ATSG
Air Transport Services Group, Inc.

Delaware
(State of Incorporation)

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

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

26-1631624
(I.R.S. Employer Identification No.)

For the fiscal year ended December 31, 2018
Commission file number 000-50368

Name of each exchange on which registered: NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, Par Value $0.01 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO □

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES □ NO ☒

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 every Interactive Data File required to be submitted 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 such files). YES ☒ NO □

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒ Accelerated filer □ Smaller reporting company □
Non-accelerated filer □ Emerging growth company □

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant’s most recently completed second fiscal quarter: $1,307,024,419. As of March 1, 2019, 59,142,273 shares of the registrant’s common stock, par value $0.01, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders scheduled to be held May 9, 2019 are incorporated by reference into Parts II and III.
FORWARD LOOKING STATEMENTS

This annual report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Item 7, contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in “Risk Factors” in Item 1A. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.
# TABLE OF CONTENTS

## PART I

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Business</td>
<td>1</td>
</tr>
<tr>
<td>Item 1A</td>
<td>Risk Factors</td>
<td>12</td>
</tr>
<tr>
<td>Item 1B</td>
<td>Unresolved Staff Comments</td>
<td>21</td>
</tr>
<tr>
<td>Item 2</td>
<td>Properties</td>
<td>21</td>
</tr>
<tr>
<td>Item 3</td>
<td>Legal Proceedings</td>
<td>22</td>
</tr>
<tr>
<td>Item 4</td>
<td>Mine Safety Disclosures</td>
<td>22</td>
</tr>
</tbody>
</table>

## PART II

| Item 5 | Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 22   |
| Item 6 | Selected Consolidated Financial Data                                         | 24   |
| Item 7 | Management’s Discussion and Analysis of Financial Condition and Results of Operations | 25   |
| Item 7A| Quantitative and Qualitative Disclosures About Market Risk                  | 44   |
| Item 8 | Financial Statements and Supplementary Data                                  | 45   |
| Item 9 | Changes in and Disagreements With Accountants on Accounting and Financial Disclosure | 86   |
| Item 9A| Controls and Procedures                                                     | 86   |
| Item 9B| Other Information                                                           | 89   |

## PART III

| Item 10 | Directors, Executive Officers and Corporate Governance                      | 89   |
| Item 11 | Executive Compensation                                                      | 90   |
| Item 12 | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 90   |
| Item 13 | Certain Relationships and Related Transactions, and Director Independence    | 90   |
| Item 14 | Principal Accounting Fees and Services                                      | 90   |

## PART IV

| Item 15 | Exhibits and Financial Statement Schedules                                 | 90   |

**SIGNATURES**

98
PART I

ITEM 1. BUSINESS

Company Overview

Air Transport Services Group, Inc. leases aircraft and provides airline operations, ground services, aircraft modification and maintenance services, and other support services to the air transportation and logistics industries. Through the Company's subsidiaries, we offer a range of complementary services to delivery businesses, freight forwarders, airlines and government customers. (When the context requires, we may use the terms "Company" and "ATSG" in this report to refer to the business of ATSG and its subsidiaries on a consolidated basis.) We offer standalone services along with bundled, customized solutions, scalable to our customers' needs. Our services are summarized below.

Aircraft leasing: We lease aircraft through the Company's leasing subsidiary, Cargo Aircraft Management, Inc. ("CAM"). CAM's fleet consists of Boeing 737, 757 and 767 cargo aircraft, Boeing 767 and 777 passenger aircraft and Boeing 757 "combi" aircraft which simultaneously carry passengers and cargo on the main deck. CAM services global demand for cargo airlift by offering Boeing 767, 757 and 737 aircraft leases. CAM is able to provide competitive lease rates by converting passenger aircraft into cargo freighters. CAM monitors the market for available passenger aircraft, typically 15 to 20 years beyond their original manufacture date. After evaluation of an aircraft's condition and technical specifications, CAM acquires passenger aircraft that meet its requirements for projected into-service costs and rate of return targets. After conversion to freighter configuration, CAM's aircraft can be deployed into markets more economically than newly built freighters. CAM's aircraft leases are typically under multi-year agreements.

Airline operations: We offer combinations of aircraft, crews, maintenance and insurance services to provide customized transportation capacity to our customers. ATSG wholly owns three airlines, ABX Air, Inc. ("ABX"), Air Transport International, Inc. ("ATI"), and Omni Air International, LLC ("OAI") which are each independently certificated by the U.S. Department of Transportation and separately offer services to customers. ABX operates Boeing 767 freighter aircraft, ATI operates Boeing 767 and 757 freighter and Boeing 757 combi aircraft and OAI operates Boeing 767 and 777 passenger aircraft.

Support services: We provide transportation related services such as aircraft maintenance, crew training and ground handling to delivery companies, freight forwarders and other airlines. Customers who lease our aircraft often need related support services. Offering support services provides us with a competitive advantage for diversification and incremental revenues. Our businesses and subsidiaries providing support services are summarized below:

- Ground services: We provide load transfer and sorting services, as well as related maintenance services for material handling equipment, ground equipment and facilities through our LGSTX Services, Inc. ("LGSTX") subsidiary. LGSTX also rents ground equipment and sells aviation fuel in Ohio.

- Aircraft maintenance and modification services: We provide airframe modification and maintenance, component repairs, engineering services and aircraft line maintenance through our subsidiaries Airborne Maintenance and Engineering Services, Inc. ("AMES") and Pemco World Air Services, Inc. ("Pemco"). AMES Material Services, Inc. ("AMS") resells and brokers aircraft parts. We provide line maintenance services at certain airports.

- Flight support services: We also offer flight crew training.

The business development and marketing activities of our operating subsidiaries are supported by the Company's Airborne Global Solutions, Inc. ("AGS") subsidiary. AGS markets the various services and products offered by our subsidiaries by bundling solutions that leverage the entire portfolio of our subsidiaries' capabilities and experience in global cargo operations. Our bundled services are flexible and scalable to complement our customers' own resources and support our operational growth. Further, AGS assists our subsidiaries in achieving their sales and marketing plans by identifying their customers' business and operational requirements while providing sales leads.

Business Development

The Company is incorporated in Delaware and its headquarters is in Wilmington, Ohio. The Company's common shares are publicly traded on the NASDAQ Stock Market under the symbol ATSG. ATSG was formed in 2007 for the
purpose of creating a holding company structure that resulted in its predecessor, ABX, which was incorporated in 1980, becoming a subsidiary of the Company.

We have had multi-year contracts with DHL Network Operations (USA), Inc. and its affiliates ("DHL") since August 2003. In 2010, we entered into commercial agreements with DHL under which DHL leased thirteen Boeing 767 freighter aircraft from CAM and ABX operates those aircraft under a separate crew, maintenance and insurance agreement. The initial term of the operating agreement was five years, while the terms of the aircraft leases were seven years. Effective April 1, 2015, the Company and DHL amended and restated the agreements (together, the "CMI agreement") which extended the Boeing 767 aircraft lease terms and the operation of those aircraft through March 2019. The expiring Boeing 767 aircraft leases and CMI agreement with DHL are expected to be renewed in March 2019 under terms similar to the existing terms.

On November 9, 2018, we acquired OAI, a passenger airline, along with related entities Advanced Flight Services, LLC; Omni Aviation Leasing, LLC; and T7 Aviation Leasing, LLC (referred to collectively herein as "Omni"). OAI is a leading provider of contracted passenger airlift for the U.S. Department of Defense ("DoD") via the Civil Reserve Air Fleet ("CRAF") program, and a provider of full-service passenger charter and ACMI services. OAI carries passengers worldwide for a variety of private sector customers and other government services agencies. The addition of Omni expanded our customer solution offerings primarily through additional passenger transportation capabilities and the authority to operate Boeing 777 aircraft. The acquisition increased the Company's revenues, cash flows and customer diversification. (Additional information about the acquisition of Omni is presented in Note B to the accompanying consolidated financial statements.)

In September 2015, we began to operate a trial air network for Amazon.com Services, Inc. ("ASI"), the successor to Amazon Fulfillment Services, Inc., a subsidiary of Amazon.com, Inc. ("Amazon"). We provided cargo handling and logistical support as the network grew to five dedicated Boeing 767 freighter aircraft during 2015. On March 8, 2016, the Company and ASI entered into an Air Transportation Services Agreement (the “ATS”) which became effective April 1, 2016. Pursuant to the ATS, CAM leases 20 Boeing 767 freighter aircraft to ASI, including 12 Boeing 767-200 freighter aircraft for a term of five years and eight Boeing 767-300 freighter aircraft for a term of seven years. The ATSA, ABX and ATI operate those aircraft for an initial term of five years while our LGSTX subsidiary provides gateway services for ASI at certain airports.

In conjunction with the execution of the original ATSA, the Company and Amazon entered into an Investment Agreement and a Stockholders Agreement, each dated March 8, 2016. The Investment Agreement calls for the Company to issue warrants in three tranches, which will result in Amazon having the right to acquire up to 19.9% of the Company's outstanding common shares measured as further described below. The first tranche of warrants, issued upon execution of the Investment Agreement, grants Amazon the right to purchase approximately 12.81 million ATSG common shares, all of which are now vested. The second tranche of warrants, which were issued and vested on March 8, 2018, grants Amazon the right to purchase approximately 1.59 million ATSG common shares. The third tranche of warrants will be issued on September 8, 2020 and will also vest immediately upon issuance. The third tranche of warrants will grant Amazon the right to purchase such additional number of ATSG common shares as is necessary to bring Amazon's ownership to 19.9% of the Company's pre-transaction outstanding common shares measured on a GAAP-diluted basis, adjusted for share issuances and repurchases by the Company following the date of the Investment Agreement, after giving effect to the issuance of the warrants. Each of the three tranches of warrants will be exercisable in accordance with its terms through the fifth anniversary of the date of the Investment Agreement. The exercise price of the warrants is $9.73 per share, which represents the closing price of ATSG's common shares on February 9, 2016.

On December 22, 2018 we announced amendments to the agreements with Amazon to 1) lease and operate ten additional Boeing 767-300 aircraft for ASI, 2) extend the term of the 12 Boeing 767-200 aircraft currently leased to ASI by two years to 2023, with an option for three additional years, 3) extend the term of the eight Boeing 767-300 aircraft currently leased to ASI by three years to 2026 and 2027, with an option for three additional years and 4) extend the ATSA for five years through March 2026, with an option to extend for an additional three years. We plan to deliver five of the 767-300 aircraft in 2019 and the remainder in 2020, each under a ten year lease.

In conjunction with the commitment for ten additional 767 aircraft leases, extensions of twenty existing Boeing 767 aircraft leases and the ATSA described above, Amazon will be issued warrants for 14.8 million common shares which could expand its potential ownership in the Company to approximately 33.2%, including the warrants described above for the 2016 agreements. These new warrants will vest as existing leases are extended and additional aircraft
leases are executed and added to the ATSA operations. These new warrants will expire if not exercised within seven years from their issuance date. They have an exercise price of $21.53 per share, based on the volume-weighted average price of the Company's shares over the 30 trading days' immediately preceding execution of a non-binding term sheet by the parties on October 29, 2018.

Additionally, Amazon will be able to earn incremental warrant rights, increasing its potential ownership from 33.2% up to approximately 39.9% of the Company, by leasing up to seventeen more cargo aircraft from the Company before January 2026. Incremental warrants granted for Amazon’s commitment to any such future aircraft leases will have an exercise price of the $21.53 referenced above, provided the parties reach binding agreements on future lease terms before April 2019. Beginning in April 2019, the exercise price of incremental warrants related to future aircraft leases will be based on the volume-weighted average price of ATSG’s shares during the 30 trading days immediately preceding the contractual commitment for each lease.

The warrants potentially issuable under these new agreements with Amazon will require an increase in the number of authorized common shares of ATSG. We intend to submit a proposal calling for an appropriate increase in the number of authorized common shares for shareholder consideration at the Company’s next annual meeting of shareholders in May 2019.

In December 2018, we entered into an agreement to acquire twenty Boeing 767-300 extended-range passenger aircraft over the next three years. The aircraft covered by this agreement are currently operated by American Airlines. They were manufactured between 1993 and 2003, and are powered by General Electric CF6-series engines. We will begin to acquire the aircraft during 2019 and currently expect to begin freighter modification of six of the twenty Boeing 767-300 aircraft during 2019, up to nine during 2020, and no fewer than five in 2021.

In January 2014, we acquired a 25 percent equity interest in West Atlantic AB of Gothenburg, Sweden. West Atlantic AB, through its two airlines, Atlantic Airlines Ltd. and West Atlantic Sweden AB, operates a fleet of approximately 40 cargo aircraft. West Atlantic AB 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, and Boeing 767 and 737 aircraft. We account for our equity interest under the equity method of accounting.

In December 2016, we acquired Pemco. Pemco provides aircraft maintenance, modification, and engineering services. Pemco is based at the Tampa International Airport where it operates a two-hangar aircraft facility of 311,500 square feet and employs approximately 370 people. Pemco is a leading provider of passenger-to-freighter conversions for Boeing 737-300 and 737-400 aircraft, having redelivered over 50 Boeing 737 converted aircraft to Chinese operators over ten years. Pemco's aircraft conversion capabilities and aircraft hangar operations are marketed with our other air transportation support services.

On August 3, 2017, we entered into a joint-venture agreement with Precision Aircraft Solutions, LLC, to develop a passenger-to-freighter conversion program for Airbus A321-200 aircraft. We anticipate approval of a supplemental type certificate in 2020. We expect to make contributions equal to our 49% ownership percentage of the program's total costs over the next year. We account for our investment in the joint venture under the equity method of accounting.

Revenue Information

The Company has three reportable segments, "CAM" which includes aircraft and engine leasing, “ACMI Services" which includes the airlines' operations and "MRO Services." which includes the operations of AMES and Pemco. Our other business operations, including load transfer and package sorting services as well as ground equipment leasing and maintenance do not constitute reportable segments due to their size. Segment revenues for 2018 are summarized below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>CAM</th>
<th>ACMI Services</th>
<th>MRO Services</th>
<th>Other Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>External revenues (in thousands)</td>
<td>$156,516</td>
<td>$548,804</td>
<td>$117,832</td>
<td>$69,193</td>
</tr>
</tbody>
</table>
Customer revenues for 2018 are summarized below.

<table>
<thead>
<tr>
<th>Percent of consolidated revenues</th>
<th>DHL</th>
<th>Amazon</th>
<th>DoD</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26%</td>
<td>27%</td>
<td>15%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Revenues include the activities of Omni for periods since its acquisition by the Company on November 9, 2018. Additional financial information about our segments and revenues is presented in Note O to the accompanying consolidated financial statements.

**Description of Business**

**CAM**

CAM leases aircraft to ATSG's airlines and to external customers, including DHL and Amazon, usually under multi-year contracts with a schedule of fixed monthly payments. Under a typical lease arrangement, the customer maintains the aircraft in serviceable condition at its own cost. At the end of the lease term, the customer is typically required to return the aircraft in approximately the same maintenance condition that existed at the inception of the lease, as measured by airframe and engine time and cycles since the last scheduled maintenance event. CAM examines the credit worthiness of potential customers, their short and long-term growth prospects, their financial condition and backing, the experience of their management, and the impact of governmental regulation when determining the lease rate that is offered to the customer. In addition, CAM monitors the customer’s business and financial status throughout the term of the lease.

As of December 31, 2018, CAM's fleet consisted of 91 serviceable Boeing 777, 767, 757 and 737 passenger and cargo aircraft. A complete list of the Company's aircraft is included in Item 2, Properties. Through CAM and the acquisition of Omni, we have expanded in recent years the Company's combined fleet of Boeing 777, 767, 757 and 737 aircraft. Since the beginning of 2016, CAM has managed the modification of 23 Boeing 767-300 passenger aircraft to a freighter configuration and two Boeing 737 passenger aircraft to a freighter configuration. CAM added two Boeing 767-200 passenger aircraft, six Boeing 767-300 passenger aircraft and three Boeing 777-200 passenger aircraft through the Company's acquisition of Omni on November 9, 2018.

**ACMI Services**

ACMI Services consists of the operations of the Company's three airline subsidiaries. Through the airlines, we provide airlift operations to DHL, Amazon, the DoD and other transportation customers. A typical operating agreement requires our airline to supply, at a specific rate per block hour and/or per month, a combination of aircraft, crew, maintenance and insurance for specified transportation operations. These services are commonly referred to as ACMI, CMI or Charter services depending on the selection of services contracted by the customer. The customer bears the responsibility for capacity utilization and unit pricing in all cases.

ACMI - The airline provides the aircraft, flight crews, aircraft maintenance and aircraft hull and liability insurance while the customer is typically responsible for substantially all other aircraft operating expenses, including fuel, landing fees, parking fees and ground and cargo handling expenses.

CMI - The customer is responsible for providing the aircraft, in addition to the fuel and other operating expenses. The airline provides the flight crews, aircraft hull and liability insurance and typically aircraft line maintenance as needed between network flights.

Charter - The airline is responsible for providing full service, including fuel, aircraft, flight crews, maintenance, aircraft hull and liability insurance, landing fees, parking fees, ground and cargo handling expenses and other operating expenses for an all-inclusive price.

Our airlines participate in the DoD CRAF Program which allows our airlines to bid for military charter operations for passenger and cargo transportation. Our airlines provide charter operations to the Air Mobility Command ("AMC") through contracts awarded by the U.S. Transportation Command ("USTC"), both of which are organized under the DoD. The USTC secures airlift capacity through fixed awards, which are awarded annually, and through bids for "expansion routes" which are awarded on a quarterly, monthly and as-needed basis. Under the contracts, we are
 responsible for all operating expenses including fuel, landing and ground handling expenses. We receive reimbursements from the USTC each month if the price of fuel paid by us for the flights exceeds a previously set peg price. If the price of fuel paid by us is less than the peg price, then we pay the difference to the USTC. Airlines may participate in the CRAF program either independently, or through teaming arrangements with other airlines. Our airlines are members of the Patriot Team of CRAF airlines. We pay a commission to the Patriot Team, based on certain revenues we receive under USTC contracts.

ATI contracts with the USTC to operate its unique fleet of four Boeing 757 "combi" aircraft, which are capable of simultaneously carrying passengers and cargo containers on the main flight deck. ATI has been operating combi aircraft for the DoD since 1993. In January 2018, the USTC contracted with ATI to provide combi aircraft operations through December 2021 and awarded ATI three international routes for combi aircraft for 2019. OAI has been operating aircraft for the DoD since 1995. Contracts with the USTC are typically for a one-year period, however, the current passenger international charter contract has a two year term with option periods through September 2024.

Approximately 8% of the Company's consolidated revenues for 2018 were derived from providing airline operations for customers other than DHL, Amazon and the DoD. These ACMI and charter operations are typically provided to delivery companies, freight forwarders, vacation businesses and other airlines.

We provide contracted transportation capacity to our customers. We do not sell passenger travel tickets, nor do we sell individual package delivery services. Our airlines operate wide-body and medium wide-body aircraft usually on intra-continental flights and medium and long range inter-continental flights. The airlines typically operate our freighter aircraft in the customers' regional networks that connect to and from global cargo networks. The aircraft types we operate have lower investment and ongoing maintenance costs and can operate cost efficiently with smaller loads on shorter routes than the larger capacity aircraft, such as the Boeing 747 and Airbus A380.

Demand for air transportation services correlates closely with general economic conditions and the level of commercial activity in a geographic area. Stronger general economic conditions and growth in a region typically increase the need for air transportation. Historically, the cargo industry has experienced higher volumes during the fourth calendar quarter of each year due to increased shipments during the holiday season. Generally, time-critical delivery needs, such as just-in-time inventory management, increase the demand for air cargo delivery, while higher costs of aviation fuel generally reduces the demand for air delivery services. When aviation fuel prices increase, shippers will consider using ground transportation if the delivery time allows.

We have limited exposure to fluctuations in the price of aviation fuel under contracts with our customers. DHL and Amazon, like most of our ACMI customers, procure the aircraft fuel and fueling services necessary for their flights. Our charter agreements with the U.S. Military are based on a preset pegged fuel price and include a subsequent true-up to the actual fuel prices.

**Aircraft Maintenance and Modification Services**

We provide aircraft maintenance and modification services to other air carriers through our ABX, AMES and Pemco subsidiaries. These subsidiaries have technical expertise related to aircraft modifications through a long history in aviation. They own many Supplemental Type Certificates (“STCs”). An STC is granted by the FAA and represents an ownership right, similar to an intellectual property right, which authorizes the alteration of an airframe, engine or component. We market our subsidiaries capabilities by identifying aviation-related maintenance and modification opportunities and matching them to customer needs.

AMES operates in Wilmington, Ohio, a repair station certified by the Federal Aviation Administration (“FAA”) under Part 145 of the Federal Aviation Regulations, including hangars, a component shop and engineering capabilities. AMES is AS9100 quality certified for the aerospace industry. AMES’ marketable capabilities include the installation of avionics systems and flat panel displays for Boeing 757 and 767 aircraft. The Wilmington facility is capable of servicing airframes as large as the Boeing 747-400 and the Boeing 777 aircraft. AMES, through its Pemco subsidiary, also operates an FAA certificated Part 145 repair station from a two hangar facility in Tampa, Florida. The Tampa location has the capability to perform airframe maintenance on Boeing 767, 757, 737, McDonnell Douglas MD-80, Airbus A320, A321 and various regional jet model aircraft. We have the ability to perform line maintenance and airframe maintenance on McDonnell Douglas MD-80, Boeing 767, 757, 737, 777, 727 and Airbus A320 aircraft. We also have the capability to refurbish airframe components, including approximately 60% of the components utilized by Boeing
767 aircraft. Through Pemco, we also perform aircraft modification and engineering services, including passenger-to-freighter and passenger-to-combi conversions for Boeing 737-200, Boeing 737-300, Boeing 737-400, and 737-700 series aircraft.

AMS is an Aviation Suppliers Association, ASA 100 Accredited reseller and broker of aircraft parts. AMS carries an inventory of Boeing 767, 757 and 737 spare parts and also maintains inventory on consignment from original equipment manufacturers, resellers, lessors and other airlines. AMS's customers include the commercial air cargo industry, passenger airlines, aircraft manufacturers and contract maintenance companies serving the commercial aviation industry, as well as other resellers.

Ground Services

Through the Company's LGSTX subsidiaries, we provide labor and management for load transfer and sorting services at certain facilities inside or near airports in the U.S. LGSTX also arranges similar load transfer services to support ASI at certain locations. ASI can terminate these services at one or any location after giving a brief notice period. LGSTX also provides maintenance services for material handling and sorting equipment as well as ground support equipment throughout the U.S. LGSTX has a large inventory of ground support equipment, such as power units, airstarts, deicers and pushback vehicles that it rents to airports, ground handlers, airlines and other customers. LGSTX is also licensed to resell aircraft fuel. Additionally, we provide international mail forwarding services through the John F. Kennedy International Airport and the O'Hare International Airport.

We provided mail sorting services at various United States Postal Service ("USPS") locations between September 2004 and September 2018. The contracts for the five USPS facilities we serviced were not renewed with us after they expired during September 2018.

Flight Support

ABX and OAI are FAA certificated to offer flight crew training to customers. ABX has three flight simulators which can be rented for customer outside training programs. The Boeing 767 and DC-9 level C simulators allow ABX to qualify flight crewmembers under FAA requirements without performing check flights in an aircraft.

Competitive Conditions

Our airline subsidiaries compete with other airlines to place aircraft under ACMI arrangements and charter contracts. Other cargo airlines include Amerijet International, Inc., Atlas Air, Inc., Kalitta Air LLC, Northern Air Cargo, LLC, National Air Cargo Group, Inc., Southern Air, Inc. and Western Global Airlines, LLC. Of these, Atlas Air, Inc. also operates passenger aircraft. The primary competitive factors in the air transportation industry are operating costs, fuel efficiency, geographic coverage, aircraft range, aircraft reliability and capacity. The cost of airline operations is significantly impacted by the cost of flight crewmembers, which can vary among airlines depending on their collective bargaining agreements. Cargo airlines also compete for cargo volumes with passenger airlines that have substantial belly cargo capacity. The air transportation industry is capital intensive and highly competitive, especially during periods of excess capacity of aircraft compared to commercial cargo volumes and DoD requirements.

The scheduled delivery industry is dominated by integrated door-to-door delivery companies including DHL, the USPS, FedEx Corporation, United Parcel Service, Inc. and ASI. Although the volume of our business is impacted by competition among these integrated carriers, we do not usually compete directly with them.

Competition for aircraft lease placements is generally affected by aircraft type, aircraft availability and lease rates. We target our leases to cargo airlines and delivery companies seeking medium widebody airlift. The Airbus A300-600 and A330 aircraft can provide capabilities similar to the Boeing 767 for medium wide-body airlift. Competitors in the aircraft leasing markets include GE Capital Aviation Services and Altavair Aviation Leasing, among others.

The aircraft maintenance industry is labor intensive and typically competes based on cost, capabilities and reputation for quality. U.S. airlines may contract for aircraft maintenance with maintenance and repair organizations ("MROs") in other countries or geographies with a lower labor wage base, making the industry highly cost competitive. Other aircraft MROs include AAR Corp and Hong Kong Aircraft Engineering Co.
Airline Operations

Flight Operations and Control

The Company's airline operations are conducted pursuant to authority granted to each of them by the FAA and the U.S. Department of Transportation (“DOT”). Airline flight operations, including aircraft dispatching, flight tracking, crew training and crew scheduling are planned and controlled by personnel within each airline. The Company staffs aircraft dispatching and flight tracking 24 hours per day, 7 days per week. The FAA prescribes the requirements, methods and means by which air carrier flight operations are conducted, including but not limited to the qualifications and training of flight crew members, the release of aircraft for flight, the tracking of flights, the time crew members can be on duty, aircraft operating procedures, proper navigation of aircraft, compliance with air traffic control instructions and other operational functions.

Aircraft Maintenance

Our airlines’ operations are regulated by the FAA for aircraft safety and maintenance. Each airline performs routine inspections and airframe maintenance in accordance with applicable FAA-approved aircraft maintenance programs. In addition, the airlines build into their maintenance programs FAA-mandated Airworthiness Directive and manufacturer Service Bulletin compliance on all of their aircraft. The airlines’ maintenance and engineering personnel coordinate routine and non-routine maintenance requirements. Each airline’s maintenance program includes tracking the maintenance status of each aircraft, consulting with manufacturers and suppliers about procedures to correct irregularities and training maintenance personnel on the requirements of its FAA-approved maintenance program. The airlines contract with MROs, including AMES and Pemco, to perform heavy maintenance on airframes and engines. Each airline owns and maintains an inventory of spare aircraft engines, auxiliary power units, aircraft parts and consumable items. The quantity of spare items maintained is based on the fleet size, engine type operated and the reliability history of the item types.

Security

The Transportation Security Administration (“TSA”) requires ABX and ATI to comply with security protocols as set out in each carrier’s standard all-cargo aircraft operator security plan containing extensive security practices and procedures that must be followed. The security plan provides for the conducting of background checks on those with access to cargo and/or aircraft, the securing of the aircraft while on the ground, the acceptance and screening of cargo to be moved by air, the handling of suspicious cargo and the securing of cargo ground facilities, among other requirements. Comprehensive internal audit and evaluation programs are actively mandated and maintained. In the case of OAI, a passenger carrier, additional requirements apply including passenger and baggage screening, airport terminal security, assessment and distribution of intelligence including the TSA “no-fly” list, and threat response.

Customers are required to inform the airlines in writing of the nature and composition of any freight which is classified as "Hazardous Materials" or “Dangerous Goods” by the DOT. Notwithstanding these procedures, our airline subsidiaries could unknowingly transport contraband or undeclared hazardous materials for customers, or could unknowingly transport an unauthorized passenger or one on possession of an unauthorized item, which could result in fines and penalties and possible damage to the aircraft.

Insurance

Our airline subsidiaries are required by the DOT to carry a minimum amount of aircraft liability insurance. Their aircraft leases, loan agreements and ACMI agreements also require them to carry such insurance. The Company currently maintains public liability and property damage insurance, and our airline subsidiaries currently maintain aircraft hull and liability insurance and war risk insurance for their respective aircraft fleets in amounts consistent with industry standards. CAM’s customers are also required to maintain similar insurance coverage.

Employees

As of December 31, 2018, the Company had approximately 3,830 full-time and part-time employees. The Company employed approximately 770 flight crewmembers, 350 flight attendants, 1,800 aircraft maintenance technicians and flight support personnel, 560 employees for airport maintenance and logistics, 45 employees for sales and marketing and 305 employees for administrative functions. In addition to full time and part time employees, the Company
typically has approximately 300 temporary employees mainly serving the aircraft line maintenance operations. On December 31, 2017, the Company had approximately 3,010 full-time and part-time employees.

**Labor Agreements**

The Company’s flight crewmembers are unionized employees. The table below summarizes the representation of the Company’s flight crewmembers at December 31, 2018.

<table>
<thead>
<tr>
<th>Airline</th>
<th>Labor Agreement Unit</th>
<th>Contract Amendable Date</th>
<th>Percentage of the Company’s Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABX</td>
<td>International Brotherhood of Teamsters</td>
<td>12/31/2014</td>
<td>6.5%</td>
</tr>
<tr>
<td>ATI</td>
<td>Air Line Pilots Association</td>
<td>11/14/2023</td>
<td>6.7%</td>
</tr>
<tr>
<td>Omni</td>
<td>International Brotherhood of Teamsters</td>
<td>4/1/2021</td>
<td>6.9%</td>
</tr>
<tr>
<td>ATI</td>
<td>Association of Flight Attendants</td>
<td>11/14/2023</td>
<td>1.0%</td>
</tr>
<tr>
<td>Omni</td>
<td>Association of Flight Attendants</td>
<td>12/1/2021</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Under the Railway Labor Act (“RLA”), as amended, the crewmember labor agreements do not expire, so the existing contract remains in effect throughout any negotiation process. If required, mediation under the RLA is conducted by the National Mediation Board, which has the sole discretion as to how long mediation can last and when it will end. In addition to direct negotiations and mediation, the RLA includes a provision for potential arbitration of unresolved issues and a 30-day “cooling-off” period before either party can resort to self-help, including, but not limited to, a work stoppage.

**Training**

The flight crewmembers are required to be licensed in accordance with Federal Aviation Regulations (“FARs”), with specific ratings for the aircraft type to be flown, and to be medically certified as physically fit to operate aircraft. Licenses and medical certifications are subject to recurrent requirements as set forth in the FARs, to include recurrent training and minimum amounts of recent flying experience.

The FAA mandates initial and recurrent training for most flight, maintenance and engineering personnel. Mechanics and quality control inspectors must also be licensed and qualified to perform maintenance on Company operated and maintained aircraft. Our airline subsidiaries pay for all of the recurrent training required for their flight crewmembers and provide training for their ground service and maintenance personnel. Their training programs have received all required FAA approvals. Similarly, our flight dispatchers and flight followers receive FAA approved training on the airlines’ requirements and specific aircraft.

**Intellectual Property**

The Company owns many STCs issued by the FAA. The Company uses these STCs mainly in support of its own fleets; however, AMES and Pemco have marketed certain STCs to other airlines.

**Information Systems**

We are dependent on technology to conduct our daily operations including data processing, communications and regulatory compliance. We rely on critical computerized systems for aircraft maintenance records, flight planning, crew scheduling, employee training, financial records and other processes. We utilize information systems to maintain records about the maintenance status and history of each major aircraft component, as required by FAA regulations. Using the systems, we track maintenance schedules and also control inventories and maintenance tasks, including the work directives of personnel performing those tasks. We rely on information systems to track crewmember flight and duty times, and crewmember training status. The Company’s flight operations systems coordinate flight schedules and crew schedules.

We invest significant time and financial resources to acquire, develop and maintain information systems to facilitate our operations. Our information technology infrastructure includes security measures, backup procedures and
redundancy capabilities. We rely increasingly on third party applications and hosted technologies. To remain competitive we must continue to deploy new technologies while controlling its costs and maintaining regulatory compliance.

**Regulation**

Our subsidiaries’ airline operations are primarily regulated by the DOT, the FAA and the TSA. Those operations must comply with numerous economic, safety, security and environmental laws, ordinances and regulations. In addition, they must comply with various other federal, state, local and foreign laws and regulations.

**Environment**

The U.S. Environmental Protection Agency ("EPA") is authorized to regulate aircraft emissions and has historically implemented emissions control standards adopted by the International Civil Aviation Organization ("ICAO"). In 2016, however, the EPA issued a finding on greenhouse gas ("GHG") emissions from aircraft and its relationship to air pollution. This finding is a regulatory prerequisite to the EPA's adoption of a new certification standard for aircraft emissions. Our subsidiaries’ aircraft currently meet all known requirements for engine emission levels as applicable by engine design date. Under the Clean Air Act, individual states or the EPA may adopt regulations requiring reductions in emissions for one or more localities based on the measured air quality at such localities. These regulations may seek to limit or restrict emissions by restricting the use of emission-producing ground service equipment or aircraft auxiliary power units. Further, the U.S. Congress has, in the past, considered legislation that would regulate GHG emissions, and some form of federal climate change legislation is possible in the future.

