting the fewer number of aircraft in service.

ACMI Services incurred pre-tax earnings of $1.1 million and pre-tax losses of $1.4 million during the three and six month periods ended June 30, 2015, respectively, compared to pre-tax earnings of $0.3 million and pre-tax losses of $6.7 million for the corresponding periods of 2014. Earnings improved in 2015 compared to 2014 due to better fleet utilization and reduced airline personnel expenses. Since mid-2014, our airlines returned underutilized aircraft to CAM and reduced operating expenses. CAM subsequently leased those aircraft to external customers. Expenses for aircraft engine maintenance decreased during 2015 compared to 2014 due to fewer block hours flown. The decline in engine maintenance expense was partially offset by additional costs for airframe checks. Both the number of aircraft maintenance events, such as airframe checks and unscheduled engine repairs, and the work scope of such events can vary among periods.

We expect the recent operational improvements in ACMI Services to continue during 2015. However, due to higher pension expense as actuarially determined, aircraft maintenance schedules and the new pricing structure under the restated CMI, we expect this segment to generate a pre-tax loss for the full year in 2015. We expect the expense for scheduled airframe maintenance checks to increase by $3 million during the second half of 2015 compared to the first half of 2015 due to the timing of scheduled maintenance. Under the new pricing structure of the restated CMI agreement, ABX assumed responsibility, effective April 1, 2015, for the cost of complying with FAA airworthiness directives, the cost of Boeing 767 airframe maintenance and certain engine maintenance events for the aircraft leased to DHL that it operates. Achieving profitability in the ACMI Services segment will depend on new revenue opportunities for airline services, the number of aircraft we operate, crewmember productivity, the cost of employee benefits and other factors. Our airlines may return underutilized aircraft to CAM for lease to external customers after considering a number of factors, including the duration of the customer commitment, the underlying credit quality of the customer and market pricing for each opportunity. The ACMI Services segment has two aircraft that are underutilized at this time.

Other Activities

We sell aircraft parts and provide aircraft maintenance and modification services primarily through the Company's aircraft maintenance and repair business, Airborne Maintenance and Engineering Services, Inc. ("AMES"). We also provide services to the U.S. Postal Service (“USPS”) which mainly consists of sorting services at five USPS facilities. Additionally, we lease and maintain ground support equipment and provide facility maintenance services. 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.

External customer revenues from all other activities were $19.8 million and $41.5 million for the three and six month periods ended June 30, 2015, respectively, compared to $20.5 million and $37.1 million for the corresponding periods in 2014. Revenues from aircraft maintenance for external customers decreased by $2.1 million during the second quarter of 2015 compared to 2014, but increased by $1.5 million for the first six months of 2015 compared to 2014. Revenues from aircraft maintenance can vary among periods due to the timing of scheduled maintenance events and the completion level of work during a period. Revenues from our services for the USPS increased $1.2 million and $2.1 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014 reflecting higher contractual costs and mail volumes at the facilities we operate.

The pre-tax earnings from other activities were $1.8 million and $4.9 million for the three and six month periods ended June 30, 2015, respectively, compared to $4.1 million and $7.1 million for the corresponding periods in 2014. Lower earnings from our maintenance operations and lower gains from the reduction of employee benefit obligations were partially offset by improved USPS operations during the three and six month periods ended June 30, 2015 and 2014, respectively.

The Company has been providing mail sorting services to the USPS since September 2004. The contracts for the five facilities we service have been extended from their original expiration dates in 2014 and are currently scheduled to expire in September 2015. We currently expect these five contracts to be extended 18 months through March 2017, although it is possible that some or all of these facilities may not be renewed.

Discontinued Operations

Pre-tax gains related to the former sorting operations were $0.7 million for both of the first six months of 2015 and 2014. The results of discontinued operations primarily reflect the effects of defined benefit pension plans for former employees that supported sort operations under a hub services agreement with DHL.

Expenses from Continuing Operations

Salaries, wages and benefits expense increased $1.1 million and $1.8 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014 primarily due to higher pension expense offset by a reduction in the number of airline employees. Pension expense for continuing operations increased $1.1 million and $2.1 million for the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014, due to a lower interest rate on pension plan obligations at the beginning of 2015. While the number of airline employees declined, the number of employees for maintenance and other support services increased compared to the previous year.

Fuel expense decreased by $1.7 million and $3.2 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Fuel expense reflects the cost of fuel to operate U.S. Military charters, reimbursable fuel billed to DHL and fuel used to position aircraft for service and for maintenance purposes. The cost of fuel declined due to lower prices for aviation fuel. The average price per gallon of fuel decreased about 18% and 17% for the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014.

Maintenance, materials and repairs expense increased by $0.8 million and decreased by $1.4 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Expenses for aircraft engine maintenance decreased during the first six months of 2015 compared to 2014 due to fewer block hours flown. The decline in expenses for engines maintenance were offset by additional costs for airframe checks and costs incurred by CAM to prepare aircraft for external lease. Aircraft maintenance expenses can vary among periods due to the number of scheduled airframe maintenance checks, unscheduled maintenance events and the scope of the maintenance tasks required during a period.

Depreciation and amortization expense increased $4.3 million and $8.3 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. The increase in depreciation expense reflects incremental depreciation expense for additional aircraft engines and three Boeing 767 aircraft added to the in-service fleet since mid 2014.

Travel expense decreased by $0.1 million and $0.2 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014, reflecting lower block hours flown and the lower level of airline headcount during 2015 compared to 2014.

Rent expense decreased by $4.5 million and $7.6 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Rent expense decreased primarily due to the purchase of two Boeing 767-300 aircraft in September of 2014 and the return of four Boeing 767-200 aircraft which were previously leased from external providers during the first half of 2014.

Landing and ramp expense, which includes the cost of deicing chemicals, decreased by $0.4 million during the three and six month periods ended June 30, 2015 compared to the corresponding periods of 2014. Landing and ramp fees can vary based on the flight schedules and the airports that are used in a period.

Insurance expense decreased by $1.0 million during both the three and six month periods ended June 30, 2015 compared to the corresponding periods of 2014. Insurance expense decreased due to fewer aircraft in ACMI operations during 2015 compared to 2014.

Other operating expenses decreased by $1.4 million and increased by $0.6 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Other operating expenses include professional fees, navigational services, employee training, utilities, the cost of parts sold to customers and gains on the disposition of equipment. Other operating expenses increased during the first six months of 2015 due to additional costs of handling the mail we process for the USPS compared to 2014. Additionally, other operating expenses decreased during the second quarter of 2015 due to fewer parts sold to aircraft maintenance customers and larger gains from the disposition of equipment.

Interest expense decreased by $0.6 million and $1.4 million during the three and six month periods ended June 30, 2015, respectively, compared to the corresponding periods of 2014. Interest expense decreased due to a lower average debt level and lower interest rates on the Company's outstanding loans during the first quarter of 2015 compared to 2014.