In addition, the European Commission has approved the extension of the European Union Emissions Trading Scheme ("ETS") for GHG emissions to the airline industry. Currently, under the European Union’s ETS, all ABX, ATI and OAI flights that are wholly within the European Union are covered by the ETS requirements, and each year our airlines are required to submit emission allowances in an amount equal to the carbon dioxide emissions from such flights. If the airline's flight activity during the year produced carbon emissions exceeding the number of carbon emissions allowances that it had been awarded, the airline must acquire allowances from other airlines in the open market. Our airlines operate intra-EU flights from time to time and management believes that such flights are operated in compliance with ETS requirements.

Similarly, in 2016, the ICAO passed a resolution adopting the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral growth beyond 2020. A pilot phase is scheduled to begin in 2021 in which countries may voluntarily participate, and full mandatory participation is scheduled to begin in 2027. ICAO continues to develop details regarding implementation, but compliance with CORSIA will increase our operating costs.

However, the U.S. recently withdrew from the Paris climate accord, an agreement among 196 countries to reduce GHG emissions, and the effect of that withdrawal on future U.S. policy regarding GHG emissions, on CORSIA and on other GHG regulation is uncertain.

The federal government generally regulates aircraft engine noise at its source. However, local airport operators may, under certain circumstances, regulate airport operations based on aircraft noise considerations. The Airport Noise and Capacity Act of 1990 provides that, in the case of Stage 3 aircraft (all of our operating aircraft satisfy Stage 3 noise compliance requirements), an airport operator must obtain the carriers’ consent to, or the government’s approval of, the rule prior to its adoption. We believe the operation of our airline subsidiaries’ aircraft either complies with or is exempt from compliance with currently applicable local airport rules. However, some airport authorities have adopted local noise regulations, and, to the extent more stringent aircraft operating regulations are adopted on a widespread basis, our airline subsidiaries may be required to spend substantial funds, make schedule changes or take other actions to comply with such local rules.

**Department of Transportation**

The DOT maintains authority over certain aspects of domestic and international air transportation serving the United States, such as consumer protection, accommodation of passengers with disabilities, requiring a minimum level of insurance and the requirement that a company be “fit” to hold a certificate to engage in air transportation. In addition, the DOT continues to regulate many aspects of international aviation, including the award of certain international routes.
The DOT has issued to ABX a Domestic All-Cargo Air Service Certificate for air cargo transportation between all points within the U.S., the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The DOT has issued ATI certificate authority to engage in scheduled interstate air transportation, which is currently limited to all-cargo operations. ATI’s DOT certificate authority also authorizes it to engage in interstate and foreign charter air transportation of persons, property and mail. Additionally, the DOT has issued ABX and ATI Certificates of Public Convenience and Necessity authorizing each of them to engage in scheduled foreign air transportation of cargo and mail between the U.S. and all current and future U.S. open-skies partner countries, which currently consists of more than 120 foreign countries. ABX and ATI also hold exemption authorities issued by the DOT to conduct scheduled all-cargo operations between the U.S. and certain foreign countries with which the U.S. does not have an open-skies air transportation agreement. The DOT has issued to OAI a Certificate of Public Convenience and Necessity for Interstate Charter Air Transportation and a Certificate of Public Convenience and Necessity for Foreign Charter Air Transportation that authorizes it to engage in interstate and foreign charter air transportation of persons, property and mail.

By maintaining these certificates, the Company, through ABX and ATI, can and currently does conduct all-cargo charter operations worldwide subject to the receipt of any necessary foreign government approvals. Further, the certificates issued to ATI and OAI authorize the air carriers to conduct passenger charter operations worldwide subject to the receipt of any necessary foreign government approvals. Prior to issuing such certificates, and periodically thereafter, the DOT examines a company’s managerial competence, financial resources and plans, compliance disposition and citizenship in order to determine whether the carrier is fit, willing and able to engage in the transportation services it has proposed to and does undertake.

The DOT has the authority to impose civil penalties, or to modify, suspend or revoke our certificates and exemption authorities for cause, including failure to comply with federal laws or DOT regulations. A corporation or a limited liability company structured like a corporation holding the above-referenced certificates and exemption authorities must continuously qualify as a citizen of the United States, which, pursuant to federal law, requires that (1) it be organized under the laws of the U.S. or a state, territory or possession thereof, (2) that its president and at least two-thirds of its Board of Directors and other managing officers be U.S. citizens, (3) that no more than 25% of its voting interest be owned or controlled by non-U.S. citizens, and (4) that it not otherwise be subject to foreign control. We believe our airline subsidiaries possess all necessary DOT-issued certificates and authorities to conduct our current operations and each continue to qualify as a citizen of the United States.

Federal Aviation Administration

The FAA regulates aircraft safety and flight operations generally, including equipment, ground facilities, maintenance, flight dispatch, training, communications, the carriage of hazardous materials and other matters affecting air safety. The FAA issues operating certificates and detailed "operations specifications" to carriers that possess the technical competence to safely conduct air carrier operations. In addition, the FAA issues certificates of airworthiness to each aircraft that meets the requirements for aircraft design and maintenance. ABX, ATI and OAI believe they hold all airworthiness and other FAA certificates and authorities required for the conduct of their business and the operation of their aircraft. The FAA has the power to suspend, modify or revoke such certificates for cause and to impose civil penalties for any failure to comply with federal laws and FAA regulations.

The FAA has the authority to issue regulations, airworthiness directives and other mandatory orders relating to, among other things, the inspection, maintenance and modification of aircraft and the replacement of aircraft structures, components and parts, based on industry safety findings, the age of the aircraft and other factors. For example, the FAA has required ABX to perform inspections of its Boeing 767 aircraft to determine if certain of the aircraft structures and components meet all aircraft certification requirements. If the FAA were to determine that the aircraft structures or components are not adequate, it could order operators to take certain actions, including but not limited to, grounding aircraft, reducing cargo loads, strengthening any structure or component shown to be inadequate, or making other modifications to the aircraft. New mandatory directives could also be issued requiring the Company's airline subsidiaries to inspect and replace aircraft components based on their age or condition. As a routine matter, the FAA issues airworthiness directives applicable to the aircraft operated by our airline subsidiaries, and our airlines comply, sometimes at considerable cost, as part of their aircraft maintenance program.

In addition to the FAA practice of issuing regulations and airworthiness directives as conditions warrant, the FAA has adopted new regulations to address issues involving aging, but still economically viable, aircraft on a more systematic basis. FAA regulations mandate that aircraft manufacturers establish aircraft limits of validity and service action
requirements based on the number of aircraft flight cycles (a cycle being one takeoff and one landing) and flight hours before widespread fatigue damage might occur. Service action requirements include inspections and modifications to preclude development of significant fatigue damage in specific aircraft structural areas. The Boeing Company has provided its recommendations of the limits of validity to the FAA, and the FAA has now approved the limits for the Boeing 757, 767 and 777 model aircraft. Consequently, after the limit of validity is reached for a particular model aircraft, air carriers will be unable to continue to operate the aircraft without the FAA first granting an extension of time to the operator. There can be no assurance that the FAA would extend the deadline, if an extension were to be requested. For the oldest aircraft in our fleets, we estimate the limit of validity would not be reached for at least 20 years.

The FAA requires each of our airline subsidiaries to implement a drug and alcohol testing program with respect to all employees performing safety sensitive functions and, unless already subject to testing, contractor employees that engage in safety sensitive functions. Each of the Company's airlines complies with these regulations.

Transportation Security Administration

The TSA, an administration within the Department of Homeland Security, is responsible for the screening of passengers and their baggage. TSA rules also dictate the manner in which cargo must be screened prior to being loaded on aircraft. Our airline subsidiaries comply with all applicable aircraft, passenger and cargo security requirements. The TSA has adopted cargo security-related rules that have imposed additional burdens on our airlines and our customers. The TSA also requires each airline to perform criminal history background checks on all employees. In addition, we may be required to reimburse the TSA for the cost of security services it may provide to the Company's airline subsidiaries in the future. The TSA holds (and has exercised) authority to issue regulations, including in cases of emergency the authority to do so without advance notice, including issuance of a grounding order as occurred on September 11, 2001. TSA's enforcement powers are similar to the DOT's and FAA's described above.

International Regulations

When operating in other countries, our airlines are subject to aviation agreements between the U.S. and the respective countries or, in the absence of such an agreement, by principles of reciprocity. International aviation agreements are periodically subject to renegotiation, and changes in U.S. or foreign governments could result in the alteration or termination of the agreements affecting our international operations. Commercial arrangements such as ACMI agreements between our airlines and our customers in other countries, may require the approval of foreign governmental authorities. Foreign authorities may limit or restrict the use of our aircraft in certain countries. Also, foreign government authorities often require licensing and business registration before beginning operations. Such authorities have enforcement powers generally similar to those of the U.S. agencies described above.

Data Protection

There has recently been increased regulatory and enforcement focus on data protection in the U.S. (at both the state and federal level) and in other countries. For example, the European Union ("E.U.") General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increases the jurisdictional reach of E.U. law and increases the requirements related to personal data, including individual notice and opt-out preferences and public disclosure of significant data breaches. Additionally, violations of the GDPR can result in significant fines. Other governments have enacted or are enacting similar data protection laws, and are considering data localization laws that would govern the use of data outside of their respective jurisdictions.

Other Regulations

Various regulatory authorities have jurisdiction over significant aspects of our business, and it is possible that new laws or regulations or changes in existing laws or regulations or the interpretations thereof could have a material adverse effect on our operations. In addition to the above, other laws and regulations to which we are subject, and the agencies responsible for compliance with such laws and regulations, include the following:

- The labor relations of our airline subsidiaries are generally regulated under the Railway Labor Act, which vests in the National Mediation Board certain regulatory powers with respect to disputes between airlines and labor unions arising under collective bargaining agreements;
• The Federal Communications Commission regulates our airline subsidiaries’ use of radio facilities pursuant to the Federal Communications Act of 1934, as amended;
• U.S. Customs and Border Protection issues landing rights, inspects passengers entering the United States, and inspects cargo imported to the U.S. from our subsidiaries’ international operations, and those operations are subject to similar regulatory requirements in foreign jurisdictions;
• The Company and its subsidiaries must comply with U.S. Citizenship and Immigration Services regulations regarding the eligibility of our employees to work in the U.S., and the entry of passengers to the U.S.;
• The Company and its subsidiaries must comply with wage, work conditions and other regulations of the Department of Labor regarding our employees.
• The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and other government agencies administer and enforce economic and trade sanctions based on U.S. foreign policy, which may limit our business activities in and for certain areas.

Executive Officers of the Registrant

Information about executive officers of the Company is provided in Item 10. Directors, Executive Officers and Corporate Governance, of this report, and is incorporated in this item by reference.

Available Information

Our filings with the Securities and Exchange Commission ("SEC"), 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. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding Air Transport Services Group, Inc. at www.sec.gov.

ITEM 1A. RISK FACTORS

The risks described below could adversely affect our financial condition or results of operations. The risks below are not the only risks that the Company faces. Additional risks that are currently unknown to us or that we currently consider immaterial or unlikely could also adversely affect the Company.

A limited number of key customers are critical to our business and the loss of one or more of such customers could materially adversely affect our business, results of operations and financial condition.

Our business is dependent on a limited number of key customers. There is a risk that any one of our key customers may not renew their contracts with us on favorable terms or at all, perhaps due to reasons beyond our control. As discussed below, certain key customers have the opportunity to terminate their agreements in advance of the expiration date.

The economic conditions in the U.S. and in other markets may negatively impact the demand for the Company’s aircraft and services.

Air transportation volumes are strongly correlated to general economic conditions, including the price of aviation fuel. An economic downturn could reduce the demand for delivery services offered by DHL, Amazon and other delivery businesses, in particular expedited shipping services utilizing aircraft, as well as the demand for the chartered passenger flights OAI operates. Further, during an economic slowdown, cargo customers generally prefer to use ground-based or marine transportation services instead of more expensive air transportation services. Accordingly, an economic downturn could reduce the demand for airlift and aircraft leases. Additionally, if the price of aviation fuel rises significantly, the demand for aircraft and air transportation services may decline. During periods of downward economic trends and rising fuel costs, freight forwarders and integrated delivery businesses are more likely to defer market expansion plans. When the cost of air transportation increases, the demand for passenger transportation may decline. We may experience delays in the deployment of available aircraft with customers under lease, ACMI or charter arrangements and our revenues may be adversely affected.
Our costs incurred in providing airline services could be more than the contractual revenues generated.

Each airline develops business proposals for the performance of ACMl, CMI, charter and other services for its customers, including DHL, ASI and the DoD, by projecting operating costs, crew productivity and maintenance expenses. Projections contain key assumptions, including maintenance costs, flight hours, aircraft reliability, crewmember productivity and crewmember compensation and benefits. We may overestimate revenues, the level of crewmember productivity, and/or underestimate the actual costs of providing services when preparing business proposals. If actual costs are higher than projected or aircraft reliability is less than expected, future operating results may be negatively impacted. Lastly, because the majority of OAI's business currently consists of flights chartered by the U.S. Department of Defense (DoD) for the transportation of DoD personnel, a downturn in DoD's need for such services could adversely affect OAI's operating results.

The Company's airlines rely on flight crews that are unionized. If collective bargaining agreements increase our costs and we cannot recover such increases, our operating results would be negatively impacted. It may be necessary for us to terminate customer contracts or curtail planned growth.

Our operating results could be adversely impacted by negotiations regarding collective bargaining agreements with flight crewmember representatives.

The flight crewmembers for each of the Company's airlines are unionized. ABX and OAI's crewmembers are represented by the International Brotherhood of Teamsters ("IBT") while ATI's crewmembers are represented by the Air Line Pilots Association ("ALPA"). The collective bargaining agreement ("CBA") between ABX and the IBT is currently amendable. The IBT and ABX management are in the process of renegotiating the terms of the CBA. The airline and the union are each required to maintain the status quo during the renegotiation of the CBA; neither the airline nor the union may engage in a lock-out, strike or other self-help until such time as they are released from further negotiations by the mediator for the National Mediation Board ("NMB"), and after the conclusion of a mandatory 30-day "cooling off" period. It is rare for mediators to declare an impasse and release the parties. Instead, the NMB prefers to require the parties to remain in negotiations until such time as they come to an agreement. Despite this process, it's possible for disruptions in customer service to occur from time to time, resulting in increased costs for the airline and monetary penalties under certain customer agreements if monthly reliability thresholds are not achieved. Further, if we do not maintain minimum reliability thresholds over an extended period of time, we could be found in default of one or more customer agreements.

Contract negotiations with the union could result in reduced flexibility for scheduling crewmembers and higher operating costs for the airlines, making the Company's airlines less competitive than other airlines.

During 2017, the NMB ruled that ABX and ATI do not constitute a single transportation system for the purposes of collective bargaining. The NMB could reconsider whether the airlines constitute a single transportation system and require that the ABX and ATI crewmembers, or that the ABX, ATI and Omni crewmembers, be represented by the same union. A single transportation system determination by the NMB could give rise to complex contractual issues, including integrating the airlines' seniority lists, and materially impact the dynamics with respect to future CBA negotiations. While it is unlikely that the NMB would reconsider or find that ABX and ATI, or that ABX, ATI and Omni, constitute a single transportation system, the case-by-case analysis used by the NMB makes such predictions uncertain.

The rate of aircraft deployments may impact the Company's operating results and financial condition.

The Company's future operating results and financial condition will depend in part on our subsidiaries' ability to successfully deploy aircraft in support of customers' operations while generating a positive return on investment. Our success will depend, in part, on our customers' ability to secure additional cargo volumes, in both U.S. and international markets. Deploying aircraft in international markets can pose additional risks, costs and regulatory requirements which could result in periods of delayed deployments. Deploying an aircraft into service typically requires various approvals from the FAA. Aircraft deployments could be delayed if FAA approval is delayed.

The actual demand for Boeing 777, 767, 757 and 737 aircraft may be less than we anticipate. The actual lease rates for aircraft available for lease may be less than we projected, or new leases may start later than we expect. Further, other airlines and lessors may be willing to offer aircraft to the market under terms more favorable to lessees.
We may fail to meet the scheduled delivery date for aircraft required by customer agreements.

If CAM cannot meet the agreed delivery schedule for an aircraft lease, the customer may have the right to cancel the aircraft lease, thus delaying revenues until the aircraft can be completed and re-marketed successfully and exposing CAM to potential liability to the original customer.

Our airline operating agreements include on-time reliability requirements which can impact the Company's operating results and financial condition.

Certain of our airline operating agreements contain monthly incentive payments for reaching specific on-time reliability thresholds. Additionally, such airline operating agreements contain monetary penalties for aircraft reliability below certain thresholds. As a result, our operating revenues may vary from period to period depending on the achievement of monthly incentives or the imposition of penalties. Further, an airline could be found in default of an agreement if it does not maintain minimum thresholds over an extended period of time. If our airlines are placed in default due to the failure to maintain reliability thresholds, the customer may elect to terminate all or part of the services we provide under certain customer agreements after a cure period.

If ABX fails to maintain aircraft reliability above a minimum threshold under the restated CMI agreement with DHL for two consecutive calendar months or three months in a rolling twelve month period, we would be in default of the restated CMI agreement with DHL. In that event, DHL may elect to terminate the restated CMI agreement, unless we maintain the minimum reliability threshold during a 60-day cure period. If DHL terminates the CMI agreement due to an ABX event of default, we would be subject to a monetary penalty payable to DHL.

If our airlines fail to maintain aircraft reliability above a minimum threshold under the ATSA with ASI for either a specified number of consecutive calendar months or a specified number of calendar months (whether or not consecutive) in a specified trailing period, we could be held in default. In that event, ASI may elect to terminate the ATSA and pursue those rights and remedies available to it at law or in equity.

If OAI fails to maintain reliability above a minimum threshold under its contract with the DoD with respect to the flight segments flown during a given month, we could be held in default. In that event, the DoD may elect to terminate the contract. In addition, missions that experience carrier controllable delays are subject to monetary penalties. Depending on the delay interval, the compensation paid to OAI for the performance of the services can be reduced by a specified percentage amount.

Under the provisions of airline operating and aircraft lease agreements with customers, customers may be able to terminate the operating agreements or aircraft lease agreements, subject to early termination provisions.

Customers can typically terminate one or more of the aircraft from their related airline operating agreement for convenience at any time during the term, subject to a 60 day notice period and paying the Company a fee. Additionally, the lease agreements may contain provisions for terminating an aircraft lease for convenience, including a notice period and paying a lump sum amount to the Company.

Amazon may terminate the ATSA in its entirety after providing 180 days of advance notice and paying to the Company a termination fee which reduces over the term of the agreement.

DHL may terminate the restated CMI agreement in its entirety after providing 180 days of advance notice and paying a significant termination fee which amortizes down during the term of the agreement.

The DoD may not renew our contracts or may reduce the number of routes that we operate.

Our contracts with the DoD are typically for one year and are not required to be renewed. The DoD may terminate the contracts for convenience or in the event we were to fail to satisfy reliability requirements or for other reasons. The number and frequency of routes is sensitive to changes in military priorities and U.S. defense budgets.

The anticipated strategic and financial benefits of our relationship with Amazon may not be realized.

We entered into the agreements with Amazon with the expectation that the transactions would result in various benefits including, among others, growth in revenues, improved cash flows and operating efficiencies. Achieving the anticipated benefits from the agreements is subject to a number of challenges and uncertainties, such as unforeseen costs and less flying than expected. If we are unable to achieve our objectives the expected benefits may be only partially realized or not at all, or may take longer to realize than expected, which could adversely impact our financial condition and results of operations.
The Company's future earnings and earnings per share, as reported under generally accepted accounting principles, will be impacted by the Amazon stock warrants.

We expect that the warrants issuable to Amazon will increase the number of diluted shares reported. The warrants are subject to fair value measurements during periods that they are outstanding. Accordingly, future fluctuations in the fair value of the warrants may adversely impact the Company's reported earnings measures. See Note D in the accompanying consolidated financial statements for further information about warrants.

If Amazon exercises its right to acquire shares of our common stock pursuant to the warrants, it will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock.

If Amazon exercises its right to acquire shares of our common stock pursuant to the warrants, it will dilute the ownership interests of our then-existing stockholders and reduce our earnings per share. In addition, any sales in the public market of any common stock issuable upon the exercise of the warrants by Amazon could adversely affect prevailing market prices of our common stock.

Changes in the fair value of certain financial instruments could impact the financial results of the Company.

Certain financial instruments are subject to fair value measurements at the end of each reporting period. Accordingly, future fluctuations in their fair value may adversely impact the Company's reported earnings. See Note E in the accompanying consolidated financial statements for further information about the fair value of our financial instruments.

The convertible note hedge transactions and the warrant transactions that we entered into in September 2017 may affect the value of our common stock.

In connection with the pricing of our 1.125% senior convertible notes due 2024 (the "Notes") and the exercise by the initial purchasers of their option to purchase additional Notes, we entered into privately-negotiated convertible note hedge transactions with the hedge counterparties. The convertible note hedge transactions cover, subject to customary anti-dilution adjustments, the number of shares of common stock that initially underlie the Notes. We also entered into separate, privately-negotiated warrant transactions with the hedge counterparties relating to the same number of shares of our common stock that initially underlie the Notes, subject to customary anti-dilution adjustments.

The hedge counterparties and/or their affiliates may modify their hedge positions with respect to the convertible note hedge transactions and the warrant transactions from time to time. They may do so by purchasing and/or selling shares of our common stock and/or other securities of ours, including the Notes in privately-negotiated transactions and/or open-market transactions or by entering into and/or unwinding various over-the-counter derivative transactions with respect to our common stock. The hedge counterparties are likely to modify their hedge positions during any observation period for the Notes.

The effect, if any, of these activities on the market price of our common stock will depend on a variety of factors, including market conditions, and cannot be determined at this time. Any of these activities could, however, adversely affect the market price of our common stock. In addition, the hedge counterparties and/or their affiliates may choose to engage in, or to discontinue engaging in, any of these transactions with or without notice at any time, and their decisions will be at their sole discretion and not within our control.

We are subject to counterparty risk with respect to the convertible note hedge transactions. The hedge counterparties are financial institutions, and we will be subject to the risk that they might default under the convertible note hedge transactions. Our exposure to the credit risk of the hedge counterparties is unsecured by any collateral. Global economic conditions have from time to time resulted in failure or financial difficulties for many financial institutions. If a hedge counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that hedge counterparty. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and volatility of our common stock. In addition, upon a default by a hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any hedge counterparty.

Conversion of the Notes or exercise of the warrants may dilute the ownership interest of stockholders. Any sales in the public market of the common stock issuable upon such conversion of the Notes or such exercise of the warrants could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may
encourage short selling by market participants because the conversion of the Notes could depress the price of our common stock.

*Our business could be negatively impacted by adverse audit findings by the U.S. Government.*

Our DoD contracts are subject to audit by government agencies, including with respect to performance, costs, internal controls and compliance with applicable laws and regulations. If an audit uncovers improprieties, we may be subject to civil or criminal penalties, including termination of such contracts, forfeiture of profits, fines and suspension from doing business with the DoD. In addition, the DOT, FAA and TSA can initiate announced or unannounced investigations of our subsidiary air carriers and repair stations to determine if they are continuously conducting their operations in accordance with all applicable laws, rules and regulations.

*Our participation in the CRAF Program could adversely restrict our commercial business in times of national emergency.*

All three of our airlines participate in the CRAF Program, which permits the DoD to utilize participants’ aircraft during national emergencies when the need for military airlift exceeds the capability of military aircraft.

*Proposed rules from the DOT, FAA and TSA could increase the Company's operating costs and reduce customer utilization of airfreight.*

FAA rules for Flightcrew Member Duty and Rest Requirements (FMDRR) for passenger airline operations became effective in January 2014. The rules apply to our operation of passenger and combi aircraft for the DoD and other customers and impact the required amount and timing of rest periods for pilots between work assignments and modified duty and rest requirements based on the time of day, number of scheduled segments, flight types, time zones and other factors. Failure to remain in compliance with these rules may subject us to fines or other enforcement action.

There are separate crew rest requirements applicable to all-cargo aircraft of the type operated by the Company. The FAA has rejected, as have the Courts, an attempt to apply the passenger airline crew rest rules to all-cargo operations. If such rest requirements and restrictions were imposed on our cargo operations, these rules could have a significant impact on the costs incurred by our airlines. The airlines would attempt to pass such additional costs through to their customers in the form of price increases. Customers, as a result, may seek to reduce their utilization of aircraft in favor of less expensive transportation alternatives.

*The concentration of aircraft types and engines in the Company's airlines could adversely affect our operating and financial results.*

The combined aircraft fleet is concentrated in three aircraft types. If any of these aircraft types encounter technical difficulties that resulted in significant FAA airworthiness directives or grounding, our ability to lease the aircraft would be adversely impacted, as would our airlines' operations. The market growth in demand for the Boeing 777, 767 and 757 aircraft types and configurations may be less than we anticipate. Customers may develop preferences for the Airbus A300-600 and A330 aircraft or other mid-size aircraft types, instead of the Boeing 777, 767 and 757 aircraft.

*The cost of aircraft repairs and unexpected delays in the time required to complete aircraft maintenance could negatively affect our operating results.*

Our airlines provide flight services throughout the world, sometimes operating in remote regions. Our aircraft may experience maintenance events in locations that do not have the necessary repair capabilities or are difficult to reach. As a result, we may incur additional expenses and lose billable revenues that we would have otherwise earned. Under certain customer agreements, we are required to provide a spare aircraft while scheduled maintenance is completed. If delays occur in the completion of aircraft maintenance, we may incur additional expense to provide airlift capacity and forgo revenues.

*Lessees of our aircraft may fail to make contractual payments or fail to maintain the aircraft as required.*

Our financial results depend in part on our lease customers' ability to make lease payments and maintain the related aircraft. Our customers' ability to make payments could be adversely impacted by changes to their financial liquidity, competitiveness, economic conditions and other factors. A default of an aircraft lease by a customer could negatively impact our operating results and cash flows and result in the repossession of the aircraft.

While we often require leasing customers to pay monthly maintenance deposits, customers are normally responsible for maintaining our aircraft during the lease term. Failure of a customer to perform required maintenance and maintain the appropriate records during the lease term could result in higher maintenance costs, a decrease in the value of the
aircraft, a lengthy delay in or even our inability to place the aircraft in a subsequent lease, any of which could have an adverse effect on our results of operations and financial condition.

We rely on third parties to modify aircraft and provide aircraft and engine maintenance.

We rely on certain third party aircraft modification service providers and aircraft and engine maintenance service providers that have expertise or resources that we do not have. Third party service providers may seek to impose price increases that could negatively affect our competitiveness in the airline markets. An unexpected termination or delay involving service providers could have a material adverse effect on our operations and financial results. A delay in an aircraft modification could adversely impact our revenues and our ability to place the aircraft in the market. We must manage third party service providers to meet schedules and turn-times and to control costs in order to remain competitive to our customers.

Delta TechOps, a division of Delta Airlines, Inc., is the primary engine maintenance provider for the Company's General Electric CF6 engines that power our fleet of Boeing 767 aircraft. If Delta TechOps does not complete the refurbishment of our engines within the contractual turn-times or if we must replace Delta TechOps as the maintenance provider for some or all of the Company's CF6 engines, our operations and financial results may be adversely impacted.

The Company's operating results could be negatively impacted by disruptions of its information technology and communication systems and data breaches.

Our businesses depend heavily on information technology and computerized systems to communicate and operate effectively. The Company's systems and technologies, or those of third parties on which we rely, could fail or become unreliable due to equipment failures, software viruses, cyberattacks, natural disasters, power failures, telecommunication outages, or other causes. Certain disruptions could prevent our airlines from flying as scheduled, possibly for an extended period of time, which could have a negative impact on our financial results and operating reliability. We continually monitor the risks of disruption, take preventative measures, develop backup plans and maintain redundancy capabilities. The measures we use may not prevent the causes of disruptions we could experience or help us recover failed systems quickly.

The costs of maintaining safeguards, recovery capabilities and preventative measures may continue to rise. Further, the costs of recovering or replacing a failed system could be very expensive.

In addition, the provision of service to our customers and the operation of our networks and systems involve the storage and transmission of significant amounts of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. To conduct our operations, we regularly move data across national borders, and consequently we are subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and date security. The scope of the laws that may be applicable to us is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's General Data Protection Regulation ("GDPR"), which greatly increases the jurisdictional reach of European Union law and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, became effective in May 2018. Other countries have enacted or are enacting data localization laws that require data to stay within their borders. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time.

The costs of our aircraft maintenance facilities could negatively impact our financial results.

We lease and operate a 310,000 square foot aircraft maintenance facility and a 100,000 square foot component repair shop in Wilmington, Ohio. Additionally, we lease and operate a 311,500 square foot, two-hangar aircraft maintenance complex in Tampa, Florida. Accordingly, a large portion of the operating costs for our aircraft maintenance and conversion business are fixed. As a result, we need to retain existing aircraft maintenance business levels to maintain a profitable operation. The actual level of revenues may not be sufficient to cover our operating costs. Additionally, 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.

The Company could violate debt covenants.

The Senior Credit Agreement contains covenants including, among other requirements, limitations on certain additional indebtedness and guarantees of indebtedness. The Senior Credit Agreement is collateralized by certain of the Company's Boeing 777, 767 and 757 aircraft. Under the terms of the Senior Credit Agreement, the Company is
required to maintain aircraft collateral coverage equal to 110% of the outstanding balance of the term loan and the total funded revolving credit facility. 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 and loans. In such an event, the Company’s cost of borrowings could increase, and our ability to modify and deploy aircraft could be limited as a result.

*Operating results may be affected by fluctuations in interest rates.*

The Company enters into interest rate derivative instruments from time to time in conjunction with its debt levels. The Company's Senior Credit Agreement requires the Company to maintain derivative instruments for fluctuating interest rates for at least 50% of the outstanding balance of the unsubordinated term loans. We typically do not designate the derivative instruments as hedges for accounting purposes. Future fluctuations in LIBOR interest rates will result in the recording of gains and losses on interest rate derivatives that the Company holds.

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 earnings before interest, taxes, depreciation and amortization expenses ("EBITDA"). At the Company's current debt-to-EBITDA ratio, the unsubordinated term loans and the revolving credit facility both bear a variable interest rate of 4.78%, 4.64% and 4.78%, respectively. Additional debt or lower EBITDA may result in higher interest rates on the variable rate portion of the Company's debt.

The Company sponsors defined benefit pension plans and post-retirement healthcare plans for certain eligible employees. The Company's related pension expense, the plans' funded status and funding requirements are sensitive to changes in interest rates. The plans' funded status and annual pension expense are recalculated at the beginning of each calendar year using the fair value of plan assets and market-based interest rates at that point in time, as well as assumptions for asset returns and other actuarial assumptions. Future fluctuations in interest rates, including the impact on asset returns, could result in the recording of additional expense for pension and other post-retirement healthcare plans.

*The costs of insurance coverage or changes to our reserves for self-insured claims could affect our operating results and cash flows.*

The Company is self-insured for certain claims related to workers’ compensation, aircraft, automobile, general liability and employee healthcare. We record a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data and recent claims trends. Changes in claim severity and frequency could impact our results of operations and cash flows.

*The ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be further limited.*

Limitations imposed on the ability to use net operating losses ("NOLs") to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of those NOLs. Similar rules and limitations may apply for state income tax purposes.

Changes in the ownership of the Company on the part of significant shareholders could limit our ability to use NOLs to offset future taxable income. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of significant stockholders increases by more than 50 percentage points over such stockholders’ lowest percentage ownership during the testing period (generally three years).

*Strategic investments in other businesses may not result in the desired benefits.*

We enter into joint venture and other business ownership agreements with the expectation that such investment will result in various benefits including revenue growth through geographic diversification and product diversification, improved cash flows and better operating efficiencies. Achieving the anticipated benefits from such agreements is subject to a number of challenges and uncertainties. The expected benefits may be only partially realized or not at all, or may take longer to realize than expected, which could adversely impact our financial condition and results of operations. We may make additional capital contributions to these businesses.
We may need to reduce the carrying value of the Company’s assets.

The Company owns a significant amount of aircraft, aircraft parts and related equipment. Additionally, the balance sheet reflects assets for income tax carryforwards and other deferred tax assets. The removal of aircraft from service or continual losses from aircraft operations could require us to evaluate the recoverability of the carrying value of those aircraft, related parts and equipment and record an impairment charge through earnings to reduce the carrying value.

We have recorded goodwill and other intangible assets related to acquisitions and equity investments. If we are unable to achieve the projected levels of operating results, it may be necessary to record an impairment charge to reduce the carrying value of goodwill, equity investments and related intangible assets. Similarly, if we were to lose a key customer or one of our airlines were to lose its authority to operate, it could be necessary to record an impairment charge.

If the Company incurs operating losses or our estimates of expected future earnings indicate a decline, it may be necessary to reassess the need for a valuation allowance for some or all of the Company’s net deferred tax assets.

We may be impacted by government requirements associated with transacting business in foreign jurisdictions.

The U.S. and other governments have imposed trade and economic sanctions in certain geopolitical areas. The U.S. Departments of Justice, Commerce and Treasury, as well as other government agencies have a broad range of civil and criminal penalties they may seek to impose for violations of the Foreign Corrupt Practices Act (“FCPA”), sanctions administered by the Office of Foreign Assets Control (“OFAC”) and other regulations. In addition, the DOT, FAA and TSA may at times limit the ability of our airline subsidiaries to conduct flight operations in certain areas of the world. Under such laws and regulations, we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance. In recent years, the U.S. government has increased their oversight and enforcement activities with respect to these laws and the relevant agencies may continue to increase these activities.

Penalties, fines and sanctions levied by governmental agencies or the cost of complying with government regulations and trade policies could negatively affect our results of operations.

The operations of the Company’s subsidiaries are subject to complex aviation, transportation, security, environmental, labor, employment and other laws and regulations. These laws and regulations generally require our subsidiaries to maintain and comply with terms of a wide variety of certificates, permits, licenses and other approvals. Their inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations could result in substantial fines or, in the case of DOT and FAA requirements, possible suspension or revocation of their authority to conduct operations.

Recently, trade discussions between the U.S. and some of its trading partners have been fluid and any trade agreements that may be entered into are subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to the products covered by existing tariffs. The impact of new laws, regulations and policies that affect global trade cannot be predicted.

The costs of maintaining our aircraft in compliance with government regulations could negatively affect our results of operations and require further investment in our aircraft fleet.

Manufacturer Service Bulletins and FAA regulations and FAA airworthiness directives issued under its “Aging Aircraft” program cause operators of older aircraft to be subject to additional inspections and modifications to address problems of corrosion and structural fatigue at specified times. The FAA may issue airworthiness directives that could require significant costly inspections and major modifications to such aircraft. The FAA may issue airworthiness directives that could limit the usability of certain aircraft types. In 2012, the FAA issued an airworthiness directive that requires the replacement of the aft pressure bulkhead on Boeing 767-200 aircraft based on a certain number of takeoff-and-landing cycles. As a result, some of the Company's Boeing 767-200 aircraft have been affected. The cost of compliance is estimated to be approximately $1.0 million per aircraft.

In addition, FAA regulations require that aircraft manufacturers establish limits on aircraft flight cycles to address issues involving aging, but still economically viable, aircraft, as described in Item 1 of this report, under "Federal Aviation Administration.” These regulations may increase our maintenance costs and eventually limit the use of our aircraft. See Item 2. Properties, for a description of the company's aircraft, including year of manufacture.
The FAA and ICAO are in the process of developing programs to modernize air traffic control and management systems. The FAA's program, Next Generation Air Transportation Systems, is an integrated system that requires updating aircraft navigation and communication equipment. The FAA has mandated the replacement of current ground based radar systems with more accurate satellite based systems on our aircraft by 2020. The ICAO began phasing in similar requirements for aircraft operating in Europe during 2015. These programs may increase our costs and limit the use of our aircraft. Aircraft not equipped with advanced communication systems may be restricted to certain airspace.

Failure to maintain the operating certificates and authorities of our airlines would adversely affect our business.

The airline subsidiaries have the necessary authority to conduct flight operations pursuant to the economic authority issued by the DOT and the safety based authority issued by the FAA. The continued effectiveness of such authority is subject to their compliance with applicable statutes and DOT, FAA and TSA rules and regulations, including any new rules and regulations that may be adopted in the future. The loss of such authority by an airline subsidiary could cause a default of covenants within the Senior Credit Agreement and would materially and adversely affect its airline operations, effectively eliminating the airline's ability to continue to provide air transportation services.

The Company may be affected by global climate change or by legal, regulatory or market responses to such potential climate change.

The Company is subject to the regulations of the U.S. Environmental Protection Agency ("EPA") and state and local governments regarding air quality and other matters. In part, because of the highly industrialized nature of many of the locations where the Company operates, there can be no assurance that we have discovered all environmental contamination or other matters for which the Company may be responsible.

Concern over climate change, including the impact of global warming, has led to significant federal, state and international legislative and regulatory efforts to limit greenhouse gas ("GHG") emissions. The European Commission has mandated the extension of the European Union Emissions Trading Scheme ("ETS") for GHG emissions to the airline industry. Under the European Union ETS, all ABX, ATI and OAL flights that are wholly within the European Union are now covered by the ETS requirements, and each year we are required to submit emission allowances in an amount equal to the carbon dioxide emissions from such flights. Exceedance of the airlines' emission allowances would require the airlines to purchase additional emission allowances on the open market.

Similarly, in 2016, the International Civil Aviation Organization ("ICAO") passed a resolution adopting the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program to encourage carbon-neutral growth beyond 2020. A pilot phase is scheduled to begin in 2021 in which countries may voluntarily participate, and full mandatory participation is scheduled to begin in 2027. ICAO continues to develop details regarding implementation, but compliance with CORSIA will increase our operating costs.

The U.S. Congress and certain states have also considered legislation regulating GHG emissions. In addition, even in the absence of such legislation, the EPA could regulate greenhouse GHG emissions, especially aircraft engine emissions. In July 2016, the EPA, issued a finding that aircraft engine emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health. This finding is a regulatory prerequisite to the EPA's adoption of a new certificate standard for aircraft emissions. However, the U.S. recently withdrew from the Paris climate accord, an agreement among 196 countries to reduce GHG emissions, and the effect of that withdrawal on future U.S. policy regarding GHG emissions, on CORSIA and on other GHG regulations is uncertain.

The cost to comply with potential new laws and regulations could be substantial for the Company. These costs could include an increase in the cost of fuel and capital costs associated with updating aircraft. Until the timing, scope and extent of any future regulation becomes known, we cannot predict its effect on the Company’s cost structure or operating results. Further, even without such legislation or regulation, increased awareness and adverse publicity in the global marketplace about greenhouse gas emitted by companies in the airline and transportation industries could harm our reputation and reduce demand for our services.
Severe weather or other natural or manmade disasters could adversely affect our business.

Severe weather conditions and other natural or manmade disasters, including storms, floods, fires or earthquakes, epidemics or pandemics, conflicts or unrest, or terrorist attacks, may result in decreased revenues, as our customers reduce their transportation needs, or increased costs to operate our business, which could have a material adverse effect on our results or operations for a quarter or year. Any such event affecting one of our major facilities could result in a significant interruption in or disruption of our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company leases portions of the air park in Wilmington, Ohio, under lease agreements with a regional port authority, the terms of which expire in May of 2019 and June 2036 with options to extend. The leases include corporate offices, 310,000 square feet of maintenance hangars and a 100,000 square foot component repair shop at the air park. We also have the non-exclusive right to use the Wilmington airport, which includes one active runway, taxiways and ramp space. We also lease and operate a 311,500 square foot, two hangar aircraft maintenance complex at the Tampa International Airport in Florida. We lease approximately 82,500 square feet of office and warehouse space at the Tulsa International Airport in Oklahoma. In addition, we lease smaller maintenance stations, offices and ramp space at certain airport and regional locations typically on a short-term basis. Further, we lease warehousing space inside or near certain U.S. airports to support our customers' parcel handling requirements.

As of December 31, 2018, the Company and its subsidiaries' in-service aircraft fleet consisted of 88 owned aircraft and two aircraft leased from external companies. The majority of the aircraft were formerly passenger aircraft that have been modified for cargo operations. These cargo aircraft are generally described as being mid-size or having medium wide-body cargo capabilities. The cargo aircraft carry gross payloads ranging from approximately 47,900 to 129,000 pounds. These cargo aircraft are well suited for intra-continental flights and medium range inter-continental flights.

The table below shows the combined fleet of aircraft in service condition.

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>In-service Aircraft as of December 31, 2018</th>
<th>Year of Manufacture</th>
<th>Gross Payload (Lbs.)</th>
<th>Still Air Range (Nautical Miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>767-200 SF (1)</td>
<td>34 (Total) 34 (Owned) 0 (Operating Lease)</td>
<td>1982 - 1987</td>
<td>85,000 - 100,000</td>
<td>1,700 - 5,300</td>
</tr>
<tr>
<td>767-200 Passenger</td>
<td>3 (Total) 2 (Owned) 1 (Operating Lease)</td>
<td>2001</td>
<td>63,000 - 73,000</td>
<td>6,500 - 7,600</td>
</tr>
<tr>
<td>767-300 SF (1)</td>
<td>33 (Total) 33 (Oper) 0 (Operating Lease)</td>
<td>1988 - 1997</td>
<td>121,000 - 129,000</td>
<td>3,200 - 7,100</td>
</tr>
<tr>
<td>767-300 Passenger</td>
<td>7 (Total) 6 (Owned) 1 (Operating Lease)</td>
<td>1993 - 2002</td>
<td>85,000 - 99,700</td>
<td>6,300 - 7,200</td>
</tr>
<tr>
<td>777-200 Passenger</td>
<td>3 (Total) 3 (Owned) 0 (Operating Lease)</td>
<td>2004 - 2007</td>
<td>119,500 - 123,900</td>
<td>8,700 - 9,500</td>
</tr>
<tr>
<td>757-200 PCF (1)</td>
<td>4 (Total) 4 (Owned) 0 (Operating Lease)</td>
<td>1984 - 1991</td>
<td>68,000</td>
<td>2,100 - 4,800</td>
</tr>
<tr>
<td>757-200 Combi (2)</td>
<td>4 (Total) 4 (Owned) 0 (Operating Lease)</td>
<td>1989 - 1992</td>
<td>58,000</td>
<td>2,600 - 4,300</td>
</tr>
<tr>
<td>737-400 SF (1)</td>
<td>2 (Total) 2 (Owned) 0 (Operating Lease)</td>
<td>1991</td>
<td>47,900</td>
<td>2,200 - 2,800</td>
</tr>
<tr>
<td>Total in-service</td>
<td>90 (Total) 88 (Owned) 2 (Operating Lease)</td>
<td>1982 - 2007</td>
<td>85,000 - 129,000</td>
<td>1,700 - 5,300</td>
</tr>
</tbody>
</table>

(1) These aircraft are configured for standard cargo containers loaded through large standard main deck cargo doors.

(2) These aircraft are configured as “combi” aircraft capable of simultaneously carrying passengers and cargo containers on the main flight deck.
In addition, as of December 31, 2018, CAM had one Boeing 767-200 passenger aircraft that is not reflected in the table above. The Boeing 767-200 aircraft discontinued passenger service when a customer's operation ended. CAM also owns five Boeing 767-300 aircraft which were undergoing or preparing to undergo modification to a standard freighter configuration and are expected to be completed in 2019. Additionally, CAM has one Boeing 767-200 cargo aircraft being prepped for future leasing.

We believe that our existing facilities and aircraft fleet are appropriate for our current operations. As described in Note I to the accompanying financial statements, we plan to invest in additional aircraft to meet our growth plans. We may make additional investments in aircraft and facilities if we identify favorable opportunities in the markets that we serve.

ITEM 3. LEGAL PROCEEDINGS

We are currently a party to legal proceedings 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 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock is publicly traded on the NASDAQ Global Select Market under the symbol ATSG. The closing price of ATSG’s common stock was $23.27 on February 28, 2019.

Holders

On February 28, 2019, there were 1,434 stockholders of record of ATSG’s common stock.

Dividends

We are restricted from paying dividends on ATSG's common stock in excess of $100.0 million during any calendar year under the provisions of the Senior Credit Agreement. No cash dividends have been paid or declared.

Securities authorized for issuance under equity compensation plans

For the response to this Item, see Item 12

Purchases of equity securities by the issuer and affiliated purchasers

On August 5, 2014, the Board of Directors authorized the Company to repurchase up to $50.0 million of outstanding common stock. In May 2016, the Board amended the Company's common stock repurchase program increasing the amount that management may repurchase from $50.0 million to $100.0 million of outstanding common stock. In February 2018, the Board increased the authorization from $100.0 million to $150.0 million (less amounts previously repurchased). The Board's authorization does not require the Company to repurchase a specific number of shares or establish a time frame for any repurchase and the Board may terminate the repurchase program at any time. Repurchases may be made from time to time in the open market or in privately negotiated transactions. There is no expiration date for the repurchase program. There were no repurchases made during the fourth quarter of 2018. As of December 31, 2018, the Company had repurchased 6,592,349 shares and the maximum dollar value of shares that could then be purchased under the program was $61.3 million.

22
Performance Graph

The graph below compares the cumulative total stockholder return on a $100 investment in ATSG’s common stock with the cumulative total return of a $100 investment in the NASDAQ Composite Index and the cumulative total return of a $100 investment in the NASDAQ Transportation Index for the period beginning on December 31, 2013 and ending on December 31, 2018.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Transport Services Group, Inc.</td>
<td>100.00</td>
<td>105.81</td>
<td>124.60</td>
<td>197.28</td>
<td>286.03</td>
<td>281.95</td>
</tr>
<tr>
<td>NASDAQ Composite Index</td>
<td>100.00</td>
<td>114.62</td>
<td>122.81</td>
<td>133.19</td>
<td>172.11</td>
<td>165.84</td>
</tr>
<tr>
<td>NASDAQ Transportation Index</td>
<td>100.00</td>
<td>144.06</td>
<td>124.46</td>
<td>149.57</td>
<td>185.07</td>
<td>169.26</td>
</tr>
</tbody>
</table>
ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto and the information contained in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The selected consolidated financial data and the consolidated operations data below are derived from the Company’s audited consolidated financial statements.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from continuing operations (1)</td>
<td>$892,345</td>
<td>$1,068,200</td>
<td>$768,870</td>
<td>$619,264</td>
<td>$589,592</td>
</tr>
<tr>
<td>Operating expenses (3)</td>
<td>781,327</td>
<td>968,800</td>
<td>698,307</td>
<td>547,514</td>
<td>526,519</td>
</tr>
<tr>
<td>Net interest expense and other non operating charges</td>
<td>30,836</td>
<td>26,147</td>
<td>18,002</td>
<td>10,107</td>
<td>12,393</td>
</tr>
<tr>
<td>Financial instrument (gain) loss (2)</td>
<td>(7,296)</td>
<td>79,789</td>
<td>18,107</td>
<td>(920)</td>
<td>(1,096)</td>
</tr>
<tr>
<td>Earnings (loss) from continuing operations before income taxes</td>
<td>87,478</td>
<td>(6,536)</td>
<td>34,454</td>
<td>62,563</td>
<td>51,776</td>
</tr>
<tr>
<td>Income tax gain (expense) (4)</td>
<td>(19,595)</td>
<td>28,276</td>
<td>(13,394)</td>
<td>(23,408)</td>
<td>(19,702)</td>
</tr>
<tr>
<td>Earnings (loss) from continuing operations</td>
<td>67,883</td>
<td>21,740</td>
<td>21,060</td>
<td>39,155</td>
<td>32,074</td>
</tr>
<tr>
<td>Earnings (loss) from discontinued operations, net of taxes (3)</td>
<td>1,402</td>
<td>(3,245)</td>
<td>2,428</td>
<td>2,067</td>
<td>(2,214)</td>
</tr>
<tr>
<td>Consolidated net earnings (loss)</td>
<td>$69,285</td>
<td>$18,495</td>
<td>$23,488</td>
<td>$41,222</td>
<td>$29,860</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$1.16</td>
<td>$0.37</td>
<td>$0.34</td>
<td>$0.61</td>
<td>$0.50</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.89</td>
<td>$0.36</td>
<td>$0.33</td>
<td>$0.60</td>
<td>$0.49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$59,322</td>
<td>$32,699</td>
<td>$16,358</td>
<td>$17,697</td>
<td>$30,560</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,555,005</td>
<td>1,159,962</td>
<td>1,000,992</td>
<td>875,401</td>
<td>847,268</td>
</tr>
<tr>
<td>Goodwill and intangible assets (5)</td>
<td>535,359</td>
<td>44,577</td>
<td>45,586</td>
<td>38,729</td>
<td>39,010</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,470,585</td>
<td>1,548,844</td>
<td>1,259,330</td>
<td>1,041,721</td>
<td>1,011,203</td>
</tr>
<tr>
<td>Post-retirement liabilities (3)</td>
<td>68,907</td>
<td>63,266</td>
<td>79,528</td>
<td>110,166</td>
<td>94,368</td>
</tr>
<tr>
<td>Long term debt and current maturities, other than leases</td>
<td>1,401,252</td>
<td>515,758</td>
<td>458,721</td>
<td>318,200</td>
<td>344,094</td>
</tr>
<tr>
<td>Deferred income tax liability (4)</td>
<td>113,243</td>
<td>99,444</td>
<td>122,532</td>
<td>96,858</td>
<td>83,223</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>436,438</td>
<td>395,279</td>
<td>311,902</td>
<td>364,157</td>
<td>347,489</td>
</tr>
</tbody>
</table>

(1) Revenues reflect the adoption of Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” using a modified retrospective approach, under which financial statements are prepared under the revised guidance for the year of adoption, but not for prior years. (See Note O to the accompanying consolidated financial statements.)

(2) During 2018, 2017, and 2016 the re-measurement of financial instrument fair values, primarily for warrants granted to a customer resulted in gains of $7.3 million and losses of $79.8 million and $18.1 million, respectively, before income taxes. (See Note D to the accompanying consolidated financial statements.)

(3) During 2014, ABX settled $98.7 million of pension obligation from the pension plans assets. The settlement resulted in pre-tax charges of $6.7 million to continued operations and $5.0 million to discontinued operations for 2014. Effective December 31, 2016, ABX modified its unfunded, non-pilot retiree medical plan to terminate benefits to all participants. As a result, ABX settled $0.6 million of retiree medical obligations and recorded a pre-tax gain of $2.0 million to continued operations. On August 30, 2017, the ABX transferred investment assets from the pension plan trust to purchase a group annuity contract. As a result, ABX recorded pre-tax settlement charges of $5.3 million to continued operations and $7.6 million to discontinued operations. As a result of fluctuating interest rates and investment returns, the funded status of the Company's defined benefit pension and retiree medical plans vary from year to year. (See Note J to the accompanying consolidated financial statements.)

(4) Earnings from continuing operations for 2017 was impacted by a $59.9 million reduction in deferred income taxes related to the Tax Cuts and Jobs Act legislation enacted in December 2017. (See Note K to the accompanying consolidated financial statements.)

(5) On November 9, 2018, the Company acquired Omni. (See Note B and Note C to the accompanying consolidated financial statements.)
ITEM 7. 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. It should be read in conjunction with the accompany consolidated financial statements and related notes included in Item 8 of this report as well as business development described in Item 1 and risk factors in Item 1A of this report.

OVERVIEW

We lease aircraft and provide airline operations, aircraft modification and maintenance services, ground services, and other support services to the air transportation and logistics industries. Through the Company's subsidiaries, we offer a range of complementary services to delivery companies, freight forwarders, e-commerce operators, airlines and government customers. Our principal subsidiaries include three independently certificated airlines, (ABX, ATI and OAI) and an aircraft leasing company, (CAM). CAM provides competitive aircraft lease rates by converting passenger aircraft into cargo freighters and offering them to customers under long-term leases.

We have three reportable segments: CAM, which leases Boeing 777, 767, 757 and 737 aircraft and aircraft engines; ACMI Services, which includes the cargo and passenger transportation operations of the three airlines; and MRO Services, which provides aircraft maintenance and modification services to customers. Our other business operations, which primarily provide support services to the transportation industry, include load transfer and sorting services as well as related equipment maintenance services. These operations do not constitute reportable segments due to their size. On November 9, 2018, the Company acquired OAI, a passenger airline, along with related entities (referred to collectively as Omni). Revenues and operating expenses include the activities of Omni for periods since their acquisition by the Company on November 9, 2018.

At December 31, 2018, CAM owned 88 aircraft that were in revenue service. This fleet consists of 34 Boeing 767-200 freighter aircraft, two Boeing 767-200 passenger aircraft, 33 Boeing 767-300 freighter aircraft, six Boeing 767-300 passenger aircraft, three Boeing 777-200 passenger aircraft, four Boeing 757-200 freighter aircraft, four Boeing 757 "combi" aircraft and two Boeing 737-400 freighter aircraft. At December 31, 2018, CAM also owned five Boeing 767-300 aircraft either already undergoing, or awaiting induction into the freighter conversion process and one Boeing 767-200 aircraft being staged for redeployment. Our largest customers are DHL Network Operations (USA), Inc. and its affiliates, ASI, which is a subsidiary of Amazon, and the U.S. Department of Defense.

We have had long-term contracts with DHL since August 2003. DHL accounted for 26%, 30% and 37% of the Company's consolidated revenues excluding directly reimbursed revenues during the years ended December 31, 2018, 2017 and 2016, respectively. Under a 2015 CMI agreement with DHL, ABX operates and maintains aircraft 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 pricing structure of the CMI agreement, ABX is responsible for 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. As of December 31, 2018, the Company, through CAM, leased 16 Boeing 767 aircraft to DHL comprised of nine Boeing 767-200 aircraft through March 2019 and seven Boeing 767-300 aircraft expiring between 2019 and 2024. Ten of the 16 Boeing 767 were being operated by the Company's airlines for DHL. We also operate four CAM-owned Boeing 757 aircraft under other operating arrangements with DHL. All but two of the expiring Boeing 767 aircraft leases and CMI agreement with DHL are expected to be renewed in March 2019 under terms similar to the existing terms.

We have been providing freighter aircraft and services for cargo handling and logistical support for Amazon's ASI since September 2015. Revenues from our commercial arrangements with ASI comprised approximately 27%, 27% and 18% of our consolidated revenues excluding directly reimbursed revenues during the years ended December 31, 2018, 2017 and 2016, respectively. On March 8, 2016, we entered into an Air Transportation Services Agreement (the “ATSA”) with ASI pursuant to which CAM leased 20 Boeing 767 freighter aircraft to ASI, including 12 Boeing 767-200 freighter aircraft for a term of five years and eight Boeing 767-300 freighter aircraft for a term of seven years. The ATSA also provides for the operation of those aircraft by our airline subsidiaries, for a term of five years, and the performance of ground handling services by our subsidiary, LGSTX. In December 2018, the Company announced agreements with Amazon to 1) lease and operate ten additional Boeing 767-300 aircraft for ASI, 2) extend the term of the 12 Boeing 767-200 aircraft currently leased to ASI by two years to 2023 with an option for three more years, 3)
extend the term of the eight Boeing 767-300 aircraft currently leased to ASI by three years to 2026 and 2027 with an option for three more years and 4) extend the ATSA by five years through March 2026, with an option to extend for an additional three years. During January, 2019, amendments to extend the terms of aircraft leases were executed. We plan to deliver five of the 767-300 aircraft in 2019 and the remainder in 2020 for lease. All ten of these aircraft leases will be for ten years. Under the ATSA, we operate the aircraft based on pre-defined fees scaled for the number of aircraft hours flown, aircraft scheduled and flight crews provided to ASI for its network.

In conjunction with the execution of the ATSA, the Company and Amazon entered into an Investment Agreement and a Stockholders Agreement on March 8, 2016. The Investment Agreement calls for the Company to issue warrants in three tranches which grant Amazon the right to acquire up to 19.9% of the Company’s pre-transaction outstanding common shares measured on a GAAP-diluted basis, adjusted for share issuances and repurchases by the Company following the date of the Investment Agreement and after giving effect to the warrants granted. In conjunction with the commitment for the ten additional 767 aircraft leases, extensions of twenty existing Boeing 767 aircraft leases and additional aircraft operations under the ATSA, Amazon will be issued warrants for 14.8 million common shares which could expand its potential ownership in the Company to approximately 33.2%, including the warrants described above for the 2016 agreements. These new warrants will vest as existing leases are extended and additional aircraft leases are executed and added to the ATSA operations. Additionally, Amazon can earn incremental warrant rights, increasing its potential ownership from 33.2% up to approximately 39.9% of the Company, by leasing up to seventeen more cargo aircraft from the Company before January 2026. For additional information about the warrants see Note D to the accompanying consolidated financial statements.

Our accounting for the warrants issued to Amazon has been determined in accordance with the financial reporting guidance for equity-based payments to non-employees and for financial instruments. The fair value of the warrants issued or issuable to Amazon are recorded as a lease incentive asset and are amortized against revenues over the duration of the aircraft leases. The warrants are accounted for as financial instruments, and accordingly, the fair value of the outstanding warrants are measured and classified in liabilities at the end of each reporting period. As of December 31, 2018, our liabilities reflected 14.83 million outstanding warrants having a fair value of $13.76 per share. During 2018, the re-measurements of the warrants to fair value resulted in a non-operating gain of $7.4 million before the effect of income taxes compared to a $81.8 million loss for the year ended December 31, 2017.

The DoD comprised 15%, 10% and 14% of the Company's consolidated revenues excluding directly reimbursed revenues during the years ended December 31, 2018, 2017 and 2016, respectively. The Company's airlines provide passenger airlift services to the U.S. DoD as participants in the CRAF program. Due to the acquisition of OAI, we expect the DoD to comprise 35% of our 2019 consolidated revenues.

RESULTS OF OPERATIONS

Aircraft Fleet Summary

Our fleet of cargo and passenger aircraft is summarized in the following table as of December 31, 2018, 2017 and 2016. Our CAM-owned operating aircraft fleet has increased by 29 aircraft since the end of 2016, driven by customer demand for the Boeing 767-300 converted freighter as well as the purchase of 11 passenger aircraft operated by OAI. Our freighters, converted from passenger aircraft, utilize standard shipping containers and can be deployed into regional cargo markets more economically than larger capacity aircraft, newly built freighters or other competing alternatives. At December 31, 2018, the Company owned five Boeing 767-300 aircraft that were either already undergoing, or awaiting induction into the freighter conversion process.

Aircraft fleet activity during 2018 is summarized below:

- CAM completed the modification of nine Boeing 767-300 freighter aircraft, six purchased in the previous year and three purchased in 2018. CAM began to lease seven of those aircraft under multi-year leases to external customers. CAM began to lease the other two aircraft to ATI.

- CAM completed the modification of one Boeing 737-400 freighter aircraft purchased in the previous year and entered into a multi-year lease with an external customer.
- With the Company's acquisition of Omni, CAM added two Boeing 767-200 passenger aircraft, six Boeing 767-300 passenger aircraft and three Boeing 777-200 passenger aircraft. All eleven of these passenger aircraft are being leased to OAI. Additionally, OAI leases two other Boeing 767 aircraft from third party lessors.

- ABX returned one Boeing 767-300 and two Boeing 767-200 freighter aircraft to CAM. The 767-300 aircraft was then leased to an external customer under a multi-year lease and is being operated by ABX while the two 767-200 aircraft were leased to different external customers under multi-year leases.

- CAM sold one Boeing 767-300 freighter aircraft, which was under lease to an external customer.

- CAM purchased eight Boeing 767-300 passenger aircraft for the purpose of converting the aircraft into a standard freighter configuration.

- External lessees returned two Boeing 767-200 freighter aircraft to CAM. One of these aircraft is being prepped for redeployment to another lessee while the other aircraft was removed from service.

<table>
<thead>
<tr>
<th>In-service aircraft</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACMI</td>
<td>CAM</td>
<td>Total</td>
</tr>
<tr>
<td>Aircraft owned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 767-200 Freighter</td>
<td>5</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Boeing 767-200 Passenger</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Boeing 767-300 Freighter</td>
<td>5</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>Boeing 767-300 Passenger</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 777-200 Passenger</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Boeing 757-200 Freighter</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Boeing 757-200 Combi</td>
<td>4</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Boeing 737-400 Freighter</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>59</td>
<td>88</td>
</tr>
<tr>
<td>Operating lease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 767-200 Passenger</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Boeing 767-300 Passenger</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other aircraft</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned Boeing 767-300 under modification</td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Owned Boeing 737-400 under modification</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Owned Boeing 767 available or staging for lease</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

As of December 31, 2018, ABX, ATI and OAI were leasing 29 in-service aircraft internally from CAM for use in ACMI Services. As of December 31, 2018, three of CAM's 29 Boeing 767-200 freighter aircraft shown in the fleet table above and seven of the 28 Boeing 767-300 freighter aircraft were leased to DHL and operated by ABX. Additionally, 12 of CAM's 29 Boeing 767-200 freighter aircraft and eight of CAM's 28 Boeing 767-300 freighter aircraft were leased to ASI and operated by ABX or ATI. CAM leased the other 14 Boeing 767-200 freighter aircraft and 13 Boeing 767-300 aircraft to external customers, including six Boeing 767-200 aircraft to DHL that are being operated by a DHL-owned airline. The carrying values of the total in-service fleet as of December 31, 2018, 2017 and 2016 were $1,334.9 million, $955.2 million and $793.9 million, respectively. The table above does not reflect one Boeing 767-200 passenger aircraft owned by CAM that is not in service condition or the process of freighter modification.
Revenue and Earnings Summary

External customer revenues from continuing operations decreased by $175.9 million to $892.3 million during 2018 compared to 2017. Effective January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“Topic 606”). As a result of adopting Topic 606 beginning January 1, 2018, the Company reported certain revenues net of related expenses that are directly reimbursed by customers. Corresponding 2017 and 2016 revenues include such expense reimbursements. Excluding revenues directly reimbursed in 2017 and 2016, customer revenues increased by $113.6 million, or 15% during 2018 compared to 2017 and increased by $136.7 million, or 21% during 2017 compared to 2016. These external customer revenues increased during 2018 and 2017 due to additional aircraft leases from CAM's leasing operations, expanded CMI and logistic services for ASI and increased aircraft maintenance and modification services for various customers. Revenues in 2018 also grew for additional passenger transportation services provided to the DoD after the company completed its acquisition of OAI in November 2018.

The consolidated net earnings from continuing operations were $67.9 million for 2018 compared to $21.7 million for 2017 and $21.1 million for 2016. The pre-tax earnings from continuing operations were $87.5 million for 2018 compared to pre-tax losses of $6.5 million for 2017 and pre-tax earnings of 34.5 million for 2016. Earnings were affected by specific events and certain adjustments that do not directly reflect our underlying operations among the years presented. Consolidated net earnings for 2017 were impacted by $59.9 million of tax benefits for the re-measurement of the Company's deferred tax assets and liabilities at the new federal corporate tax rate of 21% enacted by the Tax Cuts and Jobs Act legislation (“Tax Act”) in December 2017. Consolidated net earnings for 2018 benefited from the lower corporate tax rate, reduced from 35% in 2017 and 2016. On a pre-tax basis, earnings included net gains of $7.3 million and losses of $79.8 million and $18.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, for the re-measurement of financial instruments, including warrant obligations granted to Amazon. Pre-tax earnings were also reduced by $16.9 million, $14.0 million and $4.5 million for the years ended December 31, 2018, 2017 and 2016, respectively, for the amortization of lease incentives given to ASI in the form of warrants. Additionally, pre-tax earnings from continuing operations included gains of $8.2 million and expenses of $6.1 million and $6.8 million for the years ended December 31, 2018, 2017 and 2016, respectively, for settlement charges, curtailments and other non-service components of retiree benefit plans. Pre-tax earnings included losses of $10.5 million and $3.1 million for the years ended December 31, 2018 and 2017, respectively, for the Company's share of development costs for a joint venture. Pre-tax earnings for 2018 also included expense of $5.3 million for acquisition fees incurred during the Company's acquisition of Omni. Pre-tax earnings for the year ended December 31, 2016, also included a $1.2 million charge for the Company's share of capitalized debt issuance costs that were expensed when West Atlantic AB, a non-consolidated affiliate, restructured its debt. After removing the effects of these items, adjusted pre-tax earnings from continuing operations, a non-GAAP measure (a definition and reconciliation of adjusted pre-tax earnings from continuing operations follows) were $104.6 million for 2018 compared to $96.5 million for 2017 and $65.1 million for 2016.