The Company recorded pre-tax gains on derivatives of $0.3 million during both the three and six month periods ended June 30, 2015 compared to less than $0.1 million and $0.3 million during the corresponding periods of 2014, reflecting the impact of fluctuating market interest rates.

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, 2015 have been estimated utilizing a 38.6% rate based upon year-to-date income and projected results for the full year. The final effective tax rate applied to 2015 will depend on the actual amount of pre-tax book income generated by the Company for the full year. The effective tax rate from continuing operations for the three and six month periods ended June 30, 2014 was 36.7% and 36.8%, respectively, based on projections of taxable income and tax deductions at that time. The effective tax rate increased during the first three months of 2015 compared to the corresponding period of 2014, because we expect proportionally more earnings to occur in the U.S. during 2015.

As of December 31, 2014, the Company had operating loss carryforwards for U.S. federal income tax purposes of approximately $94.7 million, which will begin to expire in 2024 if not utilized before then. We expect to utilize the loss carryforwards to offset federal income tax liabilities in the future. As a result, we do not expect to pay federal income taxes until 2017 or later. The Company may, however, be required to pay alternative minimum taxes and certain state and local income taxes before then. The Company's taxable income earned from international flights is primarily sourced to the United States under international aviation agreements and treaties. If we begin to operate in countries without such agreements, the Company could incur additional foreign income taxes.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash generated from operating activities totaled $96.6 million and $55.4 million for the first six months of 2015 and 2014, respectively. Improved cash flows generated from operating activities was driven by faster customer payments since the first quarter of 2014, and reflects additional aircraft leases and the timing of customer aircraft maintenance projects, both of which are typically paid faster than revenues related to ACMI services. Cash outlays for pension contributions for the first six months of 2015 were $0.9 million compared to $1.0 million for the corresponding period of 2014.

Capital spending levels were primarily the result of aircraft modification costs and the acquisition of passenger aircraft for freighter modification. Cash payments for capital expenditures were $76.3 million and $23.5 million for the first six months of 2015 and 2014, respectively. Capital expenditures in 2015 included the acquisition of two Boeing 767-300 aircraft and next generation navigation and communication modifications. Capital expenditures during 2015 for required heavy maintenance were $31.0 million, and $14.5 million for other equipment, including purchases of aircraft engines and rotables. Our capital expenditures in the first six months of 2014 included $6.7 million for required heavy maintenance, $5.3 million for construction of the new aircraft hangar, $6.6 million for next generation navigation and communication modifications and $4.9 million for other equipment, including the purchases of aircraft engines and rotables. During the first quarter of 2014, we made an investment in West Atlantic AB for $15 million.

Net cash used for financing activities was $29.7 million for the first six months of 2015 compared to $26.3 million of cash used in the corresponding period of 2014. During the first six months of 2015, we drew $20.0 million from the revolving credit facility under the Senior Credit Agreement to fund capital spending and we made debt principal payments of $47.1 million. During the first six months of 2014, we drew $15.0 million from the revolving credit facility to fund the investment in West Atlantic AB and capital spending, and we made debt principal payments of $44.3 million. During May and June of 2015, we used $2.6 million to buy 244,869 shares of the Company's common stock in the open market as part of a share repurchase plan authorized in 2014 by the Board of Directors to repurchase up to $50 million of the Company's common stock. Additionally, $1.6 million and $3.1 million of the principal balance of the DHL promissory note was extinguished during the first six months of 2015 and 2014, respectively, pursuant to the CMI agreement with DHL.

Commitments

We recently purchased (one each in June and July 2015) two Boeing 767-300 passenger aircraft to convert to standard cargo freighters and expect to purchase another Boeing 767-300 passenger aircraft in early 2016 for freighter conversion. The freighter modification process for two of the aircraft is expected to be completed in 2015, while the third is scheduled to be completed in the second quarter of 2016. We estimate that capital expenditures for 2015 will total $150 million for aircraft purchases, engine purchases, aircraft modification costs, airframe and engine maintenance and other expenditures. Capital spending for any future period will be impacted by aircraft acquisitions, maintenance and modification processes. We expect to finance the remaining 2015 capital expenditures from current cash balances, future operating cash flow and the Senior Credit Agreement.

Liquidity

The Company has a Senior Credit Agreement with a consortium of banks that includes an unsubordinated term loan of $108.8 million and a revolving credit facility from which the Company has drawn $165.0 million, net of repayments as of June 30, 2015. On May 8, 2015, the Company executed the fifth amendment to the Senior Credit Agreement (the "Fifth Credit Amendment"). The Fifth Credit Amendment increased the capacity of the revolving credit facility by $50.0 million to $325.0 million, increased the permitted additional indebtedness by $50.0 million to $150.0 million, and retained the accordion feature whereby the Company can draw up to an additional $50.0 million subject to the lenders' consent. The Senior Credit Agreement is collateralized by the Company's fleet of Boeing 767 and 757 aircraft that are not collateralized under aircraft loans. Under the amended terms of the Senior Credit Agreement, the Company is required to maintain collateral coverage equal to 150% of the outstanding balances of the term loan and the maximum capacity of the revolving credit facility or 175% of the outstanding balance of the term loan and the total funded revolving credit facility, whichever is less. The minimum collateral coverage which must be maintained is 50% of the outstanding balance of the term loan plus the revolving credit facility commitment of $325 million. Beginning on May 5, 2016, and each year thereafter through May 6, 2019, the Company may request a one year extension of the final maturity date, subject to the lenders' consent.

Under the Senior Credit Agreement, the Company is subject to covenants and warranties that are usual and customary, including among other things, limitations on certain additional indebtedness, guarantees of indebtedness, as well as a total debt to EBITDA ratio and a fixed charge coverage ratio. The Senior Credit Agreement 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 Senior Credit Agreement.

Additional debt or lower EBITDA may result in higher interest rates. Under the Senior Credit Agreement, interest rates are adjusted quarterly based on the prevailing LIBOR or prime rates and a ratio of the Company's outstanding debt level to EBITDA (earnings before interest, taxes, depreciation and amortization expenses). At the Company's current debt-to-EBITDA ratio, the unsubordinated term loan and the revolving credit facility both bear a variable interest rate of 1.94%.

At June 30, 2015, the Company had $22.2 million of cash balances. The Company had $150.9 million available under the revolving credit facility, net of outstanding letters of credit, which totaled $9.1 million. As specified under the terms of ABX's CMI agreement with DHL, the unsecured note payable to DHL extinguished without payment at March 31, 2015. We believe that the Company's current cash balances and forecasted cash flows provided from its operating agreements, combined with its Senior Credit Agreement, will be sufficient to fund operations, scheduled debt payments, required pension funding and planned capital expenditures for at least the next 12 months.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2015, we were not involved in any material unconsolidated SPE transactions.