Adjusted pre-tax earnings from continuing operations for 2018 improved by 8.5% compared to 2017, driven primarily by additional revenues and the improved financial results of our airline operations. We experienced additional revenues and earnings due to the acquisition of Omni in November 2018. Adjusted pre-tax earnings from continuing operations also improved due to additional aircraft leases and the expansion of gateway ground operations for ASI. Growth in revenue was partially offset by the cost necessary to support expanded flight operations, higher costs for flight crews, higher depreciation expense and employee expenses, particularly in support of logistical services. Pre-tax earnings for 2018 and 2017 included additional interest expense due to the acquisition of Omni and the expansion of the fleet and included $8.3 million and $2.1 million for the amortization of convertible debt discount and issuance costs. Operating results for 2016 were negatively impacted when ABX flight crewmembers went on strike for two days, which disrupted our customers' operations and reduced our revenues.
A summary of our revenues and pre-tax earnings and adjusted pre-tax earnings from continuing operations is shown below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft leasing and related services</td>
<td>$245,860</td>
<td>$223,546</td>
<td>$199,598</td>
</tr>
<tr>
<td>Lease incentive amortization</td>
<td>($16,904)</td>
<td>($13,986)</td>
<td>($4,506)</td>
</tr>
<tr>
<td>Total CAM</td>
<td>228,956</td>
<td>209,560</td>
<td>195,092</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>548,839</td>
<td>459,272</td>
<td>410,598</td>
</tr>
<tr>
<td>MRO Services</td>
<td>207,539</td>
<td>205,401</td>
<td>111,913</td>
</tr>
<tr>
<td>Other Activities</td>
<td>79,040</td>
<td>93,856</td>
<td>105,608</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,064,374</td>
<td>968,089</td>
<td>823,211</td>
</tr>
<tr>
<td>Eliminate internal revenues</td>
<td>(172,029)</td>
<td>(189,309)</td>
<td>(181,111)</td>
</tr>
<tr>
<td><strong>Customer Revenues - non reimbursed</strong></td>
<td>$892,345</td>
<td>$778,780</td>
<td>$642,100</td>
</tr>
<tr>
<td>Revenues for reimbursed expenses</td>
<td>—</td>
<td>289,420</td>
<td>126,770</td>
</tr>
<tr>
<td><strong>Customer Revenues</strong></td>
<td>$892,345</td>
<td>$1,068,200</td>
<td>$768,870</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAM, inclusive of interest expense</td>
<td>$65,576</td>
<td>$61,510</td>
<td>$68,608</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>17,717</td>
<td>8,557</td>
<td>(25,016)</td>
</tr>
<tr>
<td>MRO Services</td>
<td>14,499</td>
<td>19,741</td>
<td>12,308</td>
</tr>
<tr>
<td>Other Activities</td>
<td>9,107</td>
<td>5,590</td>
<td>9,519</td>
</tr>
<tr>
<td>Inter-segment earnings eliminated</td>
<td>(12,436)</td>
<td>(11,583)</td>
<td>(5,498)</td>
</tr>
<tr>
<td>Net unallocated interest expense</td>
<td>(6,729)</td>
<td>(1,322)</td>
<td>(545)</td>
</tr>
<tr>
<td>Net financial instrument re-measurement (loss) gain</td>
<td>7,296</td>
<td>(79,789)</td>
<td>(18,107)</td>
</tr>
<tr>
<td>Transaction fees</td>
<td>(5,264)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other non-service components of retiree benefits costs, net</td>
<td>8,180</td>
<td>(6,105)</td>
<td>(6,815)</td>
</tr>
<tr>
<td>Loss from non-consolidated affiliate</td>
<td>(10,468)</td>
<td>(3,135)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Pre-Tax Earnings from Continuing Operations</strong></td>
<td>87,478</td>
<td>(6,536)</td>
<td>34,454</td>
</tr>
<tr>
<td>Add other non-service components of retiree benefit costs, net</td>
<td>(8,180)</td>
<td>6,105</td>
<td>6,815</td>
</tr>
<tr>
<td>Add charges for non-consolidated affiliate</td>
<td>10,468</td>
<td>3,135</td>
<td>1,229</td>
</tr>
<tr>
<td>Add lease incentive amortization</td>
<td>16,904</td>
<td>13,986</td>
<td>4,506</td>
</tr>
<tr>
<td>Add transaction fees</td>
<td>5,264</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Add net loss (gain) on financial instruments</td>
<td>(7,296)</td>
<td>79,789</td>
<td>18,107</td>
</tr>
<tr>
<td><strong>Adjusted Pre-Tax Earnings from Continuing Operations</strong></td>
<td>$104,638</td>
<td>$96,479</td>
<td>$65,111</td>
</tr>
</tbody>
</table>

Adjusted pre-tax earnings from continuing operations, a non-GAAP measure, is pre-tax earnings excluding settlement charges and other non-service components of retiree benefit costs, gains and losses for the fair value re-measurement of financial instruments, lease incentive amortization, the transaction fees related to the acquisition of Omni, the start-up costs of a non-consolidated joint venture and the charge off of debt issuance costs from a non-consolidated affiliate during the first quarter of 2016. We exclude these items from adjusted pre-tax earnings because they are distinctly different in their predictability or not closely related to our on-going operating activities. Management uses adjusted pre-tax earnings to compare the performance of core operating results between periods. Presenting this measure provides investors with a comparative metric of fundamental operations while highlighting changes to certain items among periods. Adjusted pre-tax earnings should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

We adopted Topic 606 using a modified retrospective approach, under which financial statements are prepared under the revised guidance for the year of adoption, but not for prior years. We determined that under Topic 606, the Company is an agent for aircraft fuel and certain other costs reimbursed under its ACMI and CMI contracts and for certain ground services that it arranges for ASI. Under the new standard, such reimbursed amounts are reported net of
the corresponding expenses beginning in 2018. Revenues during 2017 and 2016 included $289.4 million and $126.8 million for reimbursable revenues under its ACMI and CMI contracts and for directly reimbursed ground services, which under the new standard, would have been reported net of the related expenses in 2018.

2018 and 2017

**CAM**

CAM offers aircraft leasing and related services to external customers and also leases aircraft internally to the Company's airlines. CAM acquires passenger aircraft and manages the modification of the aircraft into freighters. The follow-on aircraft leases normally cover a term of five to eight years.

As of December 31, 2018 and 2017, CAM had 59 and 51 aircraft under lease to external customers, respectively. CAM's revenues grew by $19.4 million during 2018 compared to 2017, primarily as a result of additional aircraft leases. Revenues from external customers totaled $156.5 million and $140.4 million for 2018 and 2017, respectively. CAM's revenues from the Company's airlines totaled $72.4 million during 2018, compared to $69.1 million for 2017, reflecting lease revenues for the addition of the eleven passenger aircraft acquired with Omni in November 2018. CAM's aircraft leasing and related services revenues, which exclude customer lease incentive amortization, increased $22.3 million in 2018 compared to 2017, primarily as a result of new aircraft leases in 2018. Since the beginning of 2018, CAM has added nine Boeing 767-300 freighter aircraft and one Boeing 737-400 freighter aircraft to its lease portfolio. CAM also added two Boeing 767-200 passenger aircraft, six Boeing 767-300 passenger aircraft and three Boeing 777-200 passenger aircraft to its lease portfolio after the Company's acquisition of Omni in November 2018.

CAM's pre-tax earnings, inclusive of internally allocated interest expense, were $65.6 million and $61.5 million during 2018 and 2017, respectively. Increased pre-tax earnings reflect the eleven passenger aircraft leased to Omni as well as the ten freighter aircraft placed into service in 2018, offset by a $6.2 million increase in internally allocated interest expense due to higher debt levels, the $2.9 million increase in the amortization of the ASI lease incentive in 2018 compared to 2017, and $18.8 million more depreciation expense driven by the addition of ten Boeing aircraft in 2018 compared to 2017.

During 2018, CAM purchased eight 767-300 passenger aircraft for freighter conversion, two of which were leased to external customers and one leased internally during 2018 after completing the conversion process. As of December 31, 2018, the remaining five of these Boeing 767-300 passenger aircraft were being modified from passenger to freighter configuration. The Company also leased one Boeing 737-400 aircraft which was purchased during 2017 to an external customer after completing the conversion process in 2018.

We expect CAM to complete the freighter modification of the five passenger aircraft which were in the modification process at December 31, 2018. We have customer commitments or letters of intent for these five aircraft. In December, 2018, we entered into an agreement to acquire twenty Boeing 767-300 extended-range passenger aircraft over the next three years. The aircraft covered by this agreement are currently operated by American Airlines. Additionally, the Company has agreements to acquire three more Boeing 767-300 passenger aircraft. CAM will begin to acquire the aircraft during 2019 and currently expects to begin freighter modification of at least eight Boeing 767-300s during 2019, up to nine during 2020 and no fewer than six in 2021. CAM's operating results will depend on its continuing ability to convert passenger aircraft into freighters within planned costs and within the time frames required by customers. CAM's future operating results will also depend on the timing and lease rates under which these aircraft are ultimately leased. CAM's future operating results will also be impacted by the amortization of additional warrants committed to Amazon in conjunction with the recent agreements for ten additional long-term aircraft leases and amendments to extend the terms of existing aircraft leases.

**ACMI Services**

The ACMI Services segment provides airline operations to its customers, typically under contracts providing for a combination of aircraft, crews, maintenance, insurance and aviation fuel. Our customers are typically 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, certain aircraft maintenance expenses and fuel procured directly by the airline. Aircraft charter agreements, including those for the DoD, usually require the airline to provide full service, including fuel and other operating expenses for a fixed, all-inclusive price. As of December 31, 2018, ACMI Services
included 62 in-service aircraft, including 29 leased internally from CAM, ten CAM-owned freighter aircraft which are under lease to DHL and operated by ABX under a CMI agreement, 20 CAM-owned freighter aircraft which are under lease to ASI and operated by ATI and ABX under the ATSA, two passenger aircraft leased from an external lessor and another CAM-owned freighter operated by ATI.

Total revenues from ACMI Services decreased $65.9 million during 2018 compared with 2017 to $548.8 million. ACMI Services revenues for the 2017 year included $155.5 million for the reimbursement of fuel and certain operating expenses. Such revenues for 2018 are reported net of expenses after the adoption of Topic 606. Airline services revenues from external customers, excluding revenues for the reimbursement of fuel and certain operating expenses, increased $89.6 million. Improved revenues, excluding directly reimbursed expenses, were driven by additional aircraft operations for ASI, a 5% increase in billable block hours as well as the acquisition of OAI. As of December 31, 2018, ACMI Services revenues included the operation of eleven more CAM-owned aircraft compared to December 31, 2017.

ACMI Services had pre-tax earnings of $17.7 million during 2018, compared to $8.6 million for 2017. Improved pre-tax results in 2018 compared to 2017 were bolstered by expanded revenues, the timing of scheduled airframe maintenance events, and the acquisition of OAI. Scheduled airframe maintenance expense decreased $0.7 million during 2018 compared to 2017. Airframe maintenance expense varies depending upon the number of C-checks and the scope of the checks required for those airframes scheduled for maintenance. In March 2018, ATI began to implement an amendment to the collective bargaining agreement with its crewmembers. The amendment resulted in increased wages for the ATI crewmembers beginning in the second quarter of 2018.

The future growth for ACMI Service may be impacted by additional aircraft operations for Amazon. As a result of recent agreements, we expect Amazon to lease at least ten additional Boeing 767-300 aircraft from CAM with placements beginning in the second half of 2019. Amazon may contract the operation of those aircraft through our existing ATSA. Future operating results would also be impacted by the vesting of additional warrants committed to Amazon in exchange for adding aircraft into the ATSA.

Maintaining profitability in ACMI Services will depend on a number of factors, including customer flight schedules, crewmember productivity and pay, employee benefits, aircraft maintenance schedules and the number of aircraft we operate. ABX is negotiating with its flight crewmembers' collective bargaining unit. These negotiations could result in changes that may effect our productivity, employee compensation levels and the marketability of our services.

**MRO Services**

MRO Services sells aircraft parts and provides aircraft maintenance and modification services through the AMES and Pemco subsidiaries. Total revenues from MRO Services were $207.5 million and $205.4 million for 2018 and 2017, respectively. External customer revenues increased $11.1 million during 2018 compared to 2017. Revenues for 2018 reflect the change in accounting standards beginning in 2018 after the adoption of Topic 606 to recognize certain aircraft maintenance and modification services over time instead of upon completion. During 2017, revenues were recognized in large amounts upon completion and redelivery of an aircraft to the customer.

The pre-tax earnings from MRO Services decreased by $5.2 million to $14.5 million in 2018. The decline in MRO Services profitability reflects a mix of more lower margin maintenance services revenues and longer completion times.

**Other Activities**

We provide other support services to our ACMI Services customers and other airlines by leveraging our knowledge and capabilities developed for our own operations over the years. Through September 30, 2018, we provided mail and package sorting and logistical support to the U.S. Postal Service (“USPS”) at five USPS facilities. We arrange and perform similar services for certain ASI gateway locations in the U.S. We provide maintenance for ground equipment, facilities and material handling equipment. We also resell aviation fuel in Ohio and provide flight training.

External customer revenues from all other activities, excluding directly reimbursed revenues, decreased $3.1 million in 2018 compared to 2017. Declines in USPS revenue during 2018 were offset partially by additional ground support services provided to ASI. During June of 2018, we began to provide cargo handling and related ground support services directly to ASI at one of its gateway locations.
The pre-tax earnings from other activities increased by $3.5 million to $9.1 million in 2018. Additional earnings were a result of additional ASI services and improved results from an airline affiliate accounted for under the equity method.

**Expenses from Continuing Operations**

Salaries, wages and benefits expense increased $24.4 million during 2018 compared to 2017 driven by higher headcount for flight operations, maintenance services and package sorting services. The increase in expense for 2018 included $13.4 million for Omni, acquired in November 2018. The increase during 2018 also included higher flight crew wages in conjunction with an amendment to the collective bargaining agreement with the ATI crewmembers, additional employees and additional aircraft maintenance technician time to support increased block hours and increased MRO services revenues.

Depreciation and amortization expense increased $24.3 million during 2018 compared to 2017. The increase in depreciation expense included $8.7 million for Omni assets acquired in November 2018. The increase also reflects incremental depreciation for 15 Boeing 767-300 aircraft and additional aircraft engines added to the operating fleet since mid-2017, as well as capitalized heavy maintenance and navigation technology upgrades. We expect depreciation expense to increase during future periods in conjunction with our fleet expansion and capital spending plans.

Maintenance, materials and repairs expense increased by $5.1 million during 2018 compared to 2017. The increase in expense for 2018 included $2.8 million for Omni, acquired in November 2018. The remainder of the increase was due primarily to MRO Services for external customers. During 2018, MRO Services had an increased level of customer revenues and direct expenses compared to 2017. Aircraft maintenance and material expenses can vary among periods due to the number of maintenance events and the scope of airframe checks that are performed.

Fuel expense decreased by $110.3 million during 2018 compared to 2017. In 2017, fuel expense included reimbursable fuel billed to DHL, ASI and other ACMI customers which is being netted against the revenue in 2018 after the adoption of Topic 606. The customer-reimbursed fuel for 2017 was $133.5 million. Fuel expense includes the cost of fuel to operate DoD charters as well as fuel used to position aircraft for service and for maintenance purposes. Fuel expense, excluding customer-reimbursed fuel, increased $23.2 million for 2018 compared to 2017. The increase for 2018 included $13.8 million for Omni. The remainder of the increase was due to more block hours flown for military customers in 2018.

Contracted ground and aviation services expense includes navigational services, aircraft and cargo handling services, baggage handling services and other airport services. Contracted ground and aviation services decreased $130.5 million during 2018 compared to 2017. The decrease is primarily due to the netting of reimbursable revenues from certain ground services arranged for ASI against the expense in 2018 due to the adoption of Topic 606. The customer-reimbursed expenses in 2017 were $138.4 million. Without these customer-reimbursed expenses, contracted ground and aviation services increased $7.9 million during 2018 compared to 2017. This increase included $5.8 million for Omni.

Travel expense increased by $7.1 million during 2018 compared to 2017. The increase for 2018 included $6.3 million for Omni.

Landing and ramp expense, which includes the cost of deicing chemicals, decreased by $16.3 million during 2018 compared to 2017. The decrease is primarily due to the netting of reimbursable revenues from landing and ramp fees billed to DHL, ASI and other ACMI customers against expense in 2018 due to the adoption of Topic 606.

Rent expense increased by $0.3 million during 2018 compared to 2017. This increase included $1.1 million for Omni. This increase was partially offset by decreases in building rent after the expiration of the contracts for the five USPS facilities.

Insurance expense increased by $1.3 million during 2018 compared to 2017. Aircraft fleet insurance has increased due to additional aircraft operations during 2018 compared to 2017.

Other operating expenses increased by $1.8 million during 2018 compared to 2017. Other operating expenses include professional fees, employee training and utilities. The increase for 2018 included $4.0 million for Omni. Other operating expenses during 2018 were partially offset by improved operating results of an airline affiliate accounted for under the equity method.
Interest expense increased by $11.8 million during 2018 compared to 2017. Interest expense increased due to a higher average debt level, including an additional term loan under the Senior Credit Agreement of $675.0 million to finance the acquisition of Omni and higher interest rates on the Company's outstanding loans. Interest expense in 2018 and 2017 was also impacted by the convertible notes issued in September 2017. The convertible notes have a principal value of $258.8 million and bear interest at a cash coupon rate of 1.125%. At the time of issuance, the value of the conversion feature of the convertible notes was recorded as a debt discount and is being amortized along with debt issuance cost to interest expense over the seven year term of the convertible notes. The amortization of the convertible debt discount and issuance costs was $8.3 million and $2.1 million during 2018 and 2017, respectively. We expect interest expense to increase for 2019 reflecting our additional level of borrowings and higher interest rates.

The Company recorded pre-tax net gains on financial instruments of $7.3 million during the year ended December 31, 2018, compared to losses of $79.8 million during 2017. The gains and losses are primarily a result of re-measuring, as of December 31, 2018 and 2017, the fair value of the stock warrants granted to Amazon. A decrease in the fair value of the warrant obligation since December 31, 2017 corresponded to a decrease in the traded price of the Company's shares and resulted in a non-cash gain for 2018. The increase in the fair value of the warrant obligation since December 31, 2016 corresponded to an increase in the traded price of the Company's shares and resulted in a non-cash loss in 2017. The non-cash gains and losses resulting from quarterly re-measurements of the warrants may vary widely among quarters.

Non service components of retiree benefits were a net gain of $8.2 million for 2018 compared to a net loss of $6.1 million for 2017. The non service component gain and losses of retiree benefits are actuarially determined and include the amortization of unrecognized gain and loss stemming from changes in assumptions regarding discount rates, expected investment returns and other retirement plan assumptions. Non service components also include the effects of large pension settlement transactions. As a result of a pension settlement transaction, the Company recognized pre-tax settlement charges of $5.3 million to continued operations during 2017. Non service components of retiree benefits can varying significantly from one year to the next based on investment results and changes in discount rates used to account for defined benefit retirement plans.

Income tax expense from earnings from continuing operations decreased $47.9 million for 2018 compared to 2017. Income tax benefits from earnings from continuing operations for 2017 included a benefit of $59.9 million due to the enactment of the Tax Act in December 2017. The re-measurement of deferred tax balances using the lower federal rates enacted by the Tax Act resulted in a reduction in our net deferred tax liability and the recognition of a deferred tax benefit. Income taxes included deferred income tax effects for the gains and losses from warrants re-measurements and the amortization of the customer lease incentive. The income tax effects of the warrant re-measurements and the amortization of the customer lease incentive are different than the book expenses and benefits required by generally accepted accounting principles because for tax purposes, the warrants are valued at a different time and under a different valuation method. The effective tax rate, before including the warrant revaluations, incentive amortization and the 2017 re-measurements effects of the Tax Act, was 24.0% for 2018 compared to 37.5% for the year ended December 31, 2017. The effective tax rate declined for 2018 due to the effects of the lower statutory tax rates enacted by the Tax Act.

The effective rate for 2019 will be impacted by a number of factors, including the re-measurement of the stock warrants at the end of each reporting period. As a result of the warrant re-measurements and related income tax treatment, the overall effective tax can vary significantly from period to period. We estimate that the Company's effective tax rate for 2019, before applying the deductibility of the stock warrant re-measurement and related incentive amortization and the benefit of the stock compensation, will be approximately 25%.

As of December 31, 2018, the Company had operating loss carryforwards for U.S. federal income tax purposes of approximately $253.8 million which will begin to expire in 2031 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 2024 or later. The Company may, however, be required to pay 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. When we operate in countries without such agreements, the Company could incur additional foreign income taxes.
**Discontinued Operations**

The financial results of discontinued operations primarily reflect pension, workers' compensation cost adjustments and other benefits for former employees previously associated with ABX's former hub operations, package sorting and aircraft fueling services provided to DHL. Pre-tax gains related to the former sorting operations were $1.8 million for 2018 compared to pre-tax losses of $5.1 million for 2017. Pre-tax earnings during 2018 were a result of reductions in self-insurance reserves for former employee claims and pension credits. During 2017, pension expense for discontinued operations included a $7.6 million pre-tax charge for the settlement of certain retirement obligations through a third party group annuity contract.

**2017 compared to 2016**

**Fleet Summary 2017 & 2016**

As of December 31, 2017, ABX and ATI were leasing 19 in-service aircraft internally from CAM for use in ACMI Services. As of December 31, 2017, six of CAM's 29 Boeing 767-200 aircraft shown in the aircraft fleet table above and six of the 21 Boeing 767-300 aircraft were leased to DHL and operated by ABX. Additionally, 12 of CAM's 29 Boeing 767-200 aircraft and eight of CAM's 21 Boeing 767-300 aircraft were leased to ASI and operated by ABX or ATI. CAM leased the other 11 Boeing 767-200 aircraft and seven Boeing 767-300 aircraft to external customers, including four Boeing 767-200 aircraft to DHL that are being operated by a DHL-owned airline. The carrying values of the total in-service fleet as of December 31, 2017, 2016 and 2015 were $955.2 million, $793.9 million and $742.6 million, respectively. The table above does not reflect one Boeing 767-200 passenger aircraft owned by CAM.

Aircraft fleet activity during 2017 is summarized below:

- CAM completed the modification of seven Boeing 767-300 freighter aircraft purchased in the previous year and began to lease five of those aircraft, which are being operated by ATI, under a multi-year lease to ASI. CAM began to lease the sixth aircraft to ATI and the Company leased the seventh aircraft under a multi-year lease to an external customer.

- CAM leased one Boeing 767-300 freighter aircraft, which was modified during 2016, to ASI under a multi-year lease. ATI was separately contracted to operate that aircraft.

- CAM leased one Boeing 767-200 freighter, which was being staged for leasing, to ATI.

- External lessees returned two Boeing 767-200 freighter aircraft which were operated by ABX. Two Boeing 767-200 aircraft were redeployed to external customers.

- CAM purchased eight Boeing 767-300 passenger aircraft during 2017 for the purpose of converting the aircraft into standard freighter configuration. Two of these aircraft completed the freighter modification and entered into multi-year leases with external customers.

- The Company purchased two Boeing 737-400 passenger aircraft during 2017 for the purpose of converting the aircraft into standard freighter configuration. One aircraft completed the freighter modification process and entered into a multi-year lease with an external customer.

As of December 31, 2016, ACMI Services leased 18 of its in-service aircraft internally from CAM. As of December 31, 2016, eight of CAM's 29 Boeing 767-200 aircraft shown in the aircraft fleet table above and six of the 12 Boeing 767-300 aircraft, were leased to DHL and operated by ABX. Additionally, 12 of CAM's 29 Boeing 767-200 aircraft and two of CAM's 12 Boeing 767-300 aircraft were leased to ASI and operated by ABX or ATI. CAM leased the other nine Boeing 767-200 aircraft and four Boeing 767-300 aircraft to external customers, including two Boeing 767-200 aircraft to DHL for operation by a DHL affiliate. Aircraft fleet activity during 2016 is summarized below:

- CAM completed the modification of two Boeing 767-300 freighter aircraft purchased in the previous year and began to lease both aircraft under a multi-year lease to external customers. One of these aircraft is being operated by ABX for the customer.

- CAM purchased eleven Boeing 767-300 passenger aircraft during 2016 for the purpose of converting the aircraft into standard freighter configuration. Two aircraft completed the freighter modification and entered into long-term leases with ASI in 2016, and are both being operated by ATI under multi-year leases. CAM sold one of
the eleven aircraft to an external customer during 2016. One aircraft completed the freighter modification and entered into service with ATI during the fourth quarter. This aircraft was subsequently entered into a long-term lease with ASI in January 2017, and is being operated by ATI under a multi-year agreement. The remaining seven Boeing 767-300 passenger aircraft were undergoing or preparing to undergo modification to a standard freighter configuration as of December 31, 2016 and are expected to be completed in 2017.

- In conjunction with the ATSA, ABX and ATI returned a total of ten Boeing 767-200 freighter aircraft to CAM and external lessees returned two Boeing 767-200 freighter aircraft. All twelve were subsequently leased to ASI under multi-year leases. ABX and ATI were separately contracted to operate the aircraft for ASI.

- Five other Boeing 767-200 freighter aircraft were returned from external lessees. Four were subsequently leased to ABX or ATI while one is now being prepped for other leasing.

- ABX returned one Boeing 767-200 freighter and one Boeing 767-300 freighter to CAM, which were subsequently leased to different external lessees. ABX is operating the Boeing 767-300 freighter for the customer.

- ATI ceased operating one DHL-owned Boeing 757-200 freighter aircraft during the third quarter.

**CAM**

As of December 31, 2017 and 2016, CAM had 51 and 41 aircraft under lease to external customers, respectively. CAM's revenues grew by $14.5 million during 2017 compared to 2016, primarily as a result of additional aircraft leases. Revenues from external customers totaled $140.4 million and $117.6 million for 2017 and 2016, respectively. CAM's revenues from the Company's airlines totaled $69.1 million during 2017, compared to $77.5 million for 2016, reflecting the transition of CAM owned aircraft to long-term leases with external customers. CAM's aircraft leasing and related services revenues, which excludes customer lease incentive amortization, increased $23.9 million in 2017 compared to 2016, primarily as a result of new aircraft leases since mid-2016, additional engine maintenance agreements and the timing of maintenance related revenues. From mid-2016 through the end of December 2017, we have added 13 Boeing 767-300 freighter aircraft and one Boeing 737-400 freighter aircraft to CAM's lease portfolio.

CAM's pre-tax earnings, inclusive of internally allocated interest expense, were $61.5 million and $68.6 million during 2017 and 2016, respectively. Decreased pre-tax earnings reflect a $5.0 million increase in internally allocated interest expense due to higher debt levels, the $9.5 million increase in the amortization of the ASI lease incentive in 2017 compared to 2016, and $15.7 million more depreciation expense driven by the addition of ten Boeing aircraft in 2017 compared to 2016. These increases were partially offset by additional external lease revenues and the timing of customer maintenance revenues.

CAM's agreement to lease 20 Boeing 767 freighter aircraft to ASI includes 12 Boeing 767-200 freighter aircraft for a term of five years and eight Boeing 767-300 freighter aircraft for a term of seven years. Leases for six of these aircraft began in April 2016, and the remaining fourteen were executed by the third quarter of 2017, to fulfill the 20 aircraft requirement.

During 2017, CAM purchased eight 767-300 passenger aircraft for freighter conversion, two of which were leased to external customers during 2017 after completing the conversion process. As of December 31, 2017, the remaining six of these Boeing 767-300 passenger aircraft were being modified from passenger to freighter configuration. The Company also purchased two Boeing 737-400 aircraft during 2017 and one aircraft was being modified from passenger to freighter configuration as of December 31, 2017, while the other was leased to an external customer after completing the conversion process.

**ACMI Services**

As of December 31, 2017, ACMI Services included 51 in-service aircraft, including 19 leased internally from CAM, 12 CAM-owned freighter aircraft which are under lease to DHL and operated by ABX under the restated CMI agreement, and 20 CAM-owned freighter aircraft which are under lease to ASI and operated by ATI and ABX under the ATSA.

Total revenues from ACMI Services increased $121.9 million during 2017 compared with 2016 to $614.7 million. Airline services revenues from external customers, which do not include revenues for the reimbursement of fuel and
certain operating expenses, increased $48.7 million. Improved revenues were driven by additional aircraft operations for ASI and reflect a 22% increase in billable block hours. As of December 31, 2017, ACMl Services included the operation of five more CAM-owned aircraft compared to December 31, 2016. Beginning in April 2016, in conjunction with the long-term leases executed between ASI and CAM, the related aircraft rent revenues for five aircraft operated for ASI during the first quarter of 2016 are reflected under CAM instead of ACMl Services.

ACMl Services had pre-tax earnings of $2.5 million during 2017, compared to pre-tax losses of $32.1 million for 2016. Improved pre-tax results in 2017 compared to 2016 were bolstered by expanded revenues, the timing of scheduled airframe maintenance events, lower flight crew and related training expenses and decreased pension expense. Scheduled airframe maintenance expense decreased $5.5 million during 2017 compared to 2016. Airframe maintenance expense varies depending upon the number of C-checks and the scope of the checks required for those airframes scheduled for maintenance. Pension expense for ACMl Services, including the non-service components of retiree benefit costs, decreased $1.0 million as actuarially determined for 2017, compared to 2016. The pension expense in 2017 included a $5.3 million pre-tax charge for the settlement of certain retirement obligations through a third party group annuity contract.

Operating results for ACMl Services were negatively impacted in 2016 by $7.0 million in lost revenue due to a work stoppage by ABX crewmembers represented by the Airline Professionals Association of the International Brotherhood of Teamsters in November 2016. Although the flight crews were ordered back to work within two days through a temporary restraining order issued by a U.S. district court, the full revenue schedule of flying operations did not resume for nearly three weeks. During 2016, we incurred additional costs for flight crews to keep pace with ASI's expanding air network. During 2016, flight crew compensation increased by $13.0 million to pay additional crews while being trained for expanded aircraft operations and when ABX's flight crews stopped volunteering for additional flight time, ABX paid a premium to assign trips to crewmembers and awarded additional compensatory days off.

**MRO Services**

Total revenues from MRO Services were $205.4 million and $111.9 million for 2017 and 2016, respectively. External customer revenues increased $66.0 million to $106.8 million during 2017 compared to 2016. The increase in revenue was driven by an increase in airframe maintenance and modification revenues due to the addition of Pemco, which was acquired at the end of 2016. The pre-tax earnings from MRO Services increased by $7.4 million to $19.7 million in 2017, reflecting expanded aircraft maintenance and modification services with the addition of Pemco.

**Other Activities**

External customer revenues from all other activities increased $88.7 million to $206.3 million for 2017. Customer revenues increased due to increased volumes at the USPS and ASI locations. The pre-tax earnings from other activities decreased by $3.9 million to $5.6 million in 2017, reflecting the termination of hub logistics services we provided through May of 2017 for ASI at the airport in Wilmington, Ohio along with reduced aviation fuel sales after ASI discontinued its hub.

**Expenses from Continuing Operations**

Salaries, wages and benefits expense increased $50.5 million during 2017 compared to 2016 driven by higher headcount for flight operations, maintenance services and package sorting services. The increase in expense for 2017 included $33.6 million for Pemco, acquired in December 2016. The increase during 2017 also included additional line maintenance resources to support our customers expanded network and increased block hours. During 2017, employee benefit expenses increased due to the higher level of headcount.

Depreciation and amortization expense increased $19.1 million during 2017 compared to 2016. The increase in depreciation expense reflects incremental depreciation for 13 Boeing 767-300 aircraft, one Boeing 737-400 aircraft and additional aircraft engines added to the operating fleet since mid-2016, as well as capitalized heavy maintenance and navigation technology upgrades.

Maintenance, materials and repairs expense increased by $22.5 million during 2017 compared to 2016. The increase is primarily due to the addition of Pemco's maintenance and materials, which added $36.4 million of expenses for 2017 compared to 2016. The additional expense from Pemco was partially offset by fewer airframe checks for the Company's airlines and lower airframe maintenance costs for third party customers during 2017 compared to 2016. Aircraft
maintenance expenses can vary among periods due to the number of scheduled airframe maintenance checks and the scope of the checks that are performed. In May 2017, our airlines entered into maintenance agreements for certain General Electric CF6 engines that power many of the Boeing 767-300 aircraft leased from CAM. Under the agreement, the engines are maintained by the service provider for a fixed fee per cycle. As a result, beginning in June 2017, the airlines began to record engine maintenance expense as flights occur. As a result, our airlines recorded an additional $4.2 million of engine maintenance expense, partially offset by a reduction to engine depreciation expense.

Fuel expense increased by $62.4 million during 2017 compared to 2016. Fuel expense includes the cost of fuel to operate DoD charters, reimbursable fuel billed to DHL, ASI and other ACMI customers, as well as fuel used to position aircraft for service and for maintenance purposes. The increase in fuel expense was due to a higher level of customer-reimbursed fuel which increased $66.9 million for 2017 compared to 2016. Fuel expense for military customers and other purposes declined due to fewer block hours flown for military customers in 2017.

Contracted ground and aviation services expense includes navigational services, aircraft and cargo handling services and other airport services. Contracted ground and aviation services increased $89.6 million during 2017 compared to 2016. The increase is primarily due to additional logistical support services arranged for ASI gateways.

Travel expense increased by $7.3 million during 2017 compared to 2016. The increase reflects additional airline services and a higher level of employee headcount in airline operations during 2017 compared to 2016.

Landing and ramp expense, which includes the cost of deicing chemicals, increased by $8.8 million during 2017 compared to 2016, driven by additional flight operations. Landing and ramp fees can vary based on the flight schedules and the airports that are used in a period.

Rent expense increased by $2.0 million during 2017 compared to 2016. Rent expense increased due to the acquisition of Pemco, acquired at the end of 2016, as well as increases in aircraft simulators rented to train new flight crews.

Insurance expense increased by $0.4 million during 2017 compared to 2016. Aircraft fleet insurance has increased due to additional aircraft operations during 2017 compared to 2016.

Other operating expenses increased by $7.2 million during 2017 compared to 2016. Other operating expenses include professional fees, employee training and utilities. Other operating expenses during the first quarter of 2016 included a $1.2 million charge for the Company's share of capitalized debt issuance costs that were written off when West Atlantic AB, a non-consolidated affiliate, restructured its debt. Other operating expenses increased by $3.1 million due to the addition of Pemco.