Certain of our operating leases and agreements contain indemnification obligations to the lessor or one or more other parties that are considered usual 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 the expiration of the respective lease or agreement. No amounts have been recognized in our financial statements for the underlying fair value of guarantees and indemnifications.

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 disclosures 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. Those factors 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.

There have been no material changes to our critical accounting policies and estimates from the information provided in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2014.

For information regarding recently issued accounting pronouncements and the expected impact on our annual statements, see Note A "SUMMARY OF FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES" in the accompanying notes to Condensed Consolidated Financial Statements included in Part II, Item 1 of this Form 10-Q.

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.

No significant changes have occurred to the market risks the Company faces since information about those risks were disclosed in Item 7A of the Company's 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 9, 2015.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2015, 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 and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(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

Brussels Noise Ordinance

The Brussels Instituut voor Milieubeheer ("BIM"), a governmental authority in the Brussels-Capital Region of Belgium that oversees the enforcement of environmental matters, imposed four separate administrative penalties on ABX in the approximate aggregate amount of €0.4 million ($0.4 million) for numerous alleged violations of an ordinance limiting the noise caused by aircraft overflying the Brussels-Capital Region (which is located near the Brussels Airport) during the period from May 2009 through December 2010. ABX has exhausted its appeals with respect to all four of the administrative penalties.

The ordinance in question is controversial for the reason that it was adopted by the Brussels-Capital Region and is more restrictive than the noise limitations in effect in the Flemish Region, which is where the Brussels Airport is located. Numerous airlines have been levied fines under the ordinance, which is currently the subject of several court cases pending before the Belgian courts, including with respect to demands for payment. The Brussels government has suspended issuing demands for payment of the penalties pending the outcome of the litigation. ABX has yet to receive a demand for payment of the penalties.

Other

In addition to the foregoing matters, we are also currently a party to legal proceedings, including FAA enforcement actions, in various federal and state jurisdictions arising out of the operation of the Company's business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, we believe that the Company's 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 condition or results of operations. Many of these risks are disclosed in Item 1A of the Company's 2014 Annual Report on form 10-K, filed with the Securities and Exchange Commission on March 9, 2015. Other risks that are currently unknown to management or are currently considered immaterial or unlikely, could also adversely affect the Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 5, 2014, the Board of Directors authorized the Company to repurchase up to $50.0 million of outstanding common stock. The Board's authorization does not require the Company to repurchase a specific number of shares and the Board may terminate the repurchase program at any time. Repurchases may be made from from time to time on the open market or in privately negotiated transactions. All of the repurchases done by the Company during the second quarter of 2015 were on the open market. There is no expiration date for the repurchase program. The following table summarizes the Company's repurchases of its common stock during the second quarter of 2015:

Period	Total Number of Shares Purchased	Average Price paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
May 1, 2015 through May 31, 2015	40,000	$ 10.71	40,000	$ 49,571,564
June 1, 2015 through June 30, 2015	204,869	$ 10.58	204,869	$ 47,404,575
Total for the quarter	244,869	$ 10.60	244,869	$ 47,404,575

ITEM 6. EXHIBITS

The following exhibits are filed with or incorporated by reference into this report.

10.1	Amended and Restated Air Transportation Services Agreement between DHL Network Operations (USA), Inc., ABX Air, Inc. and Cargo Aircraft Management, Inc., dated January 14, 2015. 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. (1)
10.2	Fifth Amendment to Credit Agreement, dated May 8, 2015, by and among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., each of the Guarantors party thereto, each of the financial institutions party thereto as "Lenders" and SunTrust Bank, in its capacity as Administrative Agent, filed herewith.
10.3	Description of Compensation Arrangements for Non-Employee Directors, 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 8, 2015, as amended by the Company's Quarterly Report on Form 10-Q/A filed with the Securities and Exchange Commission on August 7, 2015.

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 (Principal Executive Officer)

Date: August 7, 2015

/S/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Date: August 7, 2015

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT dated as of May 8, 2015 (this "Amendment"), by and among CARGO AIRCRAFT MANAGEMENT, INC., a Florida corporation (the "Borrower"), AIR TRANSPORT SERVICES GROUP, INC., a Delaware corporation ("Holdings"), each of the Guarantors party hereto, each of the financial institutions party hereto as "Lenders" and SUNTRUST BANK, in its capacity as Administrative Agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, Holdings, the Lenders and the Administrative Agent are parties to that certain Credit Agreement dated as of May 9, 2011 (as amended from time to time prior to the date hereof, the "Credit Agreement"); and

WHEREAS, the Borrower has requested certain amendments and other modifications to the Credit Agreement, including a request to provide Incremental Revolving Commitments in an aggregate principal amount of $50,000,000 and a one year extension of the Final Maturity Dates; and

WHEREAS, the Lenders party to this Amendment and the Administrative Agent are willing to (i) so amend or otherwise modify such terms and provisions of the Credit Agreement, (ii) provide Incremental Revolving Commitments to the Borrower and (iii) extend the Final Maturity Dates, in each case, on and subject to the terms and conditions herein.

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

2. Amendments to Credit Agreement.

(a) Section 1.1. of the Credit Agreement is hereby amended by adding the following new definitions in the appropriate alphabetical order:

> "FATCA" means Sections 1471 through 1474 of the Code, as of the Fifth Amendment Effective Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future Treasury regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.
>
> "Fifth Amendment Effective Date" shall mean May 8, 2015.

"Non-U.S. Lender": a Lender that is not a U.S. Person.

"Recipient" means (a) the Administrative Agent, (b) any Lender or (c) any Letter of Credit Issuer, as applicable.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"Wholly-Owned" means, with respect to a Subsidiary, that all of the Capital Stock of such Subsidiary are, directly or indirectly, owned or controlled by Holdings and/or one or more of its Wholly-Owned Subsidiaries (except for directors' qualifying shares or other shares required by applicable law to be owned by a Person other than Holdings and/or one or more of its Wholly-Owned Subsidiaries).

"Withholding Agent": means the Borrower and the Administrative Agent.

(b) The Credit Agreement is hereby amended by deleting the defined terms "Eurodollar Base Rate", "Revolving Facility Final Maturity Date", "Taxes" and "Term Facility Final Maturity Date" in Section 1.1. thereof and substituting in lieu thereof the following defined terms, respectively:

"Eurodollar Base Rate" shall mean, with respect to each Interest Period for a Eurodollar Rate Loan, the rate *per annum* equal to the London interbank offered rate for deposits in Dollars appearing on Reuters screen page LIBOR 01 (or on any successor or substitute page of such service or any successor to such service, or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately11:00 A.M. (London time) two (2) Business Days prior to the first day of such Interest Period, with a maturity comparable to such Interest Period; *provided*, that if the rate referred to above is not available at any such time for any reason, then the rate referred to above shall instead be the interest rate *per annum*, as determined by the Administrative Agent, to be the arithmetic average of the rates *per annum* at which deposits in Dollars in an amount equal to the amount of such Eurodollar Rate Loan are offered by major banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time), two (2) Business Days prior to the first day of such Interest Period; *provided*, *further*, that if the rate referred to above is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Revolving Facility Final Maturity Date" shall mean May 5, 2020, or such later date to which the Revolving Facility Final Maturity Date may be extended pursuant to the terms hereof or, if earlier, the date on which the Revolving Commitments are terminated pursuant to Section 10 hereof.

"Taxes" mean present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), 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, additions to tax, 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 FATCA.

"Term Facility Final Maturity Date" shall mean May 5, 2020, or such later date to which the Term Facility Final Maturity Date may be extended pursuant to the terms hereof or, if earlier, the date on which the Term Loans are declared immediately due and payable pursuant to Section 10 hereof.

(c) The Credit Agreement is hereby further amended by deleting clause (b) of Section 2.5 thereof in its entirety and substituting in lieu thereof the following:

"(b) The Administrative Agent, solely as a non-fiduciary agent 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."

(d) The Credit Agreement is hereby further amended by deleting Section 2.12 thereof in its entirety and substituting in lieu thereof the following:

"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, in the sole judgment of such Lender, will not cause such Lender and its lending office(s) and its lending office to be subject to any unreimbursed cost or expense or otherwise to suffer any 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. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation."

(e) The Credit Agreement is further amended by deleting the parenthetical immediately following the reference to "$50,000,000" contained in Section 2.14(a) thereof in its entirety and substituting in lieu thereof the following:

"(exclusive of any Incremental Revolving Commitments provided by the Lenders on or prior to the Fifth Amendment Effective Date)".

(f) The Credit Agreement is hereby further amended by deleting clause (a)(ii) of Section 5.2 thereof in its entirety and substituting in lieu thereof the following:

"(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
June 30, 2016	$3,750,000
September 30, 2016	$3,750,000
December 31, 2016	$3,750,000
March 31, 2017	$3,750,000
June 30, 2017	$3,750,000
September 30, 2017	$3,750,000
December 31, 2017	$3,750,000
March 31, 2018	$3,750,000
June 30, 2018	$3,750,000
September 30, 2018	$3,750,000
December 31, 2018	$3,750,000
March 31, 2019	$3,750,000
June 30, 2019	$3,750,000
September 30, 2019	$3,750,000
December 31, 2019	$3,750,000
March 31, 2020	$3,750,000
Term Facility Final Maturity Date	All amounts outstanding in respect of the Term Loans”

If the Term Facility Final Maturity Date is extended pursuant to Section 2.16, the Borrower shall continue to repay the principal amount of the Term Loans on the last day of March, June, September and December of each year (commencing with June 30, 2020) in equal installments of $3,750,000 each until the then extended Term Facility Final Maturity Date, at which time all amounts outstanding in respect of the Term Loans shall be due and payable.”

(g) The Credit Agreement is hereby further amended by deleting Section 5.4 thereof in its entirety and substituting in lieu thereof the following:

"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 applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law. If any Taxes are so levied or imposed, the Borrower agrees to timely 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 United States withholding taxes imposed on amounts payable to such Lender at the time the Lender becomes a party to this Agreement (other than pursuant to an assignment request by the Borrower under Section 2.13) or designates a new lending office, except to the extent that, pursuant to this Section 5.4, amounts with respect to such taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office (Taxes and all such non-excluded taxes described in this Section 5.4(a) being hereinafter referred to as "Indemnified Taxes"). The Borrower will furnish to the Administrative Agent as soon as practicable 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 within 10 days after its request, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 5.4) levied or imposed and payable or paid or required to be withheld or deducted by the Administrative Agent or such Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(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, W-8BEN-E, W-8IMY or W-8ECI (or successor forms) certifying to such Lender's entitlement to an exemption from or reduction in United States withholding tax 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, W-8BEN-E or W-8IMY (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 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 promptly 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 Section5.4(b) that such Non‑U.S. Lender is not legally entitled to deliver.

If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. For purposes of this Section 5.4(b), "FATCA" shall include any amendments made to FATCA after the Fifth Amendment Effective Date.

Each party's obligations under this Section 5.4 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the commitments and the repayment, satisfaction, or discharge of all obligations under any Loan Document. For purposes of this Section 5.4, the term "applicable law" includes FATCA.

For purposes of determining withholding Taxes imposed under FATCA, from and after the Fifth Amendment Effective Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i)."

(h) The Credit Agreement is hereby further amended by deleting clause (e) contained in Section 8.10 in its entirety and substituting in lieu thereof the following:

"(e) With respect to any new Wholly-Owned Domestic Subsidiary created or acquired by any Credit Party after the Fifth Amendment Effective Date, the Borrower shall promptly (i) cause such new Wholly-Owned 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 Wholly-Owned Domestic 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."

(i) The Credit Agreement is hereby further amended by deleting clause (i) of Section 9.4 thereof and substituting in lieu thereof the following:

"(i) other Indebtedness of Holdings and its Subsidiaries in an aggregate outstanding principal amount not to exceed at any time $150,000,000".

(j) The Credit Agreement is hereby further amended by deleting clause (i) of Section 9.5 thereof and substituting in lieu thereof the following:

"(i) (x) Investments in any Wholly-Owned Domestic Subsidiary of Holdings that is a Credit Party and (y) so long as no Default or Event of Default exists at the time of the making of such Investment, Investments in any Domestic Subsidiary of Holdings that is not a Wholly-Owned (unless such Domestic Subsidiary has elected to become a Credit Party and has complied with each of the provisions of Section 8.10(e)); provided that Investments made in Domestic Subsidiaries of Holdings that are not Credit Parties shall not exceed $50,000,000 in the aggregate at any time outstanding; and".

(k) The Credit Agreement is hereby further amended by adding the following at the end of Section 9.5 thereof:

"For purposes of determining the amount of any Investment outstanding under this Section 9.5, such amount shall be deemed to be the fair market value of such Investment when made, purchased or acquired (without adjustment for subsequent increases or decreases in the value of such Investment) less any amount realized in respect of such Investment upon the sale, collection or return of capital (not to exceed the original amount invested)".

(l) The Credit Agreement is hereby further amended by deleting clause (iii) contained in Section 12.1 in its entirety and substituting in lieu thereof the following:

"(iii) timely pay and hold each of the Lenders harmless from and against, or at the option of the Administrative Agent timely reimburse it for the payment of, 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".