Interest expense increased by $5.7 million during 2017 compared to 2016. Interest expense increased due to a higher average debt level and interest rates on the Company's outstanding loans, offset by more capitalized interest related to our fleet expansion during 2017. Capitalized interest increased $0.5 million during 2017 to $1.8 million. Interest expense in 2017 was also impacted by the convertible notes issued in September 2017. At the time of issuance, the value of the conversion feature of the convertible notes was recorded as a debt discount and is being amortized along with debt issuance cost to interest expense over the seven year term of the convertible notes. The amortization of the debt discount and issuance costs was $2.1 million during 2017.

The Company recorded pre-tax net losses on financial instruments of $79.8 million during the year ended December 31, 2017, compared to losses of $18.1 million during 2016. The losses are primarily a result of re-measuring, as of December 31, 2017 and 2016, the fair value of the stock warrants granted to Amazon. Increases in the fair value of the warrant obligation since the previous re-measurement dates of December 31, 2016 and 2015, respectively, corresponded to an increase in the traded price of the Company's shares and resulted in non-cash losses.

Income tax benefits increased $41.7 million for 2017 compared to 2016. Income tax benefits from earnings from continuing operations for 2017 included a benefit of $59.9 million due to the enactment of the Tax Act in December 2017. The re-measurement of deferred tax balances using the lower federal rates enacted by the Tax Act, resulted in a reduction in our net deferred tax liability and the recognition of a deferred tax benefit. The effective tax rate, before including the effects of the Tax Act, warrant losses and incentive amortization was 37.5% for 2017 compared to 35.3% for the year ended December 31, 2016. The higher effective tax rate for 2017 compared to 2016 reflects a lesser amount of discrete tax benefits related to state income taxes and employee stock incentive awards during 2017 compared to 2016.
Discontinued Operations

Pre-tax losses related to the former sorting operations were $5.1 million for 2017 compared to pre-tax gains of $3.8 million for 2016. During 2017, discontinued operations included a $7.6 million pre-tax charge for the settlement of certain retirement obligations through a third party group annuity contract. Pre-tax earnings during 2016 were a result of reductions in self-insurance reserves for former employee claims and pension credits.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash generated from operating activities totaled $298.0 million, $235.0 million and $193.1 million in 2018, 2017 and 2016, respectively. Improved cash flows generated from operating activities during 2018 and 2017, were driven primarily by additional aircraft leases to customers and by increased operating levels of the ACMI Services segment. Cash outlays for pension contributions were $22.2 million, $4.5 million and $6.3 million in 2018, 2017 and 2016, respectively.

Capital spending levels were primarily the result of aircraft modification costs and the acquisition of aircraft for freighter modification. Cash payments for capital expenditures were $292.9 million, $296.9 million and $264.5 million in 2018, 2017 and 2016, respectively. Capital expenditures in 2018 included $197.1 million for the acquisition of eight Boeing 767-300 aircraft and freighter modification costs; $61.7 million for required heavy maintenance; and $34.1 million for other equipment, including purchases of aircraft engines and rotables. Capital expenditures in 2017 included $209.4 million for the acquisition of eight Boeing 767-300 aircraft and two Boeing 737-400 aircraft and freighter modification costs; $53.3 million for required heavy maintenance; and $34.2 million for other equipment, including purchases of aircraft engines and rotables. Our capital expenditures in 2016 included $185.3 million for the acquisition of eleven Boeing 767-300 aircraft, freighter modification costs and next generation navigation modifications; $30.4 million for required heavy maintenance; and $48.8 million for other equipment, including purchases of aircraft engines and rotables.

Cash proceeds of $17.6 million, $0.4 million and $12.4 million were received in 2018, 2017 and 2016, respectively, for the sale of aircraft engines, airframes and parts.

During 2018 and 2017, we spent $866.6 million and $11.8 million, respectively, to purchase equity interests in other businesses and to acquire Omni. Spending in 2018 included $855.1 million for the acquisition of Omni, net of cash acquired. Spending during 2018 and 2017 included entry and subsequent contributions into a joint-venture with Precision Aircraft Solutions, LLC, to develop a passenger-to-freighter conversion program for Airbus A321-200 aircraft.

Net cash provided by financing activities was $870.5 million, $79.7 and $75.1 million in 2018, 2017 and 2016, respectively. On November 9, 2018, in conjunction with the Omni acquisition, the Company amended its Senior Credit Agreement to include a new term loan of $675.0 million and drew an additional $180.0 million from the revolving credit facility. We paid related debt issuance cost of $9.5 million during 2018. During 2018, we drew a total $945.0 million from the revolving credit facility with the proceeds used to fund the acquisition of Omni and other capital spending. We made debt principal payments of $58.6 million. Our borrowing activities were necessary to complete the acquisition of Omni as well as purchase and modify aircraft for deployment into air cargo markets.

In September 2017, we received proceeds of $258.8 million from the issuance of convertible notes. In conjunction with the issuance of convertible notes, we received $38.5 million for the issuance of stock warrants and paid $56.1 million for related convertible note hedges. We paid issuance costs of $6.5 million for these transactions. The net proceeds from these transactions were $234.7 million, of which $205.0 million was used to pay down the balance of our revolving credit facility, thereby increasing the amount available for future draws under that facility. The convertible notes and the related transactions are described further in Note G of the accompanying condensed consolidated financial statements.

During 2018, we spent $3.6 million to buy 157,000 shares of the Company's common stock pursuant to a share repurchase plan authorized in 2014. The repurchase plan, which originally authorized the Company to purchase up to $50.0 million of common stock, was amended by the Board in May 2016 to increase such authorization to up to $100 million and amended by the Board again in February 2018 to increase such authorization to up to $150 million. We
spent $11.2 million and $63.6 million during 2017 and 2016, respectively, to repurchase shares under the authorized plan.

**Commitments**

The table below summarizes the Company's contractual obligations and commercial commitments (in thousands) as of December 31, 2018.

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Total</th>
<th>2019</th>
<th>2020 and 2021</th>
<th>2022 and 2023</th>
<th>2024 and after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt obligations, including interest payments</td>
<td>$ 1,728,957</td>
<td>$ 90,750</td>
<td>$ 209,183</td>
<td>$ 1,167,727</td>
<td>$ 261,297</td>
</tr>
<tr>
<td>Facility leases</td>
<td>47,983</td>
<td>10,898</td>
<td>18,251</td>
<td>8,373</td>
<td>10,461</td>
</tr>
<tr>
<td>Aircraft and modification obligations</td>
<td>53,845</td>
<td>53,845</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Aircraft and other leases</td>
<td>21,481</td>
<td>6,607</td>
<td>9,870</td>
<td>3,003</td>
<td>2,001</td>
</tr>
<tr>
<td>Total contractual cash obligations</td>
<td>$ 1,852,266</td>
<td>$ 162,100</td>
<td>$ 237,304</td>
<td>$ 1,179,103</td>
<td>$ 273,759</td>
</tr>
</tbody>
</table>

The long term debt bears interest at 1.125% to 4.78% per annum at December 31, 2018. For additional information about the Company's debt obligations, see Note G of the accompanying financial statements.

The Company provides defined benefit pension plans to certain employee groups. The table above does not include cash contributions for pension funding, due to the absence of scheduled maturities. The timing of pension and post-retirement healthcare payments cannot be reasonably determined, except for $8.5 million expected to be funded in 2019. For additional information about the Company's pension obligations, see Note J of the accompanying financial statements.

As of December 31, 2018, the Company has five aircraft that were in or awaiting the modification process. The Company is committed to induct one more aircraft into the freighter modification process through 2019. Additionally, we placed non-refundable deposits to purchase 20 more Boeing 767-300 passenger aircraft through 2021. We estimate that capital expenditures for 2019 will total $400 million of which the majority will be related to aircraft purchases and freighter modifications. Actual capital spending for any future period will be impacted by aircraft acquisitions, maintenance and modification processes. We expect to finance the capital expenditures from current cash balances, future operating cash flow and the Senior Credit Agreement. The Company outsources a significant portion of the aircraft freighter modification process to a non-affiliated third party. The modification primarily consists of the installation of a standard cargo door and loading system. For additional information about the Company's aircraft modification obligations, see Note I of the accompanying financial statements.

Since August 3, 2017, the Company has been part of a joint-venture with Precision Aircraft Solutions, LLC, to develop a passenger-to-freighter conversion program for Airbus A321-200 aircraft. We anticipate approval of a supplemental type certificate from the FAA in 2020. We expect to make contributions equal to the Company's 49% ownership percentage of the program's total costs during 2019.

**Liquidity**

The Company has a Senior Credit Agreement with a consortium of banks that includes two unsubordinated term loans of $721.4 million, net of debt issuance costs, and a revolving credit facility from which the Company has drawn $475.0 million, net of repayments, as of December 31, 2018. The revolving credit facility has a capacity of $545.0 million, permitted additional indebtedness of $300.0 million of which $258.8 million has been utilized for the issuance of convertible notes, and an accordion feature whereby the Company can draw up to an additional $400.0 million subject to the lenders' consent. The Senior Credit Agreement is collateralized by the Company's fleet of Boeing 777, 767 and 757 freighter aircraft. Under the terms of the Senior Credit Agreement, the Company is required to maintain collateral coverage equal to 110% of the outstanding balances of the term loans and the total funded revolving credit facility. 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 $545.0 million. Each year, through May 6, 2019, the Company may request a one year extension of the final maturity date, subject to the lenders' consent. Absent such future extensions, the maturity date is currently set to expire on May 30, 2023.
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 (earnings before interest, taxes, depreciation and amortization expenses) 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. At the Company's current debt-to-EBITDA ratio, the unsubordinated term loans and the revolving credit facility bear variable interest rates of 4.78%, 4.64% and 4.78%, respectively.

At December 31, 2018, the Company had $59.3 million of cash balances. The Company had $57.9 million available under the revolving credit facility, net of outstanding letters of credit, which totaled $12.1 million. Also, the Company has up to $400 million of additional borrowing capacity available under the accordion feature of its Senior Credit Agreement, subject to lender consent. We believe that the Company's current cash balances and forecasted cash flows provided from its operating arrangements, combined with its Senior Credit Agreement, will be sufficient to fund operations, capital spending, scheduled debt payments and required pension funding 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 December 31, 2018 and 2017, 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. We believe the following significant and critical accounting policies involve the more significant judgments and estimates used in preparing the consolidated financial statements.

**Revenue Recognition**

Aircraft lease revenues are recognized as operating lease revenues on a straight-line basis over the term of the applicable lease agreements. Revenues generated from airline service agreements are typically recognized based on hours flown or the amount of aircraft and crew resources provided during a reporting period. Certain agreements include provisions for incentive payments based upon on-time reliability. These incentives are typically measured on
a monthly basis and recorded to revenue in the corresponding month earned. Revenues for operating expenses that are reimbursed through airline service agreements, including consumption of aircraft fuel, are generally recognized as the costs are incurred, on a net basis. Revenues from charter service agreements are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Revenues from the sale of aircraft parts and engines are recognized when the parts are delivered. Effective January 1, 2018 the Company records revenues and estimated earnings for its airframe maintenance and aircraft modification contracts using the percentage-of-completion cost input method. Prior to January 1, 2018, revenues earned and expenses incurred in providing aircraft-related maintenance, repair or modification services were usually recognized in the period in which the services were completed and delivered to the customer. Revenues derived from sorting parcels are recognized in the reporting period in which the services are performed.

**Goodwill and Intangible Assets**

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

The goodwill impairment test requires significant judgment, including the determination of the fair value of each reporting unit that has goodwill. We estimate the fair value using a market approach and an income approach utilizing discounted cash flows applied to a market-derived rate of return. The market approach utilizes market multiples from comparable publicly traded companies. The market multiples include revenues and EBITDA (earnings before interest, taxes, depreciation and amortization). We derive cash flow assumptions from many factors including recent market trends, expected revenues, cost structure, aircraft maintenance schedules and long term strategic plans for the deployment of aircraft. Key assumptions under the discounted cash flow models include projections for the number of aircraft in service, capital expenditures, long term growth rates, operating cash flows and market-derived discount rates.

The performance of the goodwill impairment test is the comparison of the fair value of the reporting unit to its respective carrying value. If the carrying value of a reporting unit is less than its fair value no impairment exists. If the carrying value of a reporting unit is higher than its fair value an impairment loss is recorded for the difference and charged to operations. See additional information about the goodwill impairment tests in Note C of the accompanying consolidated financial statements.

We have used the assistance of an independent business valuation firm in estimating an expected market rate of return, and in the development of a market approach for CAM, OAI and Pemco, separately, using multiples of EBITDA and revenues from comparable publicly traded companies. Based on our analysis, the individual fair values of CAM, OAI and Pemco exceeded their respective carrying values as of December 31, 2018. Our key assumptions used for CAM's goodwill testing include uncertainties, including the level of demand for cargo aircraft by shippers, the DoD and freight forwarders and CAM's ability to lease aircraft and the lease rates that will be realized. The demand for customer airlift is projected based on input from customers, management's interface with customer planning personnel and aircraft utilization trends. Our key assumptions used for OAI's goodwill testing include the number of aircraft that OAI will operate, the amount of revenues that the aircraft will generate, the number of flight crews and cost of flight crews needed. Our key assumptions used for Pemco's goodwill testing include the level of revenues that customers will seek from Pemco and the cost of labor and contract resources Pemco is expected to incur. Certain events or changes in circumstances could negatively impact our key assumptions. Customer preferences may be impacted by changes in aviation fuel prices. Key customers, including DHL, Amazon and the DoD, may decide that they do not need as many aircraft as projected or may find alternative providers.

**Long-lived assets**

Aircraft and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. Factors which may cause an impairment include termination of aircraft from a customer's network, extended operating cash flow losses from the assets and management's decisions regarding the future use of assets. To conduct impairment testing, we group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with an asset
group is less than the carrying value. If impairment exists, an adjustment is made to write the assets down to fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined considering quoted market values, discounted cash flows or internal and external appraisals, as applicable.

**Depreciation**

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

**Self-Insurance**

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

**Contingencies**

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

**Income Taxes**

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

The Company has significant deferred tax assets including net operating loss carryforwards (“NOL CFs”) for federal income tax purposes which begin to expire in 2031. Based upon projections of taxable income, we determined that it was more likely than not that the NOL CF’s will be realized prior to their expiration. Accordingly, we do not have an allowance against these deferred tax assets at this time.

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

**Stock Warrants**

The Company’s accounting for warrants issued to a lessee is determined in accordance with the financial reporting guidance for equity-based payments to non-employees and for financial instruments. The warrants issued to lessees are recorded as a lease incentive asset using their fair value at the time that the lessee has met its performance obligation. The lease incentive is amortized against revenues over the duration of related aircraft leases. The unexercised warrants are classified in liabilities and re-measured to fair value at the end of each reporting period, resulting in a non-operating gain or loss.

**Post-retirement Obligations**

The Company sponsors qualified defined benefit pension plans for ABX’s flight crewmembers and other eligible employees. The Company also sponsors non-qualified, unfunded excess plans that provide benefits to executive management and crewmembers that are in addition to amounts permitted to be paid through our qualified plans under
provisions of the tax laws. Employees are no longer accruing benefits under any of the defined benefit pension plans. The Company also sponsors unfunded post-retirement healthcare plans for ABX’s flight crewmembers.

The accounting and valuation for these post-retirement obligations are determined by prescribed accounting and actuarial methods that consider a number of assumptions and estimates. The selection of appropriate assumptions and estimates is significant due to the long time period over which benefits will be accrued and paid. The long term nature of these benefit payouts increases the sensitivity of certain estimates on our post-retirement costs. In actuarially valuing our pension obligations and determining related expense amounts, key assumptions include discount rates, expected long term investment returns, retirement ages and mortality. Actual results and future changes in these assumptions could result in future costs that are materially different than those recorded in our annual results of operations.

Our actuarial valuation includes an assumed long term rate of return on pension plan assets of 6.20%. Our assumed rate of return is based on a targeted long term investment allocation of 30% equity securities, 65% fixed income securities and 5% cash. The actual asset allocation at December 31, 2018 was 25% equities, 74% fixed income and 1% cash. The pension trust includes $4.6 million of investments (1% of the plans’ assets) whose fair values have been estimated in the absence of readily determinable fair values. Such investments include private equity, hedge fund investments and real estate funds. Management’s estimates are based on information provided by the fund managers or general partners of those funds.

In evaluating our assumptions regarding expected long term investment returns on plan assets, we consider a number of factors, including our historical plan returns in connection with our asset allocation policies, assistance from investment consultants hired to provide oversight over our actively managed investment portfolio, and long term inflation assumptions. The selection of the expected return rate materially affects our pension costs. Our expected long term rate of return was 6.20% after analyzing expected returns on investment vehicles and considering our long term asset allocation expectations. Fluctuations in long-term interest rates can have an impact on the actual rate of return. If we were to lower our long term rate of return assumption by a hypothetical 100 basis points, expense in 2018 would be increased by approximately $6.1 million. We use a market value of assets as of the measurement date for determining pension expense.

In selecting the interest rate to discount estimated future benefit payments that have been earned to date to their net present value (defined as the projected benefit obligation), we match the plan’s benefit payment streams to high-quality bonds of similar maturities. The selection of the discount rate not only affects the reported funded status information as of December 31 (as shown in Note J to the accompanying consolidated financial statements), but also affects the succeeding year’s pension and post-retirement healthcare expense. The discount rates selected for December 31, 2018, based on the method described above, were 4.65% for crewmembers and 4.65% for non-crewmembers. If we were to lower our discount rates by a hypothetical 50 basis points, pension expense in 2018 would be increased by approximately $7.2 million.

Our mortality assumptions at December 31, 2018, reflect the most recent projections released by the Actuaries Retirement Plans Experience Committee, a committee within the Society of Actuaries, a professional association in North America. The assumed future increase in salaries and wages is not a significant estimate in determining pension costs because each defined benefit pension plan was frozen during 2009 with respect to additional benefit accruals.

The following table illustrates the sensitivity of the aforementioned assumptions on our pension expense, pension obligation and accumulated other comprehensive income (in thousands):

<table>
<thead>
<tr>
<th>Change in assumption</th>
<th>2018 Pension expense</th>
<th>Pension obligation</th>
<th>Accumulated other comprehensive income (pre-tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 basis point decrease in rate of return</td>
<td>$6,116</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>50 basis point decrease in discount rate</td>
<td>7,187</td>
<td>(41,348)</td>
<td>41,348</td>
</tr>
<tr>
<td>Aggregate effect of all the above changes</td>
<td>13,303</td>
<td>(41,348)</td>
<td>41,348</td>
</tr>
</tbody>
</table>
New Accounting Pronouncements

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 Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk for changes in interest rates.

The Company's Senior Credit Agreement requires the Company to maintain derivative instruments for fluctuating interest rates, for at least fifty percent of the outstanding balance of the original unsubordinated term loan and twenty-five percent of the outstanding balance of the second term loan issued in November 2018. Accordingly, in February 2016, the Company entered into an interest rate swap instrument. Additionally, the Company entered into more interest rate swaps in February 2017, April 2017, June 2017 and December 2018, respectively. As a result, future fluctuations in LIBOR interest rates will result in the recording of unrealized gains and losses on interest rate derivatives held by the Company. The combined notional values were $331.3 million as of December 31, 2018. See Note H in the accompanying consolidated financial statements for a discussion of our accounting treatment for these hedging transactions.

As of December 31, 2018, the Company has $204.8 million of fixed interest rate convertible debt and $1,196.4 million of variable interest rate debt outstanding. Variable interest rate debt exposes us to differences in future cash flows resulting from changes in market interest rates. Variable interest rate risk can be quantified by estimating the change in annual cash flows resulting from a hypothetical 20% increase in interest rates. A hypothetical 20% increase or decrease in interest rates would have resulted in a change in interest expense of approximately $5.1 million for the year ended December 31, 2018.

The convertible debt issued at fixed interest rates is exposed to fluctuations in fair value resulting from changes in market interest rates. Fixed interest rate risk can be quantified by estimating the increase in fair value of our long term convertible debt through a hypothetical 20% increase in interest rates. As of December 31, 2018, a 20% increase in interest rates would have decreased the fair value of our fixed interest rate convertible debt by approximately $0.6 million.

The Company is exposed to concentration of credit risk primarily through cash deposits, cash equivalents, marketable securities and derivatives. As part of its risk management process, the Company monitors and evaluates the credit standing of the financial institutions with which it does business. The financial institutions with which it does business are generally highly rated. The Company is exposed to counterparty risk, which is the loss it could incur if a counterparty to a derivative contract defaulted.

As of December 31, 2018, the Company's liabilities reflected 14.83 million stock warrants issued to a customer. The fair value of the stock warrant obligation is re-measured at the end of each reporting period and marked to market. The fair value of the stock warrant is dependent on a number of factors which change, including the Company's common stock price, the volatility of the Company's common stock and the risk-free interest rate. See Note E in the accompanying consolidated financial statements for further information about the fair value of the stock warrants.

The Company sponsors defined benefit pension plans and post-retirement healthcare plans for certain eligible employees. The Company's related pension expense, plans' funded status, and funding requirements are sensitive to changes in interest rates. The funded status of the plans and the annual pension expense is recalculated at the beginning of each calendar year using the fair value of plan assets, market-based interest rates at that point in time, as well as assumptions for asset returns and other actuarial assumptions. Higher interest rates could result in a lower fair value of plan assets and increased pension expense in the following years. At December 31, 2018, ABX's defined benefit pension plans had total investment assets of $625.6 million under investment management. See Note J in the accompanying consolidated financial statements for further discussion of these assets.

The Company is exposed to market risk for changes in the price of jet fuel. The risk associated with jet fuel, however, is largely mitigated by reimbursement through the agreements with its customers.
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

<table>
<thead>
<tr>
<th>Report</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>46</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>47</td>
</tr>
<tr>
<td>Consolidated Statements of Operations</td>
<td>48</td>
</tr>
<tr>
<td>Consolidated Statements of Comprehensive Income</td>
<td>49</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>50</td>
</tr>
<tr>
<td>Consolidated Statements of Stockholders’ Equity</td>
<td>51</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>52</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Air Transport Services Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Air Transport Services Group, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity, for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Table of Contents at Item 15a (2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note A to the financial statements, the Company has changed its method of accounting for revenue from contracts with customers in fiscal year 2018 due to the adoption of the new revenue standard. The Company adopted the new revenue standard using the modified retrospective approach.

Emphasis of a Matter

As discussed in Note D to the consolidated financial statements, the Company's three principal customers account for a substantial portion of the Company's revenue. The Company's financial security is dependent on its ongoing relationship with its three principal customers existing as of December 31, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 1, 2019

We have served as the Company's auditor since 2002.
### AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>$59,322</td>
<td>$32,699</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance of $1,444 in 2018 and $2,445 in 2017</td>
<td>147,755</td>
<td>109,114</td>
</tr>
<tr>
<td>Inventory</td>
<td>35,536</td>
<td>22,169</td>
</tr>
<tr>
<td>Prepaid supplies and other</td>
<td>18,608</td>
<td>20,521</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$259,221</td>
<td>$184,503</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,555,005</td>
<td>1,159,962</td>
</tr>
<tr>
<td>Lease incentive</td>
<td>63,780</td>
<td>80,684</td>
</tr>
<tr>
<td>Goodwill and acquired intangibles</td>
<td>535,359</td>
<td>44,577</td>
</tr>
<tr>
<td>Convertible note hedges</td>
<td>—</td>
<td>53,683</td>
</tr>
<tr>
<td>Other assets</td>
<td>57,220</td>
<td>25,435</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$2,470,585</strong></td>
<td><strong>$1,548,844</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$109,843</td>
<td>$99,728</td>
</tr>
<tr>
<td>Accrued salaries, wages and benefits</td>
<td>50,932</td>
<td>40,127</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>19,623</td>
<td>10,455</td>
</tr>
<tr>
<td>Current portion of debt obligations</td>
<td>29,654</td>
<td>18,512</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>19,082</td>
<td>15,850</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>229,134</strong></td>
<td><strong>184,672</strong></td>
</tr>
<tr>
<td>Long term debt</td>
<td>1,371,598</td>
<td>497,246</td>
</tr>
<tr>
<td>Convertible note obligations</td>
<td>—</td>
<td>54,359</td>
</tr>
<tr>
<td>Stock warrant obligations</td>
<td>203,782</td>
<td>211,136</td>
</tr>
<tr>
<td>Post-retirement obligations</td>
<td>64,485</td>
<td>61,355</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>51,905</td>
<td>45,353</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>113,243</td>
<td>99,444</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2,034,147</strong></td>
<td><strong>1,153,565</strong></td>
</tr>
<tr>
<td>Commitments and contingencies (Note I)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STOCKHOLDERS’ EQUITY:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, 20,000,000 shares authorized, including 75,000 Series A Junior Participating Preferred Stock</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, par value $0.01 per share; 110,000,000 shares authorized; 59,134,173 and 59,057,195 shares issued and outstanding in 2018 and 2017, respectively</td>
<td>591</td>
<td>591</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>471,158</td>
<td>471,456</td>
</tr>
<tr>
<td>Accumulated earnings (deficit)</td>
<td>56,051</td>
<td>(13,748)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(91,362)</td>
<td>(63,020)</td>
</tr>
<tr>
<td><strong>TOTAL STOCKHOLDERS’ EQUITY</strong></td>
<td><strong>436,438</strong></td>
<td><strong>395,279</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></td>
<td><strong>$2,470,585</strong></td>
<td><strong>$1,548,844</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
## Consolidated Statements of Operations

Air Transport Services Group, Inc. and Subsidiaries

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>$ 892,345</td>
<td>$ 1,068,200</td>
<td>$ 768,870</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>300,514</td>
<td>276,106</td>
<td>224,852</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>178,895</td>
<td>154,556</td>
<td>135,496</td>
</tr>
<tr>
<td>Maintenance, materials and repairs</td>
<td>146,692</td>
<td>141,575</td>
<td>119,123</td>
</tr>
<tr>
<td>Fuel</td>
<td>39,293</td>
<td>149,579</td>
<td>87,134</td>
</tr>
<tr>
<td>Contracted ground and aviation services</td>
<td>16,640</td>
<td>147,092</td>
<td>57,491</td>
</tr>
<tr>
<td>Travel</td>
<td>34,443</td>
<td>27,390</td>
<td>20,048</td>
</tr>
<tr>
<td>Landing and ramp</td>
<td>5,968</td>
<td>22,271</td>
<td>13,455</td>
</tr>
<tr>
<td>Rent</td>
<td>13,899</td>
<td>13,629</td>
<td>11,625</td>
</tr>
<tr>
<td>Insurance</td>
<td>6,112</td>
<td>4,820</td>
<td>4,456</td>
</tr>
<tr>
<td>Transaction fees</td>
<td>5,264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>33,607</td>
<td>31,782</td>
<td>24,627</td>
</tr>
<tr>
<td><strong>OPERATING INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>781,327</td>
<td>968,800</td>
<td>698,307</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSE)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>251</td>
<td>116</td>
<td>131</td>
</tr>
<tr>
<td>Non-service component of retiree benefit (costs) gains</td>
<td>8,180</td>
<td>(6,105)</td>
<td>(6,815)</td>
</tr>
<tr>
<td>Net gain (loss) on financial instruments</td>
<td>7,296</td>
<td>(79,789)</td>
<td>(18,107)</td>
</tr>
<tr>
<td>Loss from non-consolidated affiliate</td>
<td>(10,468)</td>
<td>(3,135)</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(28,799)</td>
<td>(17,023)</td>
<td>(11,318)</td>
</tr>
<tr>
<td></td>
<td>(23,540)</td>
<td>(105,936)</td>
<td>(36,109)</td>
</tr>
<tr>
<td><strong>EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</strong></td>
<td>87,478</td>
<td>(6,536)</td>
<td>34,454</td>
</tr>
<tr>
<td><strong>INCOME TAX BENEFIT (EXPENSE)</strong></td>
<td>(19,595)</td>
<td>28,276</td>
<td>(13,394)</td>
</tr>
<tr>
<td><strong>EARNINGS FROM CONTINUING OPERATIONS</strong></td>
<td>67,883</td>
<td>21,740</td>
<td>21,060</td>
</tr>
<tr>
<td><strong>EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES</strong></td>
<td>1,402</td>
<td>(3,245)</td>
<td>2,428</td>
</tr>
<tr>
<td><strong>NET EARNINGS</strong></td>
<td>$ 69,285</td>
<td>$ 18,495</td>
<td>$ 23,488</td>
</tr>
<tr>
<td><strong>BASIC EARNINGS (LOSS) PER SHARE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$ 1.16</td>
<td>$ 0.37</td>
<td>$ 0.34</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.02</td>
<td>(0.06)</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>TOTAL BASIC EARNINGS PER SHARE</strong></td>
<td>$ 1.18</td>
<td>$ 0.31</td>
<td>$ 0.38</td>
</tr>
<tr>
<td><strong>DILUTED EARNINGS (LOSS) PER SHARE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$ 0.89</td>
<td>$ 0.36</td>
<td>$ 0.33</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.02</td>
<td>(0.05)</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>TOTAL DILUTED EARNINGS PER SHARE</strong></td>
<td>$ 0.91</td>
<td>$ 0.31</td>
<td>$ 0.37</td>
</tr>
<tr>
<td><strong>WEIGHTED AVERAGE SHARES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>58,765</td>
<td>58,907</td>
<td>61,330</td>
</tr>
<tr>
<td>Diluted</td>
<td>68,356</td>
<td>59,686</td>
<td>62,994</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>NET EARNINGS</td>
<td>$ 69,285</td>
<td>$ 18,495</td>
<td>$ 23,488</td>
<td></td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME (LOSS):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined Benefit Pension</td>
<td>(28,467)</td>
<td>16,513</td>
<td>20,214</td>
<td></td>
</tr>
<tr>
<td>Defined Benefit Post-Retirement</td>
<td>256</td>
<td>204</td>
<td>(986)</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Translation</td>
<td>(131)</td>
<td>129</td>
<td>(82)</td>
<td></td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME (LOSS), net of tax</td>
<td>$ 40,943</td>
<td>$ 35,341</td>
<td>$ 42,634</td>
<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings (loss) from continuing operations</td>
<td>$67,883</td>
<td>$21,740</td>
<td>$21,060</td>
</tr>
<tr>
<td>Net earnings (loss) from discontinued operations</td>
<td>1,402</td>
<td>(3,245)</td>
<td>2,428</td>
</tr>
<tr>
<td>Adjustments to reconcile net earnings to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>204,559</td>
<td>170,751</td>
<td>140,002</td>
</tr>
<tr>
<td>Pension and post-retirement</td>
<td>3,766</td>
<td>20,933</td>
<td>11,532</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>18,986</td>
<td>(30,771)</td>
<td>13,807</td>
</tr>
<tr>
<td>Amortization of stock-based compensation</td>
<td>5,047</td>
<td>3,632</td>
<td>3,165</td>
</tr>
<tr>
<td>Net (gain) loss on financial instruments</td>
<td>(7,296)</td>
<td>79,789</td>
<td>18,107</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>25,380</td>
<td>(31,313)</td>
<td>(9,597)</td>
</tr>
<tr>
<td>Inventory and prepaid supplies</td>
<td>(3,273)</td>
<td>(4,107)</td>
<td>(5,269)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>10,724</td>
<td>23,500</td>
<td>5,603</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>(3,824)</td>
<td>(7,331)</td>
<td>(3,216)</td>
</tr>
<tr>
<td>Accrued expenses, salaries, wages, benefits and other liabilities</td>
<td>3,605</td>
<td>780</td>
<td>5,678</td>
</tr>
<tr>
<td>Pension and post-retirement assets</td>
<td>(35,293)</td>
<td>(13,083)</td>
<td>(11,819)</td>
</tr>
<tr>
<td>Other</td>
<td>6,359</td>
<td>3,717</td>
<td>1,611</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$298,025</td>
<td>$234,992</td>
<td>$193,092</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures for property and equipment</td>
<td>(292,915)</td>
<td>(296,939)</td>
<td>(264,477)</td>
</tr>
<tr>
<td>Proceeds from property and equipment</td>
<td>17,570</td>
<td>381</td>
<td>12,380</td>
</tr>
<tr>
<td>Acquisitions and investments in businesses, net of cash acquired</td>
<td>(866,558)</td>
<td>(11,792)</td>
<td>(17,395)</td>
</tr>
<tr>
<td>Redemption of long term deposits</td>
<td>—</td>
<td>9,975</td>
<td>—</td>
</tr>
<tr>
<td><strong>NET CASH (USED IN) INVESTING ACTIVITIES</strong></td>
<td>(1,141,903)</td>
<td>(298,375)</td>
<td>(269,492)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal payments on long term obligations</td>
<td>(58,640)</td>
<td>(254,446)</td>
<td>(44,069)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>945,000</td>
<td>115,000</td>
<td>185,000</td>
</tr>
<tr>
<td>Payments for financing costs</td>
<td>(9,953)</td>
<td>(7,887)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from convertible notes</td>
<td>—</td>
<td>258,750</td>
<td>—</td>
</tr>
<tr>
<td>Purchase convertible note hedges</td>
<td>—</td>
<td>(56,097)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from issuance of warrants</td>
<td>—</td>
<td>38,502</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of common stock</td>
<td>(3,581)</td>
<td>(11,184)</td>
<td>(63,570)</td>
</tr>
<tr>
<td>Withholding taxes paid for conversion of employee stock awards</td>
<td>(2,325)</td>
<td>(2,914)</td>
<td>(2,300)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY FINANCING ACTIVITIES</strong></td>
<td>$870,501</td>
<td>79,724</td>
<td>75,061</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>$26,623</td>
<td>16,341</td>
<td>(1,339)</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</td>
<td>$32,699</td>
<td>$16,358</td>
<td>$17,697</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF PERIOD</strong></td>
<td>$59,322</td>
<td>$32,699</td>
<td>$16,358</td>
</tr>
<tr>
<td><strong>SUPPLEMENTAL CASH FLOW INFORMATION:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid, net of amount capitalized</td>
<td>$17,278</td>
<td>$13,693</td>
<td>$10,738</td>
</tr>
<tr>
<td>Federal alternative minimum and state income taxes paid</td>
<td>$1,213</td>
<td>$1,938</td>
<td>$923</td>
</tr>
<tr>
<td><strong>SUPPLEMENTAL NON-CASH INFORMATION:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenditures for property and equipment</td>
<td>$11,234</td>
<td>$25,142</td>
<td>$9,118</td>
</tr>
<tr>
<td>Accrued consideration for acquisition</td>
<td>$7,845</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
AIR TRANSPORT SERVICES GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
(In thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Earnings (Deficit)</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE AT JANUARY 1, 2016</td>
<td>64,077,140</td>
<td>$641</td>
<td>$518,259</td>
<td>$55,731</td>
<td>$99,012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$364,157</td>
</tr>
<tr>
<td>Stock-based compensation plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant of restricted stock</td>
<td>171,500</td>
<td>2</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares, net of withholdings</td>
<td>42,796</td>
<td>—</td>
<td>(2,300)</td>
<td></td>
<td>(2,300)</td>
</tr>
<tr>
<td>Forfeited restricted stock</td>
<td>(4,600)</td>
<td>—</td>
<td>—</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Purchase of common stock</td>
<td>(4,825,545)</td>
<td>(48)</td>
<td>(63,522)</td>
<td></td>
<td>(63,570)</td>
</tr>
<tr>
<td>Tax benefit from common stock compensation</td>
<td></td>
<td></td>
<td>1,087</td>
<td></td>
<td>1,087</td>
</tr>
<tr>
<td>Warrants granted to customer</td>
<td></td>
<td></td>
<td>(13,271)</td>
<td></td>
<td>(13,271)</td>
</tr>
<tr>
<td>Amortization of stock awards and restricted stock</td>
<td></td>
<td></td>
<td>3,165</td>
<td></td>
<td>3,165</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td>23,488</td>
<td></td>
<td>19,146</td>
</tr>
<tr>
<td>BALANCE AT DECEMBER 31, 2016</td>
<td>59,461,291</td>
<td>$595</td>
<td>$443,416</td>
<td>$32,243</td>
<td>$79,866</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$331,902</td>
</tr>
<tr>
<td>Stock-based compensation plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant of restricted stock</td>
<td>113,000</td>
<td>1</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares, net of withholdings</td>
<td>17,441</td>
<td>—</td>
<td>(2,914)</td>
<td></td>
<td>(2,914)</td>
</tr>
<tr>
<td>Forfeited restricted stock</td>
<td>(3,900)</td>
<td>—</td>
<td>—</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Purchase of common stock</td>
<td>(530,637)</td>
<td>(5)</td>
<td>(11,179)</td>
<td></td>
<td>(11,184)</td>
</tr>
<tr>
<td>Warrants issued</td>
<td></td>
<td></td>
<td>38,502</td>
<td></td>
<td>38,502</td>
</tr>
<tr>
<td>Amortization of stock awards and restricted stock</td>
<td></td>
<td></td>
<td>3,632</td>
<td></td>
<td>3,632</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss)</strong></td>
<td></td>
<td></td>
<td>18,495</td>
<td></td>
<td>16,846</td>
</tr>
<tr>
<td>BALANCE AT DECEMBER 31, 2017</td>
<td>59,057,195</td>
<td>$591</td>
<td>$471,456</td>
<td>$13,748</td>
<td>$63,020</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$395,279</td>
</tr>
<tr>
<td>Stock-based compensation plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant of restricted stock</td>
<td>198,900</td>
<td>2</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares, net of withholdings</td>
<td>36,378</td>
<td>—</td>
<td>(2,329)</td>
<td></td>
<td>(2,329)</td>
</tr>
<tr>
<td>Forfeited restricted stock</td>
<td>(1,300)</td>
<td>—</td>
<td>—</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Purchase of common stock</td>
<td>(157,000)</td>
<td>(2)</td>
<td>(3,578)</td>
<td></td>
<td>(3,580)</td>
</tr>
<tr>
<td>Reclassification of bond hedge, net of taxes</td>
<td></td>
<td></td>
<td>(50,435)</td>
<td></td>
<td>(50,435)</td>
</tr>
<tr>
<td>Reclassification of note conversion obligation, net of taxes</td>
<td></td>
<td></td>
<td>50,999</td>
<td></td>
<td>50,999</td>
</tr>
<tr>
<td>Cumulative effect in change in accounting principle</td>
<td></td>
<td></td>
<td>514</td>
<td></td>
<td>514</td>
</tr>
<tr>
<td>Amortization of stock awards and restricted stock</td>
<td></td>
<td></td>
<td>5,047</td>
<td></td>
<td>5,047</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td></td>
<td></td>
<td>69,285</td>
<td></td>
<td>40,943</td>
</tr>
<tr>
<td>BALANCE AT DECEMBER 31, 2018</td>
<td>59,134,173</td>
<td>$591</td>
<td>$471,158</td>
<td>$56,051</td>
<td>$91,362</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$436,438</td>
</tr>
</tbody>
</table>