3. Incremental Facility Amendment; Extension Amendment. The parties hereto intend that this Amendment shall constitute an Incremental Facility Amendment in connection with the Borrower's increase in the aggregate amount of the Revolving Commitments in the amount of $50,000,000 pursuant to Section 2.14 of the Credit Agreement. Immediately after giving effect to this Amendment, the Aggregate Revolving Commitments shall be equal to $325,000,000 and the Revolving Commitment of each Lender shall be as set forth on Annex 1.1A attached hereto. The Incremental Revolving Commitments contemplated by this Amendment shall be subject to the same terms and provisions (including pricing and final maturity) as the existing Revolving Commitments. The parties hereto acknowledge and agree that after giving effect to the Incremental Revolving Commitments contemplated by this Amendment, the aggregate amount of Incremental Commitments available to the Borrower is $50,000,000 and the Incremental Commitments Effective Date with respect to the Incremental Revolving Commitments contemplated by this Amendment shall be the Fifth Amendment Date immediately after the conditions set forth in Section 4 below have been satisfied (the "Incremental Commitments Effective Date"). The parties hereto further intend that this Amendment shall constitute an Extension Amendment in connection with the extension of the Final Maturity Date.

4. Conditions Precedent to Effectiveness. The effectiveness of this Amendment is subject to the truth and accuracy of the warranties and representations set forth in Sections 5 and 6 below and receipt by the Administrative Agent of each of the following, each of which shall be in form and substance satisfactory to Administrative Agent:

(a) This Amendment, duly executed and delivered by the Borrower, Holdings, the Required Lenders and the Administrative Agent;

(b) A pro forma Compliance Certificate dated the Fifth Amendment Effective Date, after giving effect to the Revolving Commitment Increase contemplated by this Amendment;

(c) A certificate of the Borrower dated as of the Fifth Amendment Effective Date signed by an Authorized Officer of the Borrower certifying that, before and after giving effect to the Revolving Commitment Increase and the amendments contemplated by this Amendment (i) the representations and warranties contained in Section 7 of the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the Fifth Amendment 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, (ii) no Default or Event of Default exists before or after giving effect to the amendments contemplated by this Amendment and (iii) all conditions set forth in Section 6.2 of the Credit Agreement are satisfied as of the Fifth Amendment Effective Date;

(d) For the account of each Revolving Lender that has requested a Note (or a replacement Note) in respect of such Lender's Revolving Commitment (after giving effect to the Revolving Commitment Increase contemplated by this Amendment), a Note evidencing such Lender's Revolving Commitment (after giving effect to the Revolving Commitment Increase contemplated by this Amendment), duly executed by an Authorized Officer of the Borrower;

(e) A Reaffirmation of Obligations Under Credit Documents (the "Reaffirmation") dated the Fifth Amendment Effective Date duly executed by each Credit Party, in the form of Exhibit I attached hereto

(f) A legal opinion addressed to the Administrative Agent and each of the Lenders from Vorys, Sater, Seymour and Pease LLP, Greenberg Traurig and Fennemore Craig, P.C., counsel to the Borrower and Holdings, which opinion shall be dated as of the Fifth Amendment Effective Date and covering such matters relating to the Borrower, Holdings, this Amendment, and the transactions contemplated hereby as the Administrative Agent or the Lenders shall reasonably request;

(g) A certificate, dated as of the Fifth Amendment Effective Date, signed by the Secretary of each Credit Party in the form of Exhibit II attached hereto (together with certifications as to incumbency and signatures of such officers) with appropriate insertions and deletions, together with (i) 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 (or certifications from the applicable Credit Party that such documents have not been amended or otherwise modified in any way since the date such documents were delivered to the Administrative Agent at the closing of the Credit Agreement), (ii) the resolutions, or such other administrative approval, of each such Credit Party referred to in such certificate in respect of the authorization and approval of the transactions contemplated by this Amendment and (iii) in the case of the certificate delivered by the Borrower, a statement that (1) all of the applicable conditions set forth in this Section 4 have been satisfied as of such date and (2) since December 31, 2014, there has not 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;

(h) Certified copies of all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under applicable law, if any, or by any

Contractual Obligation of each Credit Party, in connection with the execution, delivery, performance, validity and enforceability of this Amendment or any of the transactions contemplated hereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired;

(i) The payment of all fees and other amounts due and payable on or prior to the effective date of this Amendment, including reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by the Borrower hereunder or under any other agreement with the Administrative Agent or SunTrust Robinson Humphrey, Inc.;

(j) An Affidavit of Out-Of-State Execution and Delivery regarding the execution and delivery of the Notes and the other documents contemplated by this Amendment, duly executed by the Borrower and notarized;

(k) All documents, certificates and opinions required to be executed and delivered pursuant to the terms of the Credit Agreement with respect to the creation of Global Flight Source, Inc. ("GFSI"), including a duly executed Assumption Agreement pursuant to which GFSI becomes a party to the Guarantee and Collateral Agreement; and

(l) Such other documents as the Administrative Agent may reasonably request.

To the extent that any notice was required to be delivered or otherwise provided prior to the Fifth Amendment Effective Date pursuant to the terms of the Credit Agreement in connection with any of the transactions contemplated by this Amendment, including any notices required pursuant to Section 2.14 and Section 2.16, and such notice was not so provided, the parties hereto waive the requirement of such notice.

5. Representations. Each of the Borrower and Holdings represents and warrants to the Administrative Agent and the Lenders that:

(a) Power and Authority. Each of the Borrower and the other Credit Parties have the power and authority to execute, deliver and perform the terms and provisions of this Amendment and the Credit Agreement, as amended by this Amendment, and have taken all necessary corporate action to duly authorize the execution, delivery and performance of this Amendment. Each of this Amendment and the Credit Agreement, as amended by this Amendment, constitutes the legal, valid and binding obligation of the Borrower and Holdings enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles.

(b) No Violation. The execution, delivery and performance by the Borrower and the other Credit Parties of this Amendment, and compliance by them with the terms and provisions of the Credit Agreement, as amended by this Amendment: (i) will not contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or federal, state or local Governmental Authority, (ii) will not conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the property or assets of any Credit Party pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement or loan agreement, or any other agreement, contract or instrument, to which any Credit Party is a party or by which they or any of their property or assets is bound or to which they may be subject or (iii) will not violate any provision of the certificate or articles of incorporation or bylaws of the Borrower, Holdings or any other Credit Party.

(c) Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except for those that have otherwise been obtained or made on or prior to the date of the effectiveness of this Amendment and which remain in full force and effect on such date), or exemption by, any Governmental Authority, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Amendment by the Borrower or Holdings or (ii) the legality, validity, binding effect or enforceability of the Credit Agreement, as amended by this Amendment against the Borrower or Holdings.

(d) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof and no Default or Event of Default will exist immediately after giving effect to this Amendment.

(e) No Impairment. The execution, delivery, performance and effectiveness of this Amendment will not: (a) impair the validity, effectiveness or priority of the Liens granted pursuant to any Credit Document, and such Liens continue unimpaired with the same priority to secure repayment of all of the applicable Obligations, whether heretofore or hereafter incurred, and (b) require that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens.

(f) Credit Parties. The list of signatories to the Reaffirmation represents a true, correct and complete list of all Persons who are required by the terms of the Credit Documents to be or to become a Credit Party as of the date hereof.

(g) Solvency. As of the Fifth Amendment Effective Date, on a pro forma basis after giving effect to the Revolving Commitment Increase contemplated hereby and to all Indebtedness incurred, and to be incurred under such increase, (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 clause (e), "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.

6. Reaffirmation of Representations. Each of the Borrower and Holdings hereby repeats and reaffirms all representations and warranties made to the Administrative Agent and the Lenders in the Credit Agreement and the other Credit Documents on and as of the date hereof (and after giving effect to this Amendment) with the same force and effect as if such representations and warranties were set forth in this Amendment in full (except to the extent that such representations and warranties relate expressly to an earlier date, in which case such representations and warranties were true and correct as of such earlier date).

7. No Further Amendments; Ratification of Liability. Except as expressly amended or waived hereby, the Credit Agreement and each of the other Credit Documents shall remain in full force and effect in accordance with their respective terms, and the Lenders and the Administrative Agent hereby require strict compliance with the terms and conditions of the Credit Agreement and the other Credit Documents in the future. Each of the Borrower and Holdings hereby (i) restates, ratifies, confirms and reaffirms its respective liabilities, payment and performance obligations (contingent or otherwise) and each and every term, covenant and condition set forth in the Credit Agreement and the other Credit Documents to which it is a party, all as amended by this Amendment, and the liens and security interests granted, created and perfected thereby and (ii) acknowledges and agrees that this Amendment shall not in any way affect the validity and enforceability of any Credit Document to which it is a party, or reduce, impair or discharge the obligations of the Borrower or Holdings or the Collateral granted to the Administrative Agent and/or the Lenders thereunder. The Lenders' agreement to the terms of this Amendment or any other amendment of the Credit Agreement or any other Credit Document shall not be deemed to establish or create a custom or course of dealing between the Borrower, Holdings or the Lenders, or any of them. This Amendment shall be deemed to be a "Credit Document" for all purposes under the Credit Agreement. After the effectiveness of this Amendment, each reference to the Credit Agreement in any of the Credit Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment.

8. Allocations of Revolving Commitments and Revolving Loans. The Administrative Agent, the Lenders and the Borrower agree that the Revolving Commitment of each of the Revolving Lenders immediately prior to the effectiveness of this Amendment shall be reallocated among the Revolving Lenders such that, immediately after the effectiveness of this Amendment in accordance with its terms and the Revolving Commitment Increase, the Revolving Commitment of each Revolving Lender shall be as set forth on Annex 1.1A attached hereto. In order to effect such reallocations, assignments shall be deemed to be made among the Revolving Lenders in such amounts as may be necessary, and with the same force and effect as if such assignments were evidenced by the applicable Assignment Agreements (but without the payment of any related assignment fee), and no other documents or instruments shall be required to be executed in connection with such assignments (all of which such requirements are hereby waived) other than the execution of any documents or instruments required for the effectiveness of this Amendment pursuant to Section 4 of this Amendment. Further, to effect the foregoing, each Revolving Lender agrees to make cash settlements in respect of any outstanding Revolving Loans, either directly or through the Administrative Agent, as the Administrative Agent may direct or approve, such that after giving effect to this Amendment, each Revolving Lender holds Revolving

Loans equal to its Revolving Percentage (based on the Revolving Commitment of each Lender as set forth on Annex 1.1A attached hereto). The principal amount of Term Loans held by each Lender as of the date hereof is set forth on Annex 2 attached hereto.

9. Other Provisions.

(a) This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, and all counterparts, taken together, shall constitute but one and the same document.

(b) The Borrower agrees to reimburse the Lenders and the Administrative Agent on demand for all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by such parties in negotiating, documenting and consummating this Amendment, the other documents referred to herein, and the transactions contemplated hereby and thereby.

(c) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

(d) THIS AMENDMENT CONSTITUTES THE ENTIRE CONTRACT AMONG THE PARTIES HERETO RELATING TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ANY AND ALL PREVIOUS DISCUSSIONS, CORRESPONDENCE, AGREEMENTS AND OTHER UNDERSTANDINGS, WHETHER ORAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF.

(e) In consideration of the amendments contained herein, each of the Borrower and Holdings hereby waives and releases each of the Lenders and the Administrative Agent from any and all known claims and defenses with respect to the Credit Agreement and the other Credit Documents and the transactions contemplated thereby.

(f) Each of the Borrower and Holdings agrees to take all further actions and execute such other documents and instruments as the Administrative Agent may from time to time reasonably request to carry out the transactions contemplated by this Amendment, the Credit Documents and all other agreements executed and delivered in connection herewith.

(g) THE PARTIES HERETO HAVE ENTERED INTO THIS AMENDMENT SOLELY TO AMEND TERMS OF THE CREDIT AGREEMENT. THE PARTIES DO NOT INTEND THIS AMENDMENT NOR THE TRANSACTIONS CONTEMPLATED HEREBY TO BE, AND THIS AMENDMENT AND THE TRANSACTION CONTEMPLATED HEREBY SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING BY THE BORROWER OR HOLDINGS UNDER OR IN CONNECTION WITH THE CREDIT AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Borrower, Holdings, the Lenders and the Administrative Agent have caused this Fifth Amendment to Credit Agreement to be duly executed by their respective duly authorized officers and representatives as of the day and year first above written.

CARGO AIRCRAFT MANAGEMENT, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: Vice President

AIR TRANSPORT SERVICES GROUP, INC.

By: /s/ Joseph C. Hete
Name: Joseph C. Hete
Title: President & Chief Executive Officer

[Signatures Continue on Following Pages]

ABX AIR, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, General Counsel & Secretary

LGSTX DISTRIBUTION SERVICES, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

AIRBORNE GLOBAL SOLUTIONS, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

AIRBORNE MAINTENANCE AND
ENGINEERING SERVICES, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

AIR TRANSPORT INTERNATIONAL LIMITED
LIABILITY COMPANY

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

AMES MATERIAL SERVICES INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

CARGO AVIATION, INC.

By: /s/ Quint O. Turner
Name: Quint O. Turner
Title: VP, Treasurer

CARGO HOLDINGS INTERNATIONAL, INC.

By: /s/ Quint O. Turner
Name: Quint O. Turner
Title: VP, Treasurer

LGSTX FUEL MANAGEMENT, INC.