See notes to 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 subsidiaries primarily operate within the airfreight and logistics industry. The Company leases aircraft and provides airline operations, ground services, aircraft modification and maintenance services and other support services mainly to the cargo transportation and package delivery industries. The Company's subsidiaries offer a range of complementary services to delivery companies, freight forwarders, airlines and government customers.

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 airlines, ABX Air, Inc. (“ABX”), Air Transport International, Inc. (“ATI”), Omni Air International LLC ("OAI") 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 provides air transportation services to a concentrated base of customers. The Company provides a combination of aircraft, crews, maintenance and insurance services for a customer's transportation network through customer "CMI" and "ACMI" agreements and through charter contracts in which aircraft fuel is also included. In addition to its aircraft leasing and airline services the Company sells aircraft parts, provides aircraft maintenance and modification services, equipment maintenance services and arranges load transfer and package sorting services for customers.

Basis of Presentation

The accompanying 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 a non-consolidated 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. The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

On November 9, 2018, the Company acquired OAI, a passenger airline, along with related entities Advanced Flight Services, LLC; Omni Aviation Leasing, LLC; and T7 Aviation Leasing, LLC (referred to collectively herein as "Omi"). OAI is a leading provider of contracted passenger airlift for the U.S. Department of Defense ("DoD") via the Civil Reserve Air Fleet ("CRAF") program, and a provider of full-service passenger charter and ACMI services. OAI carries passengers worldwide for a variety of private sector customers and other government services agencies. Revenues and operating expenses include the activities of Omni for periods since their acquisition by the Company on November 9, 2018.

Use of Estimates

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

Cash and Cash Equivalents

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

Cash includes restricted cash of $5.3 million as of December 31, 2018 and none as of December 31, 2017. Restricted cash is customers’ deposits held in an escrow account as required by DOT regulations. The cash is restricted to the extent of customers’ deposits on flights not yet flown. Restricted cash is released from escrow upon completion of specific flights, which are scheduled to occur within the twelve months.

**Accounts Receivable and Allowance for Uncollectible Accounts**

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

**Inventory**

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

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

**Goodwill and Intangible Assets**

The Company assesses, during the fourth quarter of each year, the carrying value of goodwill. The assessment also requires an estimation of fair value of each reporting unit that has goodwill. The goodwill impairment test requires a comparison of the fair value of the reporting unit to its respective carrying value. If the carrying value of a reporting unit is less than its fair value no impairment exists. If the carrying amount of a reporting unit is higher than its fair value an impairment loss is recorded for the difference and charged to operations.

The Company also conducts impairment assessments of goodwill, indefinite-lived intangible assets and finite-lived intangible assets whenever events or changes in circumstance indicate an impairment may have occurred. Finite-lived intangible assets are amortized over their estimated useful economic lives.

**Property and Equipment**

Property and equipment held for use is stated at cost, net of any impairment recorded. The cost and accumulated depreciation of disposed property and equipment are removed from the accounts with any related gain or loss reflected in earnings from operations.
Depreciation of property and equipment is provided on a straight-line basis over the lesser of the asset’s useful life or lease term. Depreciable lives are summarized as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Life Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777, 767, 757 and 737 aircraft and flight equipment</td>
<td>7 to 18 years</td>
</tr>
<tr>
<td>Ground equipment</td>
<td>3 to 10 years</td>
</tr>
<tr>
<td>Leasehold improvements, facilities and office equipment</td>
<td>3 to 25 years</td>
</tr>
</tbody>
</table>

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

Aircraft and other long-lived assets are tested for impairment when circumstances indicate the carrying value of the assets may not be recoverable. To conduct impairment testing, the Company groups assets and liabilities at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset group is less than the carrying value. If impairment exists, an adjustment is recorded to write the assets down to fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined considering quoted market values, discounted cash flows or internal and external appraisals, as applicable. For assets held for sale, impairment is recognized when the fair value less the cost to sell the asset is less than the carrying value.

The Company’s accounting policy for major airframe and engine maintenance varies by subsidiary and aircraft type. The costs of airframe maintenance for Boeing 767-200 aircraft operated by ABX are expensed as they are incurred. The costs of major airframe maintenance for the Company’s other aircraft are capitalized and amortized over the useful life of the overhaul. Many of the Company's General Electric CF6 engines that power the Boeing 767-200 aircraft are maintained under “power by the hour” and "power by the cycle" agreements with an engine maintenance provider. Further, in May 2017, the Company entered into similar maintenance agreements for certain General Electric CF6 engines that power many of the Company's Boeing 767-300 aircraft. Under these agreements, the engines are maintained by the service provider for a fixed fee per cycle and/or flight hour. As a result, the cost of maintenance for these engines is generally expensed as flights occur. Maintenance for the airlines’ other aircraft engines, including Boeing 777 and Boeing 757 aircraft, are typically contracted to service providers on a time and material basis and the costs of those engine overhauls are capitalized and amortized over the useful life of the overhaul.

For aircraft leased from external lessors, the Company may be required to make periodic payments to the lessor under certain aircraft leases for future maintenance events such as engine overhauls and major airframe maintenance. Such payments are recorded as deposits until drawn for qualifying maintenance costs. The maintenance costs are expensed or capitalized in accordance with the airline's accounting policy for major airframe and engine maintenance. The Company evaluates at the balance sheet date, whether it is probable that an amount on deposit will be returned by the lessor to reimburse the costs of the maintenance activities. When it is less than probable that a deposit will be returned, it is recognized as additional maintenance expense.

**Capitalized Interest**

Interest costs incurred while aircraft are being modified are capitalized as an additional cost of the aircraft until the date the asset is placed in service. Capitalized interest was $1.8 million, $1.8 million and $1.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

**Discontinued Operations**

A business component whose operations are discontinued is reported as discontinued operations if the cash flows of the component have been eliminated from the ongoing operations of the Company and represents a strategic shift that had a major impact on the Company. The results of discontinued operations are aggregated and presented separately in the consolidated statements of operations.
Self-Insurance

The Company is self-insured for certain workers’ compensation, employee healthcare, automobile, aircraft, and general liability claims. The Company maintains excess claim coverage with common insurance carriers to mitigate its exposure to large claim losses. The Company records a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data and recent claims trends. Other liabilities included $17.6 million and $18.4 million at December 31, 2018 and December 31, 2017, respectively, for self-insured reserves. Changes in claim severity and frequency could result in actual claims being materially different than the costs accrued.

Pension and Post-Retirement Benefits

The funded status of any of the Company's defined benefit pension or post-retirement health care plan is the difference between the fair value of plan assets and the accumulated benefit obligations to plan participants. The over funded or underfunded status of a plan is reflected in the consolidated balance sheet as an asset for over funded plans, or as a liability for underfunded plans.

The funded status is ordinarily re-measured annually at year end using the fair value of plans assets, market based discount rates and actuarial assumptions. Changes in the funded status of the plans as a result of re-measuring plan assets and benefit obligations, are recorded to accumulated comprehensive loss and amortized into operating expense using a corridor approach. The Company's corridor approach amortizes variances in plan assets and benefit obligations that are a result of the previous measurement assumptions into earnings when the net deferred variances exceed 10% of the greater of the market value of plan assets or the benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants. Costs adjustments for plan amendments are also deferred and amortized over the expected working life or the life expectancy of plan participants. Irrevocable settlement transactions that relieve the Company from responsibilities of providing retiree benefits and significantly eliminate the Company's related risk may result in recognition of gains or losses from accumulated other comprehensive loss.

Customer Security and Maintenance Deposits

The Company's customer leases typically obligate the lessee to maintain the Company's aircraft in compliance with regulatory standards for flight and aircraft maintenance. The Company may require an aircraft lessee to pay a security deposit or provide a letter of credit until the expiration of the lease. Additionally, the Company's leases may require a lessee to make monthly payments toward future expenditures for scheduled heavy maintenance events. The Company records security and maintenance deposits in other liabilities. If a lease requires monthly maintenance payments, the Company is typically required to reimburse the lessee for costs they incur for scheduled heavy maintenance events after completion of the work and receipt of qualifying documentation. Reimbursements to the lessee are recorded against the previously paid maintenance deposits.

Income Taxes

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

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

The Company's Board of Directors has authorized management to repurchase outstanding common stock of the Company from time to time on the open market or in privately negotiated transactions. The authorization does not require the Company to repurchase a specific number of shares and the Company may terminate the repurchase program at any time. Upon the retirement of common stock repurchased, the excess purchase price over the par value for retired shares of common stock is recorded to additional paid-in-capital.

Stock Warrants

The Company’s accounting for warrants issued to a lessee is determined in accordance with the financial reporting guidance for equity-based payments to non-employees and for financial instruments. The warrants issued to a lessee are recorded as a lease incentive asset using their fair value at the time that the lessee has met its performance obligation. The lease incentive is amortized against revenues over the duration of related aircraft leases. The unexercised warrants are classified in liabilities and re-measured to fair value at the end of each reporting period, resulting in a non-operating gain or loss.

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive income or loss. Other comprehensive income or loss results from certain changes in the Company’s liabilities for pension and other post-retirement benefits, gains and losses associated with interest rate hedging instruments and fluctuations in currency exchange rates related to the foreign affiliate.

Fair Value Information

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

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

Revenue Recognition

Aircraft lease revenues are recognized as operating lease revenues on a straight-line basis over the term of the applicable lease agreements. Revenues generated from airline service agreements are typically recognized based on hours flown or the amount of aircraft and crew resources provided during a reporting period. Certain agreements include provisions for incentive payments based upon on-time reliability. These incentives are typically measured on a monthly basis and recorded to revenue in the corresponding month earned. Revenues for operating expenses that are reimbursed through airline service agreements, including consumption of aircraft fuel, are generally recognized as the costs are incurred. Revenues from charter service agreements are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Contracts for the sale of aircraft parts typically result in the recognition of revenue when the parts are delivered. Effective January 1, 2018 the Company records revenues and estimated earnings over time for its airframe maintenance and aircraft modification contracts using the percentage-of-completion cost input method. Prior to January 1, 2018, revenues earned and expenses incurred in providing aircraft-related maintenance, repair or modification services were usually recognized in the period in which the services were completed.
and delivered to the customer. Revenues derived from sorting parcels are recognized in the reporting period in which the services are performed.

**Accounting Standards Updates**

Effective January 1, 2018 the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” ("Topic 606") which superseded previous revenue recognition guidance. Topic 606 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. The Company's lease revenues within the scope of Accounting Standards Codification 840, Leases, ("Topic 840") are specifically excluded from Topic 606.

The Company adopted the standard using a modified retrospective approach, under which financial statements are prepared under the revised guidance for the year of adoption, but not for prior years. Under this method, entities recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for open contract performance at that time. The Company's adoption efforts included the identification of revenue within the scope of the standard, the evaluation of customer contracts in conjunction with new guidance and an assessment of the qualitative and quantitative impacts of the new standard on its financial statements. The evaluation included the application of each of the five steps identified in the Topic 606 revenue recognition model.

The Company determined that under Topic 606, it is an agent for aviation fuel and certain other costs reimbursed by customers under its ACMI and CMI contracts and for certain cargo handling services that it arranges for a customer. Under the new revenue standard, such reimbursed amounts are reported net of the corresponding expenses beginning in 2018. This application of Topic 606 did not have a material impact on the Company's reported earnings in any period. Additionally under Topic 606, the Company is required to record revenue over time, instead of at the time of completion, for certain customer contracts for airframe and modification services that do not have an alternative use and for which the Company has an enforceable right to payment during the service cycle. The Company adopted the provisions of this new standard using the modified retrospective method which requires the Company to record a one time adjustment to retained deficit for the cumulative effect that the standard has on open contracts at the time of adoption. Upon adoption of the new standard the Company accelerated $3.6 million of revenue resulting in an immaterial adjustment to its January 1, 2018 retained deficit for open airframe and modification services contracts.

In January 2017, the FASB issued ASU "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). This new standard eliminates Step 2 from the goodwill impairment test and requires an entity to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 is effective for any annual or interim goodwill impairment tests in the fiscal years beginning after December 15, 2019 and must be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this new accounting guidance on January 1, 2018. The adoption did not have an impact on the Company's financial position, results of operations, or cash flows.

In March 2017, the FASB issued ASU "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (ASU 2017-07). ASU 2017-07 requires an employer to report the service cost component of retiree benefits in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations. The Company adopted ASU 2017-07 on January 1, 2018, retrospectively to all periods presented. As a result, retiree benefit plan interest expense, investment returns, settlements and other non-service cost components of retiree benefit expenses are excluded from the Company's operating income subtotal as reported in the Company's Consolidated Statement of Operations, but remain included in earnings before income taxes. Information about retiree benefit plans' interest expense, investment returns and other components of retiree benefit expenses can be found in Note J.

In February 2016, the FASB issued ASU "Leases (Topic 842)" ("Topic 842"), which will require the recognition of right-to-use-assets and lease liabilities for leases previously classified as operating leases by lessees. Topic 842 is
effective for annual reporting periods beginning after December 15, 2018 and must be adopted using a modified retrospective approach which allows entities to either apply the new guidance to all periods presented or only to the most current period presented.

Under Topic 842, operating leases result in the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. ROU assets represent the lessee's right to use the leased asset for the lease term and lease liabilities represent the obligation to make lease payments. Under Topic 842, operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The adoption of Topic 842 will have a material impact on the Company's consolidated balance sheet due to the recognition of the ROU assets and lease liabilities. The adoption of Topic 842 is not expected to have a material impact on the Company's consolidated statement of operations or consolidated statement of cash flows. Because the Company is using the modified retrospective transition method to adopt Topic 842, it will not be applied to prior periods and have no impact on previously reported results. Upon adoption of Topic 842, the Company estimates that it will record ROU assets and a related lease liability of approximately $52 million based on the present value of operating lease payments.

The Company's aircraft lease revenues, which were about 19% of total revenues for the year December 31, 2018, are accounted for under the current lease standard, Topic 840 through December 31, 2018 and will be accounted for under Topic 842 upon adoption. The Company does not expect the adoption of Topic 842 to have a significant impact on its revenue accounting or its consolidated financial statements.

In February 2018, the FASB issued ASU “Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income” ("ASU 2018-02"). ASU 2018-02 amends ASC 220, Income Statement - Reporting Comprehensive Income, to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from U.S. federal tax legislation known as the Tax Cuts and Jobs Act. In addition, under the ASU 2018-02, a Company will be required to provide certain disclosures regarding stranded tax effects. ASU 2018-02 is effective for years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of the standard on its financial statements and disclosures.

In June 2018, the FASB issued ASU “Improvements to Non-employee Share-based Payment Accounting” ("ASU 2018-07"). ASU 2018-07 amends ASC 718, "Compensation - Stock Compensation" ("ASC 718"), to simplify the accounting for share-based payments granted to non-employees for goods and services. ASU 2018-07 supersedes ASC 505-50, "Equity-Based Payments to Non-employees" ("ASC 505-50"). ASU 2018-07 aligns much of the accounting for share-based payments granted to non-employees for goods and services with the accounting for share-based payments granted to employees. ASU 2018-07 is effective for years beginning after December 15, 2018. Companies will apply the new guidance to equity classified non-employee awards for which a measurement date has not been established and liability-classified non-employee awards that have not been settled as of the date of adoption by recognizing a cumulative-effect adjustment to retained earnings as of the beginning of the annual period of adoption. The Company is currently evaluating the impact of the standard on its financial statements and disclosures.

NOTE B—ACQUISITION OF OMNI

On November 9, 2018, the Company acquired Omni including OAI and its aircraft fleet. The Company acquired Omni for cash consideration of $867.7 million. The Company funded the all-cash acquisition by amending its senior credit agreement to issue a new term loan for $675.0 million, drawing $180.0 million from its revolving credit facility and using its available cash.

The acquisition of Omni by the Company is reported in accordance with Accounting Standards Codification 805, Business Combinations, in which the total purchase price is allocated to Omni’s tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the estimated fair value of net assets acquired was recorded as goodwill. The purchase price exceeded the fair value of the net assets acquired due to the strategic opportunities and expected benefits associated with adding Omni's capabilities to the Company's existing offerings in the market. The benefits of adding Omni include the following:

- Additional passenger transportation capabilities
- FAA operating authority for the Boeing 777 aircraft
- Increased revenues, cash flows and customer diversification
- Passenger aircraft life cycle leading to potential freighter conversion
The allocation of the purchase price to specific assets and liabilities is based, in part, upon internal estimates of assets and liabilities and independent appraisals. Based on the preliminary valuations, the following table summarizes estimated fair values of the assets acquired and liabilities assumed (in thousands) for the consideration paid:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$4,693</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>63,041</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8,366</td>
</tr>
<tr>
<td>Other assets</td>
<td>7,836</td>
</tr>
<tr>
<td>Intangibles</td>
<td>140,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>353,466</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>328,869</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(32,646)</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>(5,950)</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>$867,675</td>
</tr>
</tbody>
</table>

Property and equipment acquired includes the engines and airframes of eight Boeing 767 and three Boeing 777 passenger aircraft owned by Omni and leasehold improvements for two Boeing 767 aircraft under operating leases. The fair values assigned to the acquired aircraft were derived from market comparisons with the assistance of an independent appraiser. Depreciation expense of property and equipment is provided on a straight-line basis over the lesser of the asset’s remaining useful life or lease term. The estimated remaining life of these airframes range between seven and eighteen years. The estimated life of the airframes and engines include the Company’s intent to convert a portion of Omni's passenger aircraft to freighter aircraft after the aircraft are no longer used for passengers. The value of major airframe maintenance and engine overhauls are depreciated over the useful life of the overhaul. Intangible assets consisted of $134.0 million for customer relationships and $6.0 million for airline certificates. The value assigned to Omni’s customer relationships was determined by discounting the estimated cash flows associated with the existing customers as of the acquisition date, taking into consideration expected attrition of the existing customer base. The estimated cash flows were based on revenues for those existing customers, net of operating expenses and net contributory asset charges associated with servicing those customers. The estimated revenues were based on revenue growth rates and customer renewal rates. Operating expenses were estimated based on the supporting infrastructure expected to sustain the assumed revenue levels. The customer relationship intangibles are estimated to amortize over seven to twenty years on a straight-line basis and airline certificates have indefinite lives and therefore are not amortized. The goodwill is deductible for U.S. income tax purposes over 15 years.

The following table provides unaudited pro forma financial results (in thousands) for the Company after giving effect to the acquisition of Omni and adjustments described below. This information is based on adjustments to the historical consolidated financial statements of Omni using the purchase method of accounting for business combinations as if the acquisition had taken place on January 1, 2017. The unaudited pro forma adjustments do not include any of the cost savings and other synergies which may result from the acquisition. These unaudited pro forma financial results are based on assumptions considered appropriate by management and include all material adjustments as considered necessary. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of results that would have actually been reported as of the date or for the year presented had the acquisition taken place on such date or at the beginning of the year indicated, or to project the Company’s financial position or results of operations which may be reported in the future (in thousands).

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Pro forma revenues</td>
<td>1,320,234</td>
</tr>
<tr>
<td>Pro forma net earnings from continuing operations</td>
<td>88,454</td>
</tr>
</tbody>
</table>

Revenues for 2018 reflect the adoption of Topic 606 prospectively on January 1, 2018, as described in Note O. Under this new revenue standard, such reimbursed amounts are reported net of the corresponding expenses beginning
in 2018. Pro forma revenues for 2017 included $289.4 million of reimbursed expenses. The following adjustments were made to the historical financial records to create the unaudited pro forma information in the table above:

- Adjustments to eliminate transactions between the Company and Omni during the years ended December 31, 2017 and the ten and one half months ended November 9, 2018 respectively.
- Adjustment to reflect estimated additional depreciation and amortization expense of $10.6 million and $10.0 million for the year ended December 31, 2017 and the ten and one half months ended November 9, 2018, respectively, resulting primarily from the fair value adjustments to Omni’s intangible assets. Pro forma combined depreciation expense for the periods presented reflect the increased fair values of the aircraft acquired and longer useful lives of the aircraft, indicative of the Company's polices and intent to modify certain aircraft to freighters as an aircraft is removed from passenger service.
- Adjustment to reflect additional interest expense and amortization of debt issuance costs for the year ended December 31, 2017 and the ten and one half months ended November 9, 2018, related to the combined $855 million from an unsubordinated term loan and revolving facility draws using the prevailing rates of 4.57%.
- Adjustment to apply the statutory tax rate of the Company to the pre-tax earnings of Omni and the pro forma adjustments for the year ended December 31, 2017 and the ten and one half months ended November 9, 2018. Omni had historically elected to be treated as pass-through entities for income tax purposes. Accordingly, no provision for income taxes had been made in Omni’s consolidated statements of earnings. The adjustments reflect tax rates of 35% for 2017 and 22.58% for the first ten and one half months ended November 9, 2018.
- Adjustment to remove acquisition related expenses of $5.3 million for professional fees and classified as "Transaction fees " within the consolidated statement of operations for 2018.

### NOTE C—GOODWILL, INTANGIBLES AND EQUITY INVESTMENTS

As of December 31, 2018, 2017 and 2016, the goodwill amount for CAM was tested for impairment. To perform the goodwill impairment test, the Company determined the fair value of CAM using industry market multiples and discounted cash flows utilizing a market-derived rate of return (level 3 fair value inputs). The goodwill included in the CAM segment was not impaired. Similarly, as of December 31, 2018 and 2017, the goodwill amount recorded for the acquisition of PEMCO World Air Services, Inc., ("Pemco"), a business unit included in MRO Services, was tested for impairment. To perform the goodwill impairment test, the Company determined the fair value of Pemco, using industry market multiples and discounted cash flows utilizing a market-derived rate of return (level 3 fair value inputs). The goodwill recorded from the Pemco acquisition was not impaired.

As disclosed in Note B, on November 9, 2018, the Company acquired Omni. The purchase price was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess purchase price over the estimated fair value of net assets acquired was recorded as goodwill. Identified intangible assets included OAI's certificated authority granted by the FAA to operate as an airline and OAI's long term customer relationships.

The carrying amounts of goodwill are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>CAM</th>
<th>ACMI Services</th>
<th>MRO Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value as of December 31, 2016</td>
<td>$34,395</td>
<td>$—</td>
<td>$2,738</td>
<td>$37,133</td>
</tr>
<tr>
<td>Purchase price adjustment for the acquisition of Pemco</td>
<td>$—</td>
<td>$—</td>
<td>$146</td>
<td>$146</td>
</tr>
<tr>
<td>Carrying value as of December 31, 2017</td>
<td>$34,395</td>
<td>$—</td>
<td>$2,884</td>
<td>$37,279</td>
</tr>
<tr>
<td>Acquisition of Omni</td>
<td>118,895</td>
<td>234,571</td>
<td>$—</td>
<td>353,466</td>
</tr>
<tr>
<td>Carrying value as of December 31, 2018</td>
<td>$153,290</td>
<td>$234,571</td>
<td>$2,884</td>
<td>$390,745</td>
</tr>
</tbody>
</table>
The Company's acquired intangible assets are as follows (in thousands):

<table>
<thead>
<tr>
<th>Carrying value as of December 31, 2016</th>
<th>Airline Certificates</th>
<th>Amortizing Intangibles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 3,000</td>
<td>$ 5,453</td>
<td>$ 8,453</td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>(1,155)</td>
<td>(1,155)</td>
</tr>
<tr>
<td>Carrying value as of December 31, 2017</td>
<td>$ 3,000</td>
<td>$ 4,298</td>
<td>$ 7,298</td>
</tr>
<tr>
<td>Acquisition of Omni</td>
<td>6,000</td>
<td>134,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>(2,684)</td>
<td>(2,684)</td>
</tr>
<tr>
<td>Carrying value as of December 31, 2018</td>
<td>$ 9,000</td>
<td>$ 135,614</td>
<td>$ 144,614</td>
</tr>
</tbody>
</table>

The airline certificates have an indefinite life and therefore are not amortized. The Company amortizes finite-lived intangibles assets, including customer relationship and STC intangibles, over 4 to 20 years. The Company recorded intangible amortization expense of $2.7 million, $1.2 million and $0.3 million for the years ending December 31, 2018, 2017 and 2016, respectively. Estimated amortization expense for the next five years is $11.7 million, $11.7 million, $10.9 million, $10.9 million and $10.9 million.

Stock warrants issued to a lessee (see Note D) as an incentive are recorded as a lease incentive asset using their fair value at the time that the lessee has met its performance obligation and amortized against revenues over the duration of related aircraft leases. The Company’s lease incentive granted to the lessee was as follows (in thousands):

| Carrying value as of December 31, 2016 | $ 54,730 |
| Warrants granted                      | 39,940   |
| Amortization                          | (15,986) |
| Carrying value as of December 31, 2017| $ 80,684 |
| Amortization                          | (16,904) |
| Carrying value as of December 31, 2018| $ 63,780 |

The lease incentive began to amortize in April 2016, with the commencement of certain aircraft leases. Based on the warrants granted as of December 31, 2018, the Company expects to record amortization, as a reduction to the lease revenue, of $16.9 million, $16.9 million, $11.7 million, $8.3 million and $7.9 million for each of the next five years ending December 31, 2023.

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 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, and Boeing 767 and 737 aircraft. West leases four Boeing 767 aircraft and two Boeing 737 from the Company.

On August 3, 2017 the Company entered into a joint-venture agreement with Precision Aircraft Solutions, LLC, to develop a passenger-to-freighter conversion program for Airbus A321-200 aircraft. The Company anticipates approval of a supplemental type certificate from the FAA in 2020. The Company expects to make contributions equal to its 49% ownership percentage of the program's total costs over the next two years. During the 2018 and 2017 years, the Company contributed $11.4 million and $8.7 million to the joint venture, respectively.

The Company accounts for its investment in West and the aircraft conversion joint venture under the equity method of accounting, in which the carrying value of each investment is reduced for the Company's share of the non-consolidated affiliates operating results. The carrying value of West and the joint venture totaled $12.5 million and $12.7 million at December 31, 2018 and 2017, respectively, and are reflected in "Other Assets" in the Company’s consolidated balance sheets. The Company’s carrying value of West included $5.5 million of excess purchase price over the Company’s fair value of West's identified nets assets in January of 2014 and $2.4 million paid to West in 2017 for a preferred equity
instrument. The Company monitors its investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with GAAP. If the Company determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded carrying value and the fair value of the investment. The fair value is generally determined using an income approach based on discounted cash flows or using negotiated transaction values.

NOTE D—SIGNIFICANT CUSTOMERS

DHL

The Company has had long term contracts with DHL Network Operations (USA), Inc. and its affiliates ("DHL") since August 2003. Revenues from aircraft leases and related services performed for DHL were approximately 26%, 24% and 34% of the Company's consolidated revenues from continuing operations for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues excluding directly reimbursed expenses from continuing operations performed for DHL comprised approximately 30% and 37% of the Company's consolidated revenues from continuing operations for the years ended December 31, 2017 and 2016, respectively. The Company's balance sheets include accounts receivable with DHL of $13.4 million and $15.7 million as of December 31, 2018 and December 31, 2017, respectively.