By: /s/ Quint O. Turner
Name: Quint O. Turner
Title: President

LGSTX SERVICES, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

AIR TRANSPORT INTERNATIONAL, INC.

By: /s/ Matthew E. Fedders
Name: Matthew E. Fedders
Title: VP, Treasurer

GLOBAL FLIGHT SOURCE, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: VP, Secretary

[Signature Page to Fifth Amendment to Credit Agreement]

SUNTRUST BANK, in its capacities as a Lender and as Administrative Agent

By: /s/ Chris Hursey
Name: Chris Hursey
Title: Director

[Signature Page to Fifth Amendment to Credit Agreement]

REGIONS BANK, as a Lender

By: /s/ Jose Mazariegos
Name: Jose Mazariegos
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ John B. Middelberg
Name: John B. Middelberg
Title: Executive Director

[Signature Page to Fifth Amendment to Credit Agreement]

BANK OF AMERICA, N.A., as a Lender

By: /s/ Jesse Mullins
Name: Jesse Mullins
Title: Assistant Vice President

PNC BANK, N.A., as a Lender

By: /s/ Brad Russell
Name: Brad Russell
Title: Vice President

BRANCH BANKING AND TRUST COMPANY,
as a Lender

By: /s/ Brent Walser
Name: Brent Walser
Title: Assistant Vice President

COMPASS BANK, as a Lender

By: /s/ Jeffrey W. Powell
Name: Jeffrey W. Powell
Title: Sr. Vice President

THE NORTHERN TRUST COMPANY,
as a Lender

By: /s/ Peter J. Hallan
Name: Peter J. Hallan
Title: Vice President

THE PRIVATEBANK AND TRUST COMPANY,
as a Lender

By: /s/ Nick Fadel
Name: Nick Fadel
Title: Managing Director

UNION BANK & TRUST, as a Lender

By: /s/ Dek Bowen
Name: Dek Bowen
Title: Senior Vice President

ATLANTIC CAPITAL BANK, as a Lender

By: /s/ Preston McDonald
Name: Preston McDonald
Title: Vice President

TRISTATE CAPITAL BANK, as a Lender

By: /s/ Michael P. Morris
Name: Michael P. Morris
Title: Senior Vice President

[End of Signatures]

Annex 1.1A

Institution	***Revolving Commitment***	***Address***
SunTrust Bank	$54,147,594.00	3333 Peachtree Road N.E., 8th Floor Mail Code: GA-Atlanta-2020 Atlanta, GA 30326 Attn: Christopher Hursey Fax: (404) 439-7409
Regions Bank	$51,858,442.00	201 Milan Parkway Birmingham, Alabama 35211 Attn: Stephanie Reid Fax: (205) 801-5250
JPMorgan Chase Bank, N.A.	$50,339,455.00	10 S Dearborn Floor 07 Chicago, Illinois 60603 Attn: Non Agented Servicing Team Fax: (312) 256-2608
Bank of America, N.A.	$35,741,890.00	901 Main Street Dallas, Texas 75202 Attn: Susheel Jaiswal Fax: (972) 728-9506
PNC Bank, N.A.	$33,453,625.00	6750 Miller Road Brecksville, Ohio 44141 Attn: Mary Ann Cruz Fax: (866) 932-2125
The PrivateBank and Trust Company	$14,607,260.00	120 South LaSalle Street Chicago, Illinois 60602 Attn: Daniel Arehart Fax: (312) 564-1794
Branch Banking and Trust Company	$18,591,435.00	200 W Second Street 16th Floor Winston Salem, NC 27101 Attn: Wendy Gerringer Fax: (336) 733-2740
Compass Bank	$18,905,090.00	8080 N Central Expressway Suite 320 Dallas, Texas 75206 Attn: Kathy Kirk Fax: (866) 984-8668

Institution	***Revolving Commitment***	***Address***
The Northern Trust Company	$18,733,655.00	50 South LaSalle Street Chicago, Illinois 60603 Attn: Mary Green Fax: (312) 630-1566
Union Bank & Trust	$14,557,918.00	1658 State Farm Blvd. Charlottesville, Virginia 22911 Attn: deK Bowen cc: Sherrie Guyton Fax: (434) 244-6651
Atlantic Capital Bank	$7,681,818.00	3525 Piedmont Road, NE Building 7, Suite 510 Atlanta, Georgia 30305 Attn: Trudy Robinson Fax: (404) 995-5804
TriState Capital Bank	$6,381,818.00	301 Grant Street Suite 2700 Pittsburgh, Pennsylvania 15219 Attn: John Kyle Fax: (412) 304-0391
Total	**$325,000,000.00**	

Annex 2

Institution	***Term Loans Outstanding***
SunTrust Bank	$18,830,810.68
Regions Bank	$17,894,751.42
JPMorgan Chase Bank, N.A.	$17,326,910.16
Bank of America, N.A.	$11,990,662.50
PNC Bank, N.A.	$10,949,354.62
The PrivateBank and Trust Company	$6,076,910.16
Branch Banking and Trust Company	$5,860,980.15
Compass Bank	$5,539,040.71
The Northern Trust Company	$5,839,686.12
Union Bank & Trust	$4,615,893.52
Atlantic Capital Bank	$4,124,999.96
TriState Capital Bank	$3,450,000.00
Total	**$112,500,000.00**

EXHIBIT I

REAFFIRMATION OF OBLIGATIONS UNDER CREDIT DOCUMENTS

Reference is hereby made to (i) that certain Credit Agreement dated as of May 9, 2011 among Cargo Aircraft Management, Inc. (the "Borrower"), the Lenders a party thereto and SunTrust Bank, as Administrative Agent (as amended immediately prior to the date hereof, the "Credit Agreement"; capitalized terms used herein and not defined herein have the meanings ascribed to such terms in the Credit Agreement) and (ii) that certain Fifth Amendment to Credit Agreement dated as of the date hereof (the "Amendment") among the Borrower, each other Credit Party party thereto, the Lenders and the Administrative Agent.

Each Credit Party acknowledges and reaffirms that (i) all liens and security interests granted to the Administrative Agent and the Lenders under the Security Documents remain in full force and effect and shall continue to secure the Obligations and (ii) the validity, perfection, enforceability or priority of such liens and security interests will not be impaired in any way by the Amendment.

Each of the undersigned Credit Parties hereby further reaffirms its continuing obligations owing to the Administrative Agent and the Lenders under each of the Credit Documents (including, without limitation, the guarantee obligations of each Guarantor under the Guarantee and Collateral Agreement) to which such Person is a party, and each Credit Party agrees that the amendments contained in the Amendment are solely to amend the terms of the Credit Agreement and do not in any way affect the validity and/or enforceability of any Credit Document, or reduce, impair or discharge the obligations of such Person thereunder.