The Company leases Boeing 767 aircraft to DHL under both long-term and short-term lease agreements. Under a separate crew, maintenance and insurance ("CMI") agreement, the Company operates Boeing 767 aircraft that DHL leases from the Company. Pricing for services provided through the CMI agreement is based on pre-defined fees, scaled for the number of aircraft operated and the number of flight crews provided to DHL for its U.S. network. The Company provides DHL with scheduled maintenance services for aircraft that DHL leases. The Company also provides Boeing 767 and Boeing 757 air cargo transportation services for DHL through additional ACM agreements in which the Company provides the aircraft, crews, maintenance and insurance under a single contract. Revenues generated from the ACM agreements are typically based on hours flown. The Company also provides ground equipment, such as power units, air starts and related maintenance services to DHL under separate agreements.

Amazon

The Company has been providing freighter aircraft and services for cargo handling and logistical support for Amazon.com Services, Inc. ("ASI"), successor to Amazon Fulfillment Services, Inc., a subsidiary of Amazon.com, Inc. ("Amazon") since September 2015. On March 8, 2016, the Company entered into an Air Transportation Services Agreement (the “ATS”) with ASI, pursuant to which CAM leases 20 Boeing 767 freighter aircraft to ASI, including 12 Boeing 767-200 freighter aircraft for a term of five years and eight Boeing 767-300 freighter aircraft for a term of seven years. The ATS also provides for the operation of those aircraft by the Company’s airline subsidiaries, and the management of ground services by the Company's subsidiary LGSTX Services Inc. ("LGSTX"). The ATS became effective on April 1, 2016 and had an original term of five years.

In conjunction with the execution of the ATS, the Company and Amazon entered into an Investment Agreement and a Stockholders Agreement on March 8, 2016. The Investment Agreement calls for the Company to issue warrants in three tranches which will grant Amazon the right to acquire up to 19.9% of the Company’s outstanding common shares as described below. The first tranche of warrants, issued upon the execution of the Investment Agreement and all of which are now fully vested, granted Amazon the right to purchase approximately 12.81 million ATSG common shares, with the first 7.69 million common shares vesting upon issuance on March 8, 2016, and the remaining 5.12 million common shares vesting as the Company delivered additional aircraft leased under the ATS. The second tranche of warrants, which were issued and vested on March 8, 2018, grants Amazon the right to purchase approximately 1.59 million ATSG common shares. The third tranche of warrants will be issued and vest on September 8, 2020, and will grant Amazon the right to purchase such additional number of ATSG common shares as is necessary to bring Amazon’s ownership to 19.9% of the Company’s pre-transaction outstanding common shares measured on a GAAP-diluted basis, adjusted for share issuances and repurchases by the Company following the date of the Investment Agreement and after giving effect to the warrants granted. The exercise price of the warrants is $9.73 per share, which represents the closing price of ATSG’s common shares on February 9, 2016. Each of the three tranches of warrants are exercisable in accordance with its terms through March 8, 2021.
The Company’s accounting for the warrants has been determined in accordance with the financial reporting guidance for equity-based payments to non-employees and for financial instruments. The warrants issued to Amazon as of March 8, 2016, were recorded to stockholders equity, having a fair value of $4.89 per share. At that time, the fair value of the 7.69 million vested warrants issued to Amazon was recorded as a lease incentive asset and is being amortized against revenues over the duration of the aircraft leases. On May 12, 2016, the Company’s stockholders approved an amendment to the Certificate of Incorporation of the Company at the annual meeting of stockholders to increase the number of authorized common shares and to approve the warrants in full as required under the rules of the Nasdaq Global Select Market. The stockholders' approval enabled features of the warrants that required the vested warrants of the first tranche and the warrants of the second and third tranches to be classified as financial instruments as of May 12, 2016. Accordingly, the fair value of those warrants was measured and classified in liabilities on that date. Since May 12, 2016, 5.1 million additional warrants vested in conjunction with the execution of eight aircraft leases. As of December 31, 2018, the Company's liabilities reflected 14.83 million warrants having a fair value of $13.76 per share. During the years ended December 31, 2018 and 2017, the re-measurements of the warrants to fair value resulted in a non-operating gain of $7.4 million and non-operating losses of $81.8 million before the effect of income taxes, respectively.

On December 22, 2018 the Company announced agreements with Amazon to 1) lease and operate ten additional Boeing 767-300 aircraft for ASI, 2) extend the term of the 12 Boeing 767-200 aircraft currently leased to ASI by two years to 2023 with an option for three more years, 3) extend the term of the eight Boeing 767-300 aircraft currently leased to ASI by three years to 2026 and 2027 with an option for three more years, and 4) extend the ATSA by five years through March 2026, with an option to extend for an additional three years. The Company plans to deliver five of the 767-300 aircraft in 2019 and the remainder in 2020. All ten of these aircraft leases will be for ten years.

In conjunction with the commitment for ten additional 767 aircraft leases, extensions of twenty existing Boeing 767 aircraft leases and the ATSA described above, Amazon will be issued warrants for 14.8 million common shares which could expand its potential ownership in the Company to approximately 33.2%, including the warrants described above for the 2016 agreements. These new warrants will vest as existing leases are extended and additional aircraft leases are executed and added to the ATSA operations. These new warrants will expire if not exercised within seven years from their issuance date. They have an exercise price of $21.53 per share, based on the volume-weighted average price of the Company's shares over the 30 trading days immediately preceding execution of a non-binding term sheet by the parties on October 29, 2018.

Additionally, Amazon will be able to earn incremental warrant rights, increasing its potential ownership from 33.2% up to approximately 39.9% of the Company, by leasing up to seventeen more cargo aircraft from the Company before January 2026. Incremental warrants granted for Amazon’s commitment to any such future aircraft leases will have an exercise price of the $21.53 referenced above, provided the parties reach binding agreements on future lease terms before April 2019. Beginning in April 2019, pricing of warrants related to future aircraft leases will be based on the volume-weighted average price of ATSG’s shares during the 30 trading days immediately preceding contractual commitment for each lease.

The warrants potentially issuable under these new agreements with Amazon will require an increase in the number of authorized common shares of the Company. Management intends to submit a proposal calling for an appropriate increase in the number of authorized common shares for shareholder consideration at the Company’s next annual meeting of shareholders in May 2019. None of these warrants had been issued or vested as of December 31, 2018.

Revenues from continuing operations performed for Amazon comprised approximately 27%, 44% and 29% of the Company's consolidated revenues from continuing operations for the years ending December 31, 2018, 2017 and 2016, respectively. Revenues excluding directly reimbursed expenses from continuing operations performed for Amazon comprised approximately 27% and 18% of the Company's consolidated revenues from continuing operations for the years ended December 31, 2017 and 2016, respectively. The Company’s balance sheets include accounts receivable with Amazon of $29.2 million and $44.2 million as of December 31, 2018 and December 31, 2017, respectively.

The Company's earnings in future periods will be impacted by the number of warrants granted, the re-measurements of warrant fair value, amortizations of the lease incentive asset and the related income tax effects. For income tax calculations, the value and timing of related tax deductions will differ from the guidance described above for financial reporting.
DoD

The Company is a provider of cargo and passenger airlift services to the DoD. The DoD awards flights to U.S. certificated airlines through annual contracts and through temporary "expansion" routes. Revenues from services performed for the DoD were approximately 15%, 7% and 12% of the Company's total revenues from continuing operations for the years ended December 31, 2018, 2017 and 2016, respectively, including revenues for Omni beginning November 9, 2018. Revenues excluding directly reimbursed expenses from continuing operations performed for the DoD comprised approximately 10% and 14% of the Company's consolidated revenues from continuing operations for the years ended December 31, 2017 and 2016, respectively. The Company's balance sheets included accounts receivable with the DoD of $50.5 million and $6.7 million as of December 31, 2018 and December 31, 2017, respectively.

NOTE E—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, stock warrant obligations, convertible note, convertible note hedges and interest rate swaps are based on observable inputs (Level 2) from comparable market transactions. The fair value of the stock warrant obligations were determined using a Black-Scholes pricing model which considers the Company’s common stock price and various assumptions, such as the volatility of the Company’s common stock, the expected dividend yield, and the risk-free interest rate. The fair value of the note conversion obligations and the convertible note hedges were estimated using a Black-Scholes pricing model and incorporate the terms and conditions of the underlying financial instruments. The valuations are, among other things, subject to changes in both the Company's credit worthiness and the counterparties to the instruments as well as change in general market conditions. While the change in fair value of the note conversion obligations and the convertible note hedges are generally expected to move in opposite directions, the net change in any given period may be material.

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

<table>
<thead>
<tr>
<th>As of December 31, 2018</th>
<th>Fair Value Measurement Using</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents—money market</td>
<td>$</td>
<td>—</td>
<td>$17,986</td>
<td>—</td>
<td>$17,986</td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>—</td>
<td>$2,971</td>
<td>—</td>
<td></td>
<td>$2,971</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$</td>
<td>—</td>
<td>$20,957</td>
<td>—</td>
<td>$20,957</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>$</td>
<td>—</td>
<td>$(1,138)</td>
<td>—</td>
<td>$(1,138)</td>
</tr>
<tr>
<td>Stock warrant obligations</td>
<td>—</td>
<td>$(203,782)</td>
<td>—</td>
<td></td>
<td>$(203,782)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$</td>
<td>—</td>
<td>$(204,920)</td>
<td>—</td>
<td>$(204,920)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of December 31, 2017</th>
<th>Fair Value Measurement Using</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents—money market</td>
<td>$</td>
<td>—</td>
<td>$1,326</td>
<td>—</td>
<td>$1,326</td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>—</td>
<td>$1,840</td>
<td>—</td>
<td></td>
<td>$1,840</td>
</tr>
<tr>
<td>Convertible note hedges</td>
<td>—</td>
<td>$53,683</td>
<td>—</td>
<td></td>
<td>$53,683</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$</td>
<td>—</td>
<td>$56,849</td>
<td>—</td>
<td>$56,849</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note conversion obligations</td>
<td>$</td>
<td>—</td>
<td>$(54,359)</td>
<td>—</td>
<td>$(54,359)</td>
</tr>
<tr>
<td>Stock warrant obligation</td>
<td>—</td>
<td>$(211,136)</td>
<td>—</td>
<td></td>
<td>$(211,136)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$</td>
<td>—</td>
<td>$(265,495)</td>
<td>—</td>
<td>$(265,495)</td>
</tr>
</tbody>
</table>

64
At December 31, 2018 each stock warrant was valued at $13.76 using a risk-free interest rate of 2.5% and a stock volatility of 37.5%, based on the time period corresponding with the expiration period of the warrants (see Note D). At December 31, 2017, each stock warrant was valued at $14.24 using a risk-free rate of 2% and a stock volatility of 34%. At December 31, 2018 the value of the convertible note hedges and note conversion obligations were valued was valued at $50.0 million and $50.8 million respectively using a risk free interest rate of 2.5% and stock volatility of 36%. At December 31, 2017 the value of the convertible note hedges and note conversion obligations were valued using a risk free interest rate of 2.3% and stock volatility of 34%.

As a result of higher market interest rates compared to the stated interest rates of the Company’s fixed rate debt obligations, the fair value of the Company’s debt obligations, based on Level 2 observable inputs, was approximately $6.0 million less than the carrying value, which was $1,401.3 million at December 31, 2018. As of December 31, 2017, the fair value of the Company’s debt obligations was approximately $9.1 million more than the carrying value, which was $515.8 million. The non-financial assets, including goodwill, intangible assets and property and equipment are measured at fair value on a non-recurring basis.

NOTE F—PROPERTY AND EQUIPMENT

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

<table>
<thead>
<tr>
<th>Property and equipment, net</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flight equipment</td>
<td>$2,340,840</td>
<td>$1,801,808</td>
</tr>
<tr>
<td>Ground equipment</td>
<td>57,455</td>
<td>53,523</td>
</tr>
<tr>
<td>Leasehold improvements, facilities and office equipment</td>
<td>28,745</td>
<td>26,897</td>
</tr>
<tr>
<td>Aircraft modifications and projects in progress</td>
<td>74,449</td>
<td>121,760</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(946,484)</td>
<td>(844,026)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$1,555,005</td>
<td>$1,159,962</td>
</tr>
</tbody>
</table>

CAM owned aircraft with a carrying value of $803.7 million and $697.4 million that were under leases to external customers as of December 31, 2018 and 2017, respectively. Minimum future payments from external customers for leased aircraft and equipment as of December 31, 2018 is scheduled to be $142.3 million, $127.1 million, $124.3 million, $121.2 million and $87.1 million for each of the next five years ending December 31, 2023.

NOTE G—DEBT OBLIGATIONS

Debt obligations consisted of the following (in thousands):

<table>
<thead>
<tr>
<th>Debt obligations</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsubordinated term loans</td>
<td>$721,406</td>
<td>$70,568</td>
</tr>
<tr>
<td>Revolving credit facility</td>
<td>475,000</td>
<td>245,000</td>
</tr>
<tr>
<td>Aircraft loan</td>
<td>—</td>
<td>3,640</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>204,846</td>
<td>196,550</td>
</tr>
<tr>
<td>Total debt obligations</td>
<td>1,401,252</td>
<td>515,758</td>
</tr>
<tr>
<td>Less: current portion</td>
<td>(29,654)</td>
<td>(18,512)</td>
</tr>
<tr>
<td>Total long term obligations, net</td>
<td>$1,371,598</td>
<td>$497,246</td>
</tr>
</tbody>
</table>

The Company executed a syndicated credit agreement ("Senior Credit Agreement") in May 2011 which includes an unsubordinated term loan and a revolving credit facility. Effective November 9, 2018, in conjunction with the
acquisition of Omni, the Company amended its Senior Credit Agreement. The amendment continued the secured revolving credit facility and the existing secured term loan while securing a second term loan of $675.0 million. The amendment also increased the accordion feature such that the Company can draw up to an additional $400.0 million subject to the lenders' consent. The Senior Credit Agreement expires May 30, 2023. Each year, through May 6, 2019, the Company may request a one year extension of the final maturity date, subject to the lenders' consent. The Senior Credit Agreement permits additional indebtedness of up to $300.0 million of which $258.8 million has been utilized for the issuance of convertible notes. The Senior Credit Agreement limits the amount of dividends the Company can pay and the amount of common stock it can repurchase to $100.0 million during any calendar year, provided the Company's total secured debt to earnings before interest, taxes, depreciation and amortization expenses ("EBITDA") ratio is under 3.00 times, after giving effect to the dividend or repurchase. As of December 31, 2018, the unused revolving credit facility totaled $57.9 million, net of draws of $475.0 million and outstanding letters of credit of $12.1 million.

The Senior Credit Agreement is collateralized by certain of the Company's Boeing 777, 767 and 757 aircraft. Under the terms of the Senior Credit Agreement, the Company is required to maintain collateral coverage equal to 110% of the outstanding balance of the term loans and the total funded revolving credit facility. 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 $545.0 million.

During 2018, the aircraft loan was paid in full. The balance of the unsecured term loans is net of debt issuance costs of $9.8 million and $0.7 million for the years ended December 31, 2018 and 2017, respectively. Under the terms of the Senior Credit Agreement, interest rates are adjusted at least quarterly based on the Company's 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 unsecured term loans and revolving credit facility bear variable interest rates of 4.78%, 4.64% and 4.78%, respectively.

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.

In September 2017, the Company issued $258.8 million aggregate principal amount of 1.125% Convertible Senior Notes due 2024 ("Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The Notes bear interest at a rate of 1.125% per year payable semi-annually in arrears on April 15 and October 15 each year, beginning April 15, 2018. The Notes mature on October 15, 2024, unless repurchased or converted in accordance with their terms prior to such date. The Notes are unsecured indebtedness, subordinated to the Company's existing and future secured indebtedness and other liabilities, including trade payables. Conversion of the Notes can only occur upon satisfaction of certain conditions and during certain periods, beginning any calendar quarter commencing after December 31, 2017 and thereafter, until the close of business on the second scheduled trading day immediately preceding the maturity date. Upon the occurrence of certain fundamental changes, holders of the Notes can require the Company to repurchase their notes at the cash redemption price equal to the principal amount of the notes, plus any accrued and unpaid interest.

The Notes may be settled in cash, the Company’s common shares or a combination of cash and the Company’s common shares, at the Company’s election. The initial conversion rate is 31.3475 common shares per $1,000 principal amount of Notes (equivalent to an initial conversion price of approximately $31.90 per common share). If a “make-whole fundamental change” (as defined in the offering circular with the Notes) occurs, the Company will, in certain circumstances, increase the conversion rate for a specified period of time.

In conjunction with the Notes, the Company purchased convertible note hedges under privately negotiated transactions for $56.1 million, having the same number of the Company's common shares, 8.1 million shares and same strike price of $31.90, that underlie the Notes. The convertible note hedges are expected to reduce the potential equity dilution with respect to the Company's common stock, and/or offset any cash payments in excess of the principal amount due, as the case may be, upon conversion of the Notes. The Company's current intent and policy is to settle all Note conversions through a combination settlement which satisfies the principal amount of the Notes outstanding with cash. The Notes could have a dilutive effect on the computation of earnings per share in accordance with accounting principles.
to the extent that the average traded market price of the Company’s common shares for a reporting period exceeds the conversion price.

The conversion feature of the Notes required bifurcation from the principal amount under the applicable accounting guidance. Settlement provisions of the Notes and the convertible note hedges required cash settlement of these instruments until the Company’s shareholders increased the number of authorized shares of common stock to cover the full number of shares underlying the Notes. As a result, the conversion feature of the Notes and the convertible note hedges were initially accounted for as liabilities and assets, respectively, and marked to market at the end of each period. The fair value of the note conversion obligation at issuance was $57.4 million.

On May 10, 2018, the Company's shareholders increased the number of authorized shares of common stock to cover the full number of shares underlying the Notes. The Company reevaluated the Notes and convertible note hedges under the applicable accounting guidance including ASC 815, "Derivatives and Hedging," and determined that the instruments, which meet the definition of derivative and are indexed to the Company's own stock, should be classified in shareholder's equity. The fair value of the the conversion feature of the Notes and the convertible note hedges of $51.3 million and $50.6 million, respectively on May 10, 2018 were reclassified to paid-in capital.

The net proceeds from the issuance of the Notes were approximately $252.3 million, after deducting initial issuance costs. These unamortized issuance costs and discount are being amortized to interest expense through October 2024, using an effective interest rate of approximately 5.15%. The carrying value of the Company's Convertible debt is shown below.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal value, Convertible Senior Notes, due 2024</td>
<td>258,750</td>
<td>258,750</td>
</tr>
<tr>
<td>Unamortized issuance costs</td>
<td>(5,799)</td>
<td>(6,685)</td>
</tr>
<tr>
<td>Unamortized discount</td>
<td>(48,105)</td>
<td>(55,515)</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>204,846</td>
<td>196,550</td>
</tr>
</tbody>
</table>

In conjunction with the offering of the Notes, the Company also sold warrants to the convertible note hedge counterparties in separate, privately negotiated warrant transactions at a higher strike price and for the same number of the Company’s common shares, subject to customary anti-dilution adjustments. The amount received for these warrants and recorded in Stockholders' Equity in the Company’s consolidated balance sheets was $38.5 million. These warrants could result in 8.1 million additional shares of the Company's common stock, if the Company's traded market price exceeds the strike price which is $41.35 per share and is subject to certain adjustments under the terms of the warrant transactions. The warrants could have a dilutive effect on the computation of earnings per shares to the extent that the average traded market price of the Company's common shares for a reporting periods exceed the strike price.

The scheduled cash principal payments for the Company's debt obligations, as of December 31, 2018, for the next five years are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Principal Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 31,875</td>
</tr>
<tr>
<td>2020</td>
<td>48,750</td>
</tr>
<tr>
<td>2021</td>
<td>48,750</td>
</tr>
<tr>
<td>2022</td>
<td>45,000</td>
</tr>
<tr>
<td>2023</td>
<td>1,031,875</td>
</tr>
<tr>
<td>2024 and beyond</td>
<td>258,750</td>
</tr>
<tr>
<td>Total principal cash payments</td>
<td>1,465,000</td>
</tr>
<tr>
<td>Less: unamortized issuance costs and discounts</td>
<td>(63,748)</td>
</tr>
<tr>
<td>Total debt obligations</td>
<td>$ 1,401,252</td>
</tr>
</tbody>
</table>
NOTE H—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 the original term loan and twenty-five percent of the outstanding balance of the second term loan issued in November 2018. Accordingly, the Company entered into an additional interest rate swap in December 2018 having an initial value of $150.0 million and a forward start date of December 31, 2018. The table below provides information about the Company’s interest rate swaps (in thousands):

<table>
<thead>
<tr>
<th>Expiration Date</th>
<th>Stated Interest Rate</th>
<th>December 31, 2018</th>
<th></th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional Amount</td>
<td>Market Value (Liability)</td>
<td>Notional Amount</td>
<td>Market Value (Liability)</td>
</tr>
<tr>
<td>May 5, 2021</td>
<td>1.090%</td>
<td>28,125</td>
<td>650</td>
<td>35,625</td>
</tr>
<tr>
<td>May 30, 2021</td>
<td>1.703%</td>
<td>28,125</td>
<td>366</td>
<td>35,625</td>
</tr>
<tr>
<td>December 31, 2021</td>
<td>2.706%</td>
<td>150,000</td>
<td>(1,138)</td>
<td>—</td>
</tr>
<tr>
<td>March 31, 2022</td>
<td>1.900%</td>
<td>50,000</td>
<td>829</td>
<td>50,000</td>
</tr>
<tr>
<td>March 31, 2022</td>
<td>1.950%</td>
<td>75,000</td>
<td>1,126</td>
<td>75,000</td>
</tr>
</tbody>
</table>

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 a net loss on derivatives of $8.0 thousand and net gains of $1.4 million and $1.0 million for the years ending December 31, 2018, 2017 and 2016, respectively. The liability for outstanding derivatives is recorded in other liabilities and in accrued expenses.

The Company recorded a net loss before the effects of income taxes of $0.1 million and a net gain before the effects of income taxes of $0.6 million during the years ended December 31, 2018 and 2017, respectively, for the revaluation of the convertible note hedges and the note conversion obligations to fair value before these instruments were reclassified to paid-in-capital.

NOTE I—COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases portions of the air park in Wilmington, Ohio, under lease agreements with a regional port authority, the terms of which expire in May of 2019 and June of 2036 with options to extend the leases. 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. The Company also leases and operates a 311,500 square foot, two hangar aircraft maintenance complex in the Tampa International Airport in Florida. Additionally, the Company leases approximately 82,500 square feet of office and warehouse space at the Tulsa International Airport in Oklahoma. The Company leases two Boeing 767 aircraft, certain equipment and airport facilities, office space, and maintenance facilities at locations outside of the airpark in Wilmington.
The future minimum lease payments of the Company as of December 31, 2018 are scheduled below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Facility Leases</th>
<th>Aircraft and Other Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 10,898</td>
<td>$ 6,607</td>
</tr>
<tr>
<td>2020</td>
<td>9,903</td>
<td>5,515</td>
</tr>
<tr>
<td>2021</td>
<td>8,348</td>
<td>4,355</td>
</tr>
<tr>
<td>2022</td>
<td>5,233</td>
<td>1,502</td>
</tr>
<tr>
<td>2023</td>
<td>3,140</td>
<td>1,501</td>
</tr>
<tr>
<td>2024 and beyond</td>
<td>10,461</td>
<td>2,001</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>$ 47,983</strong></td>
<td><strong>$ 21,481</strong></td>
</tr>
</tbody>
</table>

**Purchase Commitments**

The Company has agreements with Israel Aerospace Industries Ltd. ("IAI") for the conversion of Boeing 767 passenger aircraft into a standard configured freighter aircraft. The conversions primarily consist of the installation of a standard cargo door and loading system. At December 31, 2018, the Company had commitments to acquire three Boeing 767-300 passenger aircraft and complete the freighter modification of two aircraft, totaling $39.1 million. Additionally, the Company placed non-refundable deposits of $29.4 million to purchase 20 more Boeing 767-300 passenger aircraft through 2021. The Company could incur a cancellation fee with IAI for unused modification part kits.

**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.

**Other**

In addition to the foregoing matters, the Company is also a party to legal proceedings in various federal and state jurisdictions from time to time 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, the Company believes that its ultimate liability, if any, arising from 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 December 31, 2018, the flight crewmember employees of ABX, ATI and Omni and flight attendant employees of ATI and Omni were represented by the labor unions listed below:

<table>
<thead>
<tr>
<th>Airline</th>
<th>Labor Agreement Unit</th>
<th>Percentage of the Company’s Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABX</td>
<td>International Brotherhood of Teamsters</td>
<td>6.5%</td>
</tr>
<tr>
<td>ATI</td>
<td>Air Line Pilots Association</td>
<td>6.7%</td>
</tr>
<tr>
<td>Omni</td>
<td>International Brotherhood of Teamsters</td>
<td>6.9%</td>
</tr>
<tr>
<td>ATI</td>
<td>Association of Flight Attendants</td>
<td>1.0%</td>
</tr>
<tr>
<td>Omni</td>
<td>Association of Flight Attendants</td>
<td>8.2%</td>
</tr>
</tbody>
</table>
NOTE J—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.

ABX measures plan assets and benefit obligations as of December 31 of each year. Information regarding ABX’s sponsored defined benefit pension plans and post-retirement healthcare plans follow below. The accumulated benefit obligation reflects pension benefit obligations based on the actual earnings and service to-date of current employees.

On August 30, 2017, the Company transferred investment assets totaling $106.6 million from the pension plan trust to purchase a group annuity contract from Mutual of America Life Insurance Company ("MUA"). The group annuity contract transfers payment obligations for pension benefits owed to certain former, non-pilot retirees of ABX (or their beneficiaries) to MUA. As a result of the transaction, the Company recognized pre-tax settlement charges of $5.3 million to continued operations and $7.6 million to discontinued operations due to the reclassification of $12.9 million of pretax losses from accumulated other comprehensive loss.
Funded Status (in thousands):

<table>
<thead>
<tr>
<th>Funded Status</th>
<th>2018</th>
<th>2017</th>
<th>Post-retirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated benefit obligation</td>
<td>$690,729</td>
<td>$740,783</td>
<td>$3,824</td>
</tr>
<tr>
<td>Change in benefit obligation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation as of January 1</td>
<td>$740,783</td>
<td>$791,182</td>
<td>$4,056</td>
</tr>
<tr>
<td>Service cost</td>
<td>—</td>
<td>—</td>
<td>123</td>
</tr>
<tr>
<td>Interest cost</td>
<td>29,135</td>
<td>33,585</td>
<td>127</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>—</td>
<td>8,483</td>
<td>—</td>
</tr>
<tr>
<td>Plan transfers</td>
<td>1,603</td>
<td>2,643</td>
<td>—</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(29,439)</td>
<td>(33,779)</td>
<td>(365)</td>
</tr>
<tr>
<td>Curtailments and settlement</td>
<td>—</td>
<td>(106,742)</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(51,353)</td>
<td>45,411</td>
<td>(117)</td>
</tr>
<tr>
<td>Obligation as of December 31</td>
<td>$690,729</td>
<td>$740,783</td>
<td>$3,824</td>
</tr>
<tr>
<td>Change in plan assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value as of January 1</td>
<td>$681,573</td>
<td>$715,885</td>
<td>$—</td>
</tr>
<tr>
<td>Actual gain (loss) on plan assets</td>
<td>(51,274)</td>
<td>99,090</td>
<td>—</td>
</tr>
<tr>
<td>Plan transfers</td>
<td>1,603</td>
<td>2,643</td>
<td>—</td>
</tr>
<tr>
<td>Return of excess premiums</td>
<td>963</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>22,220</td>
<td>4,476</td>
<td>365</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(29,439)</td>
<td>(33,779)</td>
<td>(365)</td>
</tr>
<tr>
<td>Settlement payments</td>
<td>$—</td>
<td>$—</td>
<td>$106,742</td>
</tr>
<tr>
<td>Fair value as of December 31</td>
<td>$625,646</td>
<td>$681,573</td>
<td>$—</td>
</tr>
</tbody>
</table>

Funded status

Underfunded plans

<table>
<thead>
<tr>
<th>Funded status</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>Post-Retirement Healthcare Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$ (3,971)</td>
<td>$ (1,497)</td>
<td>$ (451)</td>
<td>$ (414)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>$ (61,112)</td>
<td>$ (57,713)</td>
<td>$ (3,373)</td>
<td>$ (3,642)</td>
</tr>
</tbody>
</table>

Components of Net Periodic Benefit Cost

ABX’s net periodic benefit costs for its defined benefit pension plans and post-retirement healthcare plans for the years ended December 31, 2018, 2017 and 2016, are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$123</td>
</tr>
<tr>
<td>Interest cost</td>
<td>29,135</td>
<td>33,585</td>
<td>35,872</td>
<td>127</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(42,093)</td>
<td>(42,080)</td>
<td>(41,056)</td>
<td>—</td>
</tr>
<tr>
<td>Curtailments and settlements</td>
<td>—</td>
<td>12,923</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(51)</td>
</tr>
<tr>
<td>Amortization of net (gain) loss</td>
<td>3,547</td>
<td>7,778</td>
<td>13,472</td>
<td>219</td>
</tr>
<tr>
<td>Net periodic benefit cost (income)</td>
<td>$ (9,411)</td>
<td>$12,206</td>
<td>$8,288</td>
<td>$469</td>
</tr>
</tbody>
</table>
Unrecognized Net Periodic Benefit Expense

The pre-tax amounts in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit expense at December 31 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pension Plans</th>
<th>Post-Retirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss</td>
<td>126,192</td>
<td>88,689</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>$126,192</td>
<td>$88,689</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>$126,192</td>
<td>$88,689</td>
</tr>
</tbody>
</table>

The amounts of unrecognized net actuarial loss recorded in accumulated other comprehensive loss that is expected to be recognized as components of net periodic benefit expense during 2019 is $15.5 million and $0.2 million for the pension plans and the post-retirement healthcare plans, respectively.

Assumptions

Assumptions used in determining the funded status of ABX’s pension plans at December 31 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Pension Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Discount rate - crewmembers</td>
<td>4.65%</td>
</tr>
<tr>
<td>Discount rate - non-crewmembers</td>
<td>4.65%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>6.20%</td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Discount rate - crewmembers</td>
<td>4.50%</td>
</tr>
<tr>
<td>Discount rate - non-crewmembers</td>
<td>4.60%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

Net periodic benefit cost was based on the discount rate assumptions at the end of the previous year.

The discount rate used to determine post-retirement healthcare obligations was 4.10%, 3.30% and 3.55% for pilots at December 31, 2018, 2017 and 2016, respectively. Post-retirement healthcare plan obligations have not been funded. The Company's retiree healthcare contributions have been fixed for each participant, accordingly, healthcare cost trend rates do not effect the post-retirement healthcare obligations.

Plan Assets

The weighted-average asset allocations by asset category are as shown below:

<table>
<thead>
<tr>
<th>Asset category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>25%</td>
<td>31%</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>74%</td>
<td>68%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

ABX uses an investment management firm to advise it in developing and executing an investment policy. The portfolio is managed with consideration for diversification, quality and marketability. The investment policy permits the following ranges of asset allocation: equities – 15% to 35%; fixed income securities – 60% to 80%; cash – 0% to 10%. Except for U.S. Treasuries, no more than 10% of the fixed income portfolio and no more than 5% of the equity portfolio can be invested in securities of any single issuer.

The overall expected long term rate of return was developed using various market assumptions in conjunction with the plans’ targeted asset allocation. The assumptions were based on historical market returns.
Cash Flows

In 2018 and 2017, the Company made contributions to its defined benefit plans of $22.2 million and $4.5 million, respectively. The Company estimates that its contributions in 2019 will be approximately $8.1 million for its defined benefit pension plans and $0.5 million for its post-retirement healthcare plans.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid out of the respective plans as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pension Benefits</th>
<th>Post-retirement Healthcare Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$35,680</td>
<td>$451</td>
</tr>
<tr>
<td>2020</td>
<td>36,175</td>
<td>492</td>
</tr>
<tr>
<td>2021</td>
<td>38,835</td>
<td>530</td>
</tr>
<tr>
<td>2022</td>
<td>41,192</td>
<td>529</td>
</tr>
<tr>
<td>2023</td>
<td>43,347</td>
<td>550</td>
</tr>
<tr>
<td>Years 2024 to 2028</td>
<td>232,465</td>
<td>2,009</td>
</tr>
</tbody>
</table>

Fair Value Measurements

The pension plan assets are stated at fair value. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Common Trust Funds—Common trust funds are composed of shares or units in non-publicly traded funds whereby the underlying assets in these funds (cash, cash equivalents, fixed income securities and equity securities) are publicly traded on exchanges and price quotes for the assets held by these funds are readily available. Holdings of common trust funds are classified as Level 2 investments.

Corporate Stock—This investment category consists of common and preferred stock issued by domestic and international corporations that are regularly traded on exchanges and price quotes for these shares are readily available. These investments are classified as Level 1 investments.

Mutual Funds—Investments in this category include shares in registered mutual funds, unit trust and commingled funds. These funds consist of domestic equity, international equity and fixed income strategies. Investments in this category that are publicly traded on an exchange and have a share price published at the close of each business day are classified as Level 1 investments and holdings in the other mutual funds are classified as Level 2 investments.