Each of the undersigned Credit Parties hereby represents and warrants to the Administrative Agent and the Lenders that: (a) the execution and delivery by the Credit Parties of this Reaffirmation is within the power (corporate or otherwise) and authority of the Credit Parties, has been duly authorized and approved by all requisite action on the part of the Credit Parties, and does not and will not contravene, breach or conflict with any provision of applicable law or any of the charter or other organic documents of the Credit Parties, or any indenture, agreement, instrument or undertaking binding on the Credit Parties; (b) this Reaffirmation has been duly executed by the Credit Parties; and (c) the Credit Documents remain in full force and effect and constitute the legal, valid and binding obligations of the Credit Parties, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditor's rights; and (d) all of the Obligations are absolute and unconditional, and such Obligations are not subject to any claim, defense, deduction, right of offset or otherwise.

THE CREDIT PARTIES DO NOT INTEND THE AMENDMENT NOR THE TRANSACTIONS CONTEMPLATED THEREBY TO BE, AND THE AMENDMENT AND THE TRANSACTION CONTEMPLATED THEREBY SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING BY THE CREDIT PARTIES UNDER

OR IN CONNECTION WITH THE CREDIT AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS.

This Reaffirmation shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof) of the State of New York.

IN WITNESS WHEREOF, each of the undersigned has duly executed and delivered this Reaffirmation of Obligations under Credit Documents as of May __, 2015.

CARGO AIRCRAFT MANAGEMENT, INC.

By:
Name:
Title:

ABX AIR, INC.

By:
Name:
Title:

LGSTX DISTRIBUTION SERVICES, INC.

By:
Name:
Title:

AIRBORNE GLOBAL SOLUTIONS, INC.

By:
Name:
Title:

[Signatures Continue on Following Pages]

AIRBORNE MAINTENANCE AND ENGINEERING SERVICES, INC.

By:
Name:
Title:

AIR TRANSPORT INTERNATIONAL LIMITED LIABILITY COMPANY

By:
Name:
Title:

AMES MATERIAL SERVICES INC.

By:
Name:
Title:

AIR TRANSPORT INTERNATIONAL, INC.

By:
Name:
Title:

CARGO AVIATION, INC.

By:
Name:
Title:

CARGO HOLDINGS INTERNATIONAL, INC.

By:
Name:
Title:

LGSTX FUEL MANAGEMENT, INC.

By:
Name:
Title:

LGSTX SERVICES, INC.

By:
Name:
Title:

AIR TRANSPORT SERVICES GROUP, INC.

By:
Name:
Title:

GLOBAL FLIGHT SOURCE, INC.

By:
Name:
Title:

EXHIBIT II

SECRETARY'S CLOSING CERTIFICATE

I, the undersigned, Secretary of _________________, a ________________ organized and existing under the laws of the State of ___________ (the "Company"), do hereby certify on behalf of the Company that:

1. This Certificate is being delivered on May 8, 2015, and is furnished pursuant to that certain Fifth Amendment to Credit Agreement dated as of the date hereof (the "Amendment"), among Cargo Aircraft Management, Inc., a Florida corporation (the "Borrower"), and Air Transport Service Group, Inc., a Delaware corporation ("Holdings"), the Lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent for the Lenders. Unless otherwise defined herein, capitalized terms used herein shall have the meanings given them in the Amendment.

2. The following named individuals are duly qualified and acting elected or appointed officers of the Company, and each holds the office of the Company set forth opposite his or her name, each of whom is authorized to sign the [Amendment/Reaffirmation] on behalf of the Company. The signature written opposite the name and title of each such officer is his or her genuine signature.

Name	Office	Signature
______________________	______________________	______________________
______________________	______________________	______________________

3. Attached hereto as Exhibit A is a true and complete copy of the [Charter Document] of the Company, including all amendments thereto, as filed in the Office of the Secretary of State of the State of __________ (the "Secretary of State"), which constitutes the [Charter Document] of the Company as presently in effect (the "[Articles of ___________]"); no amendment to the Articles of ______________ is pending or contemplated, and there are no proceedings, pending or contemplated, for the merger, consolidation, conversion, liquidation or dissolution of the Company; and no steps have been or are being taken to appoint an administrator, receiver, liquidator or analogous person or body to wind up or dissolve the Company.

4. Attached hereto as Exhibit B is a true and correct copy of the [By-Laws/LLC Operating Agreement] of the Company which were/was duly adopted and are/is in full force and effect on the date hereof.

5. Attached hereto as Exhibit C is a true and correct copy of resolutions authorizing the execution, delivery and performance of the [Amendment/Reaffirmation], which [have][has] been duly adopted by unanimous written consent of the members of the Company, and said

resolutions have not been rescinded, amended or modified, are in full force and effect on the date hereof, and have been duly filed with the minutes of the proceedings of the members.

6. Attached hereto as Exhibit D is a certificate of good standing from the Secretary of State of the jurisdiction of incorporation or organization of the Company.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate as of May __, 2015.

[COMPANY]

____

______________________, Secretary

Exhibit A

Articles of ______________

Exhibit B

[Operating Agreement/By-Laws]

Exhibit C

Resolutions

Exhibit D

Good Standing Certificate

Director Compensation Arrangements

The Compensation Committee of the Board of Directors has approved the following compensation arrangements for the non-employee directors serving on the Board of Directors and its committees.

Cash Compensation

Beginning on May 7, 2015, an annual retainer of $60,000 will be paid to the non-employee director serving as the Chairman of the Board. Beginning on July 1, 2015, (i) each non-employee director will be paid an annual retainer of $50,000 for serving on the Board; (ii) each non-employee director will be paid an annual retainer of $5,000 for serving on a standing committee of the Board; (iii) an annual retainer of $17,000 will be paid to the non-employee director serving as the Chair of the Audit Committee; (iv) an annual retainer of $10,000 will be paid to the respective non-employee directors serving as the Chair of the Compensation Committee and the Chair of the Nominating and Governance Committee; and (v) each non-employee director will be paid a per meeting fee of $1,500 for each Board and committee meeting attended (of which the non-employee director is a member) that is in excess of a total aggregate amount of eighteen (18) Board and committee meetings during a fiscal year.

Long-Term Incentive Compensation

Each non-employee director will receive an annual equity grant under the Air Transport Services Group, Inc. 2015 Long-Term Incentive Plan, with a total grant value of $75,000. The grant shall be awarded in the form of restricted stock units. The restricted stock units will vest and settle on the first anniversary of the date of grant, unless the non-employee director elects (no later than December 31st of the year immediately preceding the year of grant) to defer the settlement to either a specific date after the first anniversary of the date of grant or the date upon which the non-employee director's board service ends.

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 7, 2015

/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 7, 2015

/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 quarter ending June 30, 2015 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 7, 2015

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 quarter ending June 30, 2015 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 7, 2015