Fixed Income Investments—Securities in this category consist of U.S. Government or Agency securities, state and local government securities, corporate fixed income securities or pooled fixed income securities. Securities in this category that are valued utilizing published prices at the close of each business day are classified as Level 1 investments. Those investments valued by bid data prices provided by independent pricing sources are classified as Level 2 investments.
The pension plan assets measured at fair value on a recurring basis were as follows (in thousands):

<table>
<thead>
<tr>
<th>As of December 31, 2018</th>
<th>Fair Value Measurement Using</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Plan assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust funds</td>
<td>$</td>
<td>—</td>
<td>$3,961</td>
<td>$3,961</td>
<td></td>
</tr>
<tr>
<td>Corporate stock</td>
<td>13,142</td>
<td>—</td>
<td>—</td>
<td>13,142</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>48,645</td>
<td>91,085</td>
<td>139,730</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income investments</td>
<td>2,065</td>
<td>462,149</td>
<td>464,214</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Plan Assets</td>
<td>63,852</td>
<td>$557,195</td>
<td></td>
<td>$621,047</td>
<td></td>
</tr>
</tbody>
</table>

| Investments measured at net asset value ("NAV") | $4,599 |
| Plan assets | $625,646 |

<table>
<thead>
<tr>
<th>As of December 31, 2017</th>
<th>Fair Value Measurement Using</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Plan assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust funds</td>
<td>$</td>
<td>—</td>
<td>$3,792</td>
<td>$3,792</td>
<td></td>
</tr>
<tr>
<td>Corporate stock</td>
<td>17,361</td>
<td>—</td>
<td>—</td>
<td>17,361</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>53,391</td>
<td>113,426</td>
<td>166,817</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income investments</td>
<td>3,926</td>
<td>462,480</td>
<td>466,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Plan Assets</td>
<td>74,678</td>
<td>$579,698</td>
<td></td>
<td>$654,376</td>
<td></td>
</tr>
</tbody>
</table>

| Investments measured at net asset value ("NAV") | $27,197 |
| Plan assets | $681,573 |

Investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. These investments include hedge funds, private equity and real estate funds. Management’s estimates are based on information provided by the fund managers or general partners of those funds.

Hedge Funds and Private Equity—These investments are not readily tradeable and have valuations that are not based on readily observable data inputs. The fair value of these assets is estimated based on information provided by the fund managers or the general partners. These assets have been valued using NAV as a practical expedient.
The following table presents investments measured at fair value based on NAV per share as a practical expedient:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
<th>Unfunded Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of December 31, 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge Funds &amp; Private Equity</td>
<td>$4,599</td>
<td>(1) (2)</td>
<td>90 days</td>
<td>$ —</td>
</tr>
<tr>
<td>Real Estate</td>
<td>—</td>
<td>(3)</td>
<td>90 days</td>
<td>—</td>
</tr>
<tr>
<td>Total investments measured at NAV</td>
<td>$4,599</td>
<td></td>
<td></td>
<td>$ —</td>
</tr>
<tr>
<td>As of December 31, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge Funds &amp; Private Equity</td>
<td>$27,197</td>
<td>(1) (2)</td>
<td>90 days</td>
<td>$ —</td>
</tr>
<tr>
<td>Real Estate</td>
<td>—</td>
<td>(3)</td>
<td>90 days</td>
<td>—</td>
</tr>
<tr>
<td>Total investments measured at NAV</td>
<td>$27,197</td>
<td></td>
<td></td>
<td>$ —</td>
</tr>
</tbody>
</table>

(1) Quarterly - hedge funds
(2) None - private equity
(3) Monthly

**Defined Contribution Plans**

The Company sponsors defined contribution capital accumulation plans (401k) that are funded by both voluntary employee salary deferrals and by employer contributions. Expenses for defined contribution retirement plans were $9.0 million, $7.8 million and $7.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

**NOTE K—INCOME TAXES**

The Company's deferred income taxes reflect the value of its net operating loss carryforwards and the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their amounts used for income tax calculations. Federal legislation known as the The Tax Cuts and Jobs Acts ("Tax Act") was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate tax rate from the previous rate of 35% to 21% effective January 1, 2018. The Tax Act also made broad and complex changes to the U.S. tax code, including, but not limited to a one time tax on earnings of certain foreign subsidiaries, limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, bonus depreciation for full expensing of qualified property, and limitations on the deductibility of certain executive compensation. At December 31, 2017, the Company calculated the effects of the enactment of the Tax Act as written, and made an estimate of the effects on the existing deferred tax balances. The re-measurement of deferred tax balances in 2017 using the lower federal rates enacted by the Tax Act, resulted in a reduction in the Company's net deferred tax liability and the recognition of a deferred tax benefit as depicted by the change in federal statutory tax rate included below. The Company continues to analyze and monitor the effects of the Tax Act on its operations.

At December 31, 2018, the Company had cumulative net operating loss carryforwards (“NOL CFs”) for federal income tax purposes of approximately $253.8 million, which begin to expire in 2031 if not utilized before then. The deferred tax asset balance includes $2.3 million net of a $0.3 million valuation allowance related to state NOL CFs, which have remaining lives ranging from one to twenty years. These NOL CFs are attributable to excess tax deductions related primarily to the accelerated tax depreciation of fixed assets and cash contributions for its defined benefit pension plans. At December 31, 2018 and 2017, the Company determined that, based upon projections of taxable income, it was more likely than not that the NOL CF’s will be realized prior to their expiration, accordingly, no allowance against these deferred tax assets was recorded. The Company had alternative minimum tax credits of $3.1 million which will be recovered over then the next four years.
The significant components of the deferred income tax assets and liabilities as of December 31, 2018 and 2017 are as follows (in thousands):

<table>
<thead>
<tr>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforward and federal credits</td>
<td>$55,760</td>
<td>$17,021</td>
</tr>
<tr>
<td>Warrants</td>
<td>7,314</td>
<td>3,974</td>
</tr>
<tr>
<td>Post-retirement employee benefits</td>
<td>13,777</td>
<td>8,716</td>
</tr>
<tr>
<td>Employee benefits other than post-retirement</td>
<td>8,751</td>
<td>9,229</td>
</tr>
<tr>
<td>Inventory reserve</td>
<td>2,374</td>
<td>1,739</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4,389</td>
<td>3,016</td>
</tr>
<tr>
<td>Other</td>
<td>4,713</td>
<td>4,317</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td><strong>97,078</strong></td>
<td><strong>48,012</strong></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>(189,719)</td>
<td>(129,201)</td>
</tr>
<tr>
<td>Partnership items</td>
<td>(5,850)</td>
<td>(5,858)</td>
</tr>
<tr>
<td>State taxes</td>
<td>(14,474)</td>
<td>(12,119)</td>
</tr>
<tr>
<td>Valuation allowance against deferred tax assets</td>
<td>(278)</td>
<td>(278)</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td><strong>(210,321)</strong></td>
<td><strong>(147,456)</strong></td>
</tr>
<tr>
<td><strong>Net deferred tax (liability)</strong></td>
<td><strong>$ (113,243)</strong></td>
<td><strong>$ (99,444)</strong></td>
</tr>
</tbody>
</table>

The following summarizes the Company’s income tax provisions (benefits) (in thousands):

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ —</td>
<td>$9</td>
<td>$820</td>
</tr>
<tr>
<td>Foreign</td>
<td>—</td>
<td>48</td>
<td>—</td>
</tr>
<tr>
<td>State</td>
<td>1,043</td>
<td>590</td>
<td>151</td>
</tr>
<tr>
<td>Deferred taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>15,642</td>
<td>27,625</td>
<td>11,338</td>
</tr>
<tr>
<td>Foreign</td>
<td>(63)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>State</td>
<td>2,973</td>
<td>3,396</td>
<td>1,085</td>
</tr>
<tr>
<td>Change in federal statutory tax rates</td>
<td>—</td>
<td>(59,944)</td>
<td>—</td>
</tr>
<tr>
<td>Total deferred tax expense</td>
<td>18,552</td>
<td>(28,923)</td>
<td>12,423</td>
</tr>
<tr>
<td>Total income tax expense (benefit) from continuing operations</td>
<td>$19,595</td>
<td>$28,276</td>
<td>$13,394</td>
</tr>
<tr>
<td>Income tax expense (benefit) from discontinued operations</td>
<td>$434</td>
<td>$(1,848)</td>
<td>$1,384</td>
</tr>
</tbody>
</table>
The reconciliation of income tax from continuing operations computed at the U.S. statutory federal income tax rates to effective income tax rates is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Statutory federal tax rate</td>
<td>21.0%</td>
</tr>
<tr>
<td>Foreign income taxes</td>
<td>(0.1)%</td>
</tr>
<tr>
<td>State income taxes, net of federal tax benefit</td>
<td>(0.2)%</td>
</tr>
<tr>
<td>Tax effect of non-deductible warrant expense</td>
<td>(1.5)%</td>
</tr>
<tr>
<td>Tax effect of stock compensation</td>
<td>(0.8)%</td>
</tr>
<tr>
<td>Tax effect of other non-deductible expenses</td>
<td>0.8 %</td>
</tr>
<tr>
<td>Change in federal statutory tax rates</td>
<td>— %</td>
</tr>
<tr>
<td>Change to state statutory tax rates</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Other</td>
<td>(0.6)%</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>22.4 %</td>
</tr>
</tbody>
</table>

The income tax deductibility of the warrant expense is less than the expense required by GAAP because for tax purposes, the warrants are valued at a different time and under a different valuation method.

The reconciliation of income tax from discontinued operations computed at the U.S. statutory federal income tax rates to effective income tax rates is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Statutory federal tax rate</td>
<td>21.0%</td>
</tr>
<tr>
<td>State income taxes, net of federal tax benefit</td>
<td>2.6%</td>
</tr>
<tr>
<td>Change in federal statutory tax rates</td>
<td>— %</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

The Company files income tax returns in the U.S. federal jurisdiction and various international, state and local jurisdictions. The returns may be subject to audit by the Internal Revenue Service ("IRS") and other jurisdictional authorities. International returns consist primarily of disclosure returns where the Company is covered by the sourcing rules of U.S. international treaties. The Company recognizes the impact of an uncertain income tax position in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. At December 31, 2018, 2017 and 2016, the Company's unrecognized tax benefits were $0.0 million, $0.0 million and $0.0 million respectively. Accrued interest and penalties on tax positions are recorded as a component of interest expense. Interest and penalties expense was immaterial for 2018, 2017 and 2016.

The Company began to file, effective in 2008, federal tax returns under a common parent of the consolidated group that includes ABX and all the wholly-owned subsidiaries. The returns for 2017, 2016 and 2015 related to the consolidated group remain open to examination. The consolidated federal tax returns prior to 2015 remain open to federal examination only to the extent of net operating loss carryforwards carried over from or utilized in those years. Pemco and Omni filed returns on their own behalf prior to their acquisition by the Company. State and local returns filed for 2005 through 2017 are generally also open to examination by their respective jurisdictions, either in full or limited to net operating losses. Th Company files tax returns with the Republic of Ireland for its leasing operations based in Ireland.
NOTE L—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes the following items by components for the years ended December 31, 2018, 2017 and 2016 (in thousands):

<table>
<thead>
<tr>
<th>Balance as of January 1, 2016</th>
<th>Defined Benefit Pension</th>
<th>Defined Benefit Post-Retirement</th>
<th>Foreign Currency Translation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(97,302)</td>
<td>(315)</td>
<td>(1,395)</td>
<td>(99,012)</td>
</tr>
</tbody>
</table>

Other comprehensive income (loss) before reclassifications:

- Actuarial gain (loss) for retiree liabilities: 18,424 394 — 18,818
- Foreign currency translation adjustment: — — (126) (126)

Amounts reclassified from accumulated other comprehensive income:

- Plan curtailment and settlement: — (1,997) — (1,997)
- Actuarial costs (reclassified to salaries, wages and benefits): 13,472 160 — 13,632
- Negative prior service cost (reclassified to salaries, wages and benefits): — (103) — (103)
- Income Tax (Expense) or Benefit: (11,682) 560 44 (11,078)
- Other comprehensive income (loss), net of tax: 20,214 (986) (82) 19,146

Balance as of December 31, 2016: (77,088) (1,301) (1,477) (79,866)

Other comprehensive income (loss) before reclassifications:

- Actuarial gain (loss) for retiree liabilities: 3,116 63 — 3,179
- Foreign currency translation adjustment: — — 195 195

Amounts reclassified from accumulated other comprehensive income:

- Plan curtailment and settlement: 12,923 — — 12,923
- Actuarial costs (reclassified to salaries, wages and benefits): 7,778 283 — 8,061
- Negative prior service cost (reclassified to salaries, wages and benefits): — (51) — (51)
- Income Tax (Expense) or Benefit: (7,304) (91) (66) (7,461)
- Other comprehensive income (loss), net of tax: 16,513 204 129 16,846

Balance as of December 31, 2017: (60,575) (1,097) (1,348) (63,020)

Other comprehensive income (loss) before reclassifications:

- Actuarial gain (loss) for retiree liabilities: (41,051) 117 — (40,934)
- Foreign currency translation adjustment: — — (171) (171)

Amounts reclassified from accumulated other comprehensive income:

- Actuarial costs (reclassified to salaries, wages and benefits): 3,547 219 — 3,766
- Income Tax (Expense) or Benefit: 9,037 (80) 40 8,997
- Other comprehensive income (loss), net of tax: (28,467) 256 (131) (28,342)

Balance as of December 31, 2018: (89,042) (841) (1,479) (91,362)
NOTE M—STOCK-BASED COMPENSATION

The Company's Board of Directors has granted stock incentive awards to certain employees and board members pursuant to a long term incentive plan which was approved by the Company's stockholders in May 2005 and in May 2015. 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 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 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.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Awards</td>
<td>Weighted average grant-date fair value</td>
<td>Number of Awards</td>
</tr>
<tr>
<td>Outstanding at beginning of period</td>
<td>873,849</td>
<td>$12.30</td>
<td>1,040,569</td>
</tr>
<tr>
<td>Granted</td>
<td>304,795</td>
<td>24.18</td>
<td>243,940</td>
</tr>
<tr>
<td>Converted</td>
<td>(205,616)</td>
<td>12.74</td>
<td>(320,810)</td>
</tr>
<tr>
<td>Expired</td>
<td>(500)</td>
<td>28.38</td>
<td>(82,050)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(2,600)</td>
<td>26.76</td>
<td>(7,800)</td>
</tr>
<tr>
<td>Outstanding at end of period</td>
<td>969,928</td>
<td>$15.89</td>
<td>873,849</td>
</tr>
<tr>
<td>Vested</td>
<td>463,422</td>
<td>10.25</td>
<td>441,424</td>
</tr>
</tbody>
</table>

The average grant-date fair value of each performance condition award, non-vested restricted stock award and time-based award granted by the Company was $25.15, $16.72 and $14.39 for 2018, 2017 and 2016, respectively, 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 was $31.60, $20.18 and $19.65 for 2018, 2017 and 2016, respectively. The market condition awards were valued using a Monte Carlo simulation technique based on volatility over three years for the awards granted in 2018, 2017 and 2016 using daily stock prices and using the following variables:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>2.4%</td>
<td>1.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Volatility</td>
<td>33.8%</td>
<td>34.7%</td>
<td>36.9%</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2018, 2017 and 2016, the Company recorded expense of $5.0 million, $3.6 million and $3.2 million, respectively, for stock incentive awards. At December 31, 2018, there was $6.5 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 December 31, 2018, none of the awards were convertible, 326,928 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 1,204,978 additional outstanding shares of the Company's common stock depending on service, performance and market results through December 31, 2020.
NOTE N—COMMON STOCK AND EARNINGS PER SHARE

Earnings per Share

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

<table>
<thead>
<tr>
<th>Numerator:</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from continuing operations - basic</td>
<td>$67,883</td>
</tr>
<tr>
<td>Gain from stock warrants revaluation, net of tax</td>
<td>(7,118)</td>
</tr>
<tr>
<td>Earnings from continuing operations - diluted</td>
<td>$60,765</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Denominator:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average shares outstanding for basic earnings per share</td>
<td>58,765</td>
</tr>
<tr>
<td>Common equivalent shares:</td>
<td></td>
</tr>
<tr>
<td>Effect of stock-based compensation awards and warrants</td>
<td>9,591</td>
</tr>
<tr>
<td>Weighted-average shares outstanding assuming dilution</td>
<td>68,356</td>
</tr>
<tr>
<td>Basic earnings per share from continuing operations</td>
<td>$1.16</td>
</tr>
<tr>
<td>Diluted earnings per share from continuing operations</td>
<td>$0.89</td>
</tr>
</tbody>
</table>

Basic weighted average shares outstanding for purposes of basic earnings per share are less than the shares outstanding due to 329,600 shares, 241,000 shares and 327,700 shares of restricted stock for 2018, 2017 and 2016, respectively, which are accounted for as part of diluted weighted average shares outstanding in diluted earnings per share.

The determination of diluted earnings per share requires the exclusion of the fair value re-measurement of the stock warrants recorded as a liability (see Note D), if such warrants have a anti-dilutive effect on earnings per share. The dilutive effect of the weighted-average diluted shares outstanding is calculated using the treasury method for periods in which equivalent shares have a dilutive effect on earnings per share. Under this method, the number of diluted shares is determined by dividing the assumed proceeds of the warrants recorded as a liability by the average stock price during the period and comparing that amount with the number of corresponding warrants outstanding.

The underlying warrants recorded as a liability as of December 31, 2018 and 2017 would have resulted in 14.8 million and 14.8 million additional shares of the Company's common stock, respectively, if the warrants were settled by tendering cash.

The number of equivalent shares that were not included in weighted average shares outstanding assuming dilution because their effect would have been anti-dilutive, were 7.8 million and 1.9 million for the years ended December 31, 2017 and 2016, respectively.

Purchase of Common Stock

The Company's Board of Directors has authorized management to repurchase outstanding common stock of the Company from time to time on the open market or in privately negotiated transactions. The authorization does not require the Company to repurchase a specific number of shares and the Company may terminate the repurchase program at any time. Upon the retirement of common stock repurchased, the excess purchase price over the par value for retired shares of common stock is recorded to additional paid-in-capital.

The Company repurchased common stock during 2017, including 380,637 shares on June 6, 2017 from an underwriter in conjunction with an underwritten secondary offering by its largest shareholder, Red Mountain Partners, L.P., a fund that is affiliated with Red Mountain Capital Partners, LLC ("Red Mountain"), a related party, for an aggregate purchase price of $8.5 million. The share price of $22.42 was equal to the price per share paid by the underwriter to Red Mountain.
NOTE O—SEGMENT AND REVENUE INFORMATION

The Company operates in three reportable segments. The CAM segment consists of the Company's aircraft leasing operations and its segment earnings include an allocation of interest expense. The ACMI Services segment consists of the Company's airframe maintenance services, aircraft modifications and other maintenance services. The MRO Services became reportable during 2018 due to the size of its revenues. Prior periods presented below have been prepared by separating MRO Services from "All other" for comparative purposes. The Company's ground services and other activities, which include load transfer and sorting service, maintenance services for ground equipment, facilities and material handling equipment, the sales of aviation fuel and other services, are not large enough to constitute reportable segments and are combined in All other. Intersegment revenues are valued at arms-length market rates.

The Company's segment information from continuing operations is presented below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Total revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>$228,956</td>
<td>$209,560</td>
<td>$195,092</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>548,839</td>
<td>614,741</td>
<td>492,859</td>
</tr>
<tr>
<td>MRO Services</td>
<td>207,539</td>
<td>205,401</td>
<td>111,913</td>
</tr>
<tr>
<td>All other</td>
<td>79,040</td>
<td>227,807</td>
<td>150,117</td>
</tr>
<tr>
<td>Eliminate inter-segment revenues</td>
<td>(172,029)</td>
<td>(189,309)</td>
<td>(181,111)</td>
</tr>
<tr>
<td>Total</td>
<td>$892,345</td>
<td>$1,068,200</td>
<td>$768,870</td>
</tr>
<tr>
<td>Customer revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>$156,516</td>
<td>$140,434</td>
<td>$117,642</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>548,804</td>
<td>614,721</td>
<td>492,859</td>
</tr>
<tr>
<td>MRO Services</td>
<td>117,832</td>
<td>106,767</td>
<td>40,754</td>
</tr>
<tr>
<td>All other (primarily ground services)</td>
<td>69,193</td>
<td>206,278</td>
<td>117,615</td>
</tr>
<tr>
<td>Total</td>
<td>$892,345</td>
<td>$1,068,200</td>
<td>$768,870</td>
</tr>
</tbody>
</table>

The Company adopted Topic 606 for revenue recognition using a modified retrospective approach, under which financial statements are prepared under the revised guidance for the year of adoption, but not for prior years. The effects of Topic 606 on the Company's customer revenues and earnings are summarized below:

<table>
<thead>
<tr>
<th>For the year ended December 31, 2018</th>
<th>As Reported</th>
<th>Without Topic 606</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>$156,516</td>
<td>$156,516</td>
<td>$—</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>548,804</td>
<td>743,112</td>
<td>(194,308)</td>
</tr>
<tr>
<td>MRO Services</td>
<td>117,832</td>
<td>100,790</td>
<td>17,042</td>
</tr>
<tr>
<td>All other</td>
<td>69,193</td>
<td>249,222</td>
<td>(180,029)</td>
</tr>
<tr>
<td>Total</td>
<td>892,345</td>
<td>1,249,640</td>
<td>(357,295)</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>781,327</td>
<td>1,138,462</td>
<td>(357,135)</td>
</tr>
<tr>
<td>Earnings (Loss) from Continuing Operations before Income Taxes</td>
<td>87,478</td>
<td>87,638</td>
<td>(160)</td>
</tr>
<tr>
<td>Income Tax Benefit (Expense)</td>
<td>(19,595)</td>
<td>(19,559)</td>
<td>(36)</td>
</tr>
<tr>
<td>Income from Continuing Operations</td>
<td>$67,883</td>
<td>$68,079</td>
<td>$(196)</td>
</tr>
</tbody>
</table>
ACMI Services revenues are generated from airline service agreements and are typically based on hours flown, the amount of aircraft operated and crew resources provided during a month. ACMI Services revenues are recognized over time using the invoice practical expedient as flight hours are performed for the customer. Certain agreements include provisions for incentive payments based upon on-time reliability. These incentives are measured on a monthly basis and recorded to revenue in the corresponding month earned. Under CMI agreements, the Company's airlines have an obligation to provide integrated services including flight crews, aircraft maintenance and insurance for the customer's cargo network. Under ACMI agreements, the Company's airlines are also obligated to provide aircraft. Under CMI and ACMI agreements, customers are generally responsible for aviation fuel, landing fees, navigation fees and certain other flight expenses. When functioning as the customers' agent for arranging such services, the Company records amounts reimbursable from the customer as revenues net of the related expenses as the costs are incurred. Under charter agreements the Company's airline is obligated to provide full services for one or more flights having specific origins and destinations. Under charter agreements in which the Company's airline is responsible for fuel, airport fees and all flight services, the related costs are recorded in operating expenses. ACMI Services are invoiced monthly or more frequently. (There are no customer rewards programs associated with services offered by the Company nor does the Company sell passenger tickets or issue freight bills.)

MRO Services revenues for customer contracts for airframe maintenance and aircraft modification services that do not have an alternative use and for which the Company has an enforceable right to payment are generally recognized over time based on the percentage of costs completed. Other MRO Services revenues for aircraft part sales, component repairs and line service are recognized at a point in time typically when the parts are delivered to the customer and the services are completed. For airframe maintenance, aircraft modifications and aircraft component repairs, contracts include assurance warranties that are not sold separately. Effective January 1, 2018 the Company records revenues and estimated earnings over time for its airframe maintenance and aircraft modification contracts using the percentage-of-completion cost input method. For such services, the Company estimates the earnings on a contract as the difference between the expected revenue and estimated costs to complete a contract and recognizes revenues and earnings based on the proportion of costs incurred compared to the total estimated costs. The Company's estimates consider the timing and extent of the services, including the amount and rates of labor, materials and other resources required to perform the services. The Company recognizes adjustments in estimated earnings on a contract under the cumulative catch-up method in which the impact of the adjustment on estimated earnings of a contract is recognized in the period the adjustment is identified. The Company's external customer revenues for providing load transfer and sorting services and related equipment maintenance were $66.6 million, $204.1 million and $114.8 million for 2018, 2017 and 2016 respectively. During 2018, the Company netted $180.0 million of customer reimbursable revenues against the related expenses when functioning as the customers' agent for arranging ground services. These revenues are reported in All other. The Company's external customer revenues from providing load transfer and sorting services are recognized as the services are performed for the customer over time. Revenues from related equipment maintenance services are recognized over time and at a point in time depending on the nature of the customer contracts. For customers that are not a governmental agency or department, the Company generally receives partial payment in advance of services, otherwise customer balances are typically paid within 30 to 60 days of service. The Company recognized $9.3 million of non lease revenue that was reported in deferred revenue at the beginning of the year. Deferred revenue was $3.1 million and $9.5 million at December 31, 2018 and 2017, respectively, for contracts with customers.

CAM's aircraft lease revenues are recognized as operating lease revenues on a straight-line basis over the term of the applicable lease agreements. Customer payments for leased aircraft and equipment are typically paid monthly in advance.

The Company had revenues of approximately $231.8 million, $170.1 million and $168.2 million for 2018, 2017 and 2016, respectively, derived primarily from aircraft leases in foreign countries, routes with flights departing from or arriving in foreign countries or aircraft maintenance and modification services performed in foreign countries. All revenues from the CMI agreement with DHL and the ATSA agreement with ASI are attributed to U.S. operations. As of December 31, 2018 and 2017, the Company had 23 and 16 aircraft, respectively, deployed outside of the United States.
The Company's other segment information from continuing operations is presented below (in thousands):

### Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation and amortization expense:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>$126,856</td>
<td>$108,106</td>
<td>$92,396</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>49,068</td>
<td>41,929</td>
<td>41,487</td>
</tr>
<tr>
<td>MRO Services</td>
<td>3,397</td>
<td>3,324</td>
<td>1,477</td>
</tr>
<tr>
<td>All other</td>
<td>(426)</td>
<td>1,197</td>
<td>136</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$178,895</td>
<td>$154,556</td>
<td>$135,496</td>
</tr>
</tbody>
</table>

| **Segment earnings (loss):** |            |            |            |
| CAM                  | $65,576    | $61,510    | $68,608    |
| ACMI Services        | 17,717     | 8,557      | (25,016)   |
| MRO Services         | 14,499     | 19,741     | 12,308     |
| All other            | 9,107      | 5,590      | 9,519      |
| Inter-segment earnings eliminated | (12,436) | (11,583)   | (5,498)    |
| Net unallocated interest expense | (6,729) | (1,322)    | (545)      |
| Net gain (loss) on financial instruments | 7,296    | (79,789)   | (18,107)   |
| Transaction fees     | (5,264)    | —          | —          |
| Other non-service components of retiree benefit costs, net | 8,180    | (6,105)    | (6,815)    |
| Loss from non-consolidated affiliate | (10,468) | (3,135)    | —          |
| **Pre-tax earnings from continuing operations** | $87,478    | $(6,536)   | $34,454    |

The Company's assets are presented below by segment (in thousands). Cash and cash equivalents are reflected in Assets - All other.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAM</td>
<td>$1,577,182</td>
<td>$1,192,890</td>
<td>$971,986</td>
</tr>
<tr>
<td>ACMI Services</td>
<td>759,131</td>
<td>189,379</td>
<td>164,489</td>
</tr>
<tr>
<td>MRO Services</td>
<td>108,244</td>
<td>87,177</td>
<td>77,918</td>
</tr>
<tr>
<td>All other</td>
<td>26,028</td>
<td>79,398</td>
<td>44,937</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,470,585</td>
<td>$1,548,844</td>
<td>$1,259,330</td>
</tr>
</tbody>
</table>

Interest expense allocated to CAM was $21.8 million, $15.6 million and $10.6 million for the years ending December 31, 2018, 2017 and 2016, respectively.

During 2018, the Company had capital expenditures for property and equipment of $38.9 million, $249.4 million and $2.2 million for the ACMI Services, CAM and MRO Services segments, respectively.
NOTE P—DISCONTINUED OPERATIONS

The Company's results of discontinued operations consist primarily of changes in liabilities related to benefits for former employees previously associated with ABX's former hub operation for DHL. The Company may incur expenses and cash outlays in the future related to pension obligations, self-insurance reserves for medical expenses and wage loss for former employees. Carrying amounts of significant assets and liabilities of the discontinued operations are below (in thousands):

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation and benefits</td>
<td>$16,807</td>
<td>$17,880</td>
<td></td>
</tr>
<tr>
<td>Post-retirement</td>
<td>846</td>
<td>4,652</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$17,653</td>
<td>$22,532</td>
<td></td>
</tr>
</tbody>
</table>

During 2018, pre-tax earnings from discontinued operations were $1.8 million. Pre-tax results from discontinued operations were losses of $5.1 million and earnings of $3.8 million during 2017 and 2016, respectively.

NOTE Q—INVESTMENTS IN NON-CONSOLIDATED AFFILIATES (Unaudited)

As described in Note C, the Company has investments in two non-consolidated affiliates. These investments are intended to expand the Company's freighter aircraft lease portfolio internationally and bring a freighter aircraft variant to market. While management considers the Company's participation in these non-consolidated affiliates as potentially beneficial to future operating results, such participation is not essential to the Company. The Company shares in the earnings (losses) of these non-consolidated affiliates generally in accordance with the respective equity interests. The following table presents combined condensed information from the statements of operations of the Company's non-consolidated affiliates (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$202,028</td>
<td>$172,526</td>
<td>$157,945</td>
</tr>
<tr>
<td>Expenses</td>
<td>(228,169)</td>
<td>(196,334)</td>
<td>(170,317)</td>
</tr>
<tr>
<td>Income (Loss)</td>
<td>$ (26,141)</td>
<td>$ (23,808)</td>
<td>$ (12,372)</td>
</tr>
</tbody>
</table>

The following table presents combined condensed balance sheet information for our unconsolidated joint ventures (in thousands):

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$64,262</td>
<td>$50,516</td>
</tr>
<tr>
<td>Non current assets</td>
<td>80,724</td>
<td>103,174</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(38,938)</td>
<td>(33,315)</td>
</tr>
<tr>
<td>Non current liabilities</td>
<td>(102,657)</td>
<td>(117,338)</td>
</tr>
<tr>
<td>Equity</td>
<td>$ (3,391)</td>
<td>$ (3,037)</td>
</tr>
</tbody>
</table>
**NOTE R—QUARTERLY RESULTS** (Unaudited)

The following is a summary of quarterly results of operations (in thousands, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018 (1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from continuing operations</td>
<td>$203,040</td>
<td>$203,607</td>
<td>$204,919</td>
<td>$280,779</td>
</tr>
<tr>
<td>Operating income from continuing operations</td>
<td>27,643</td>
<td>23,898</td>
<td>26,827</td>
<td>32,650</td>
</tr>
<tr>
<td>Net earnings (loss) from continuing operations</td>
<td>15,682</td>
<td>24,464</td>
<td>32,933</td>
<td>(5,196)</td>
</tr>
<tr>
<td>Net earnings from discontinued operations</td>
<td>196</td>
<td>170</td>
<td>170</td>
<td>866</td>
</tr>
<tr>
<td>Weighted average shares:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>58,840</td>
<td>58,739</td>
<td>58,739</td>
<td>58,740</td>
</tr>
<tr>
<td>Diluted</td>
<td>59,558</td>
<td>68,363</td>
<td>68,323</td>
<td>58,740</td>
</tr>
<tr>
<td>Earnings (loss) per share from continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.27</td>
<td>$0.42</td>
<td>$0.56</td>
<td>$(0.09)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.26</td>
<td>$0.21</td>
<td>$0.24</td>
<td>$(0.09)</td>
</tr>
<tr>
<td><strong>2017 (2)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from continuing operations</td>
<td>$237,917</td>
<td>$253,211</td>
<td>$254,101</td>
<td>$322,971</td>
</tr>
<tr>
<td>Operating income from continuing operations</td>
<td>17,930</td>
<td>23,125</td>
<td>24,452</td>
<td>33,893</td>
</tr>
<tr>
<td>Net earnings (loss) from continuing operations (2)</td>
<td>9,796</td>
<td>(53,918)</td>
<td>(28,229)</td>
<td>94,091</td>
</tr>
<tr>
<td>Net earnings (loss) from discontinued operations</td>
<td>192</td>
<td>192</td>
<td>(4,655)</td>
<td>1,026</td>
</tr>
<tr>
<td>Weighted average shares:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>59,133</td>
<td>59,035</td>
<td>58,733</td>
<td>58,733</td>
</tr>
<tr>
<td>Diluted</td>
<td>64,949</td>
<td>59,035</td>
<td>58,733</td>
<td>68,987</td>
</tr>
<tr>
<td>Earnings (loss) per share from continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.17</td>
<td>$(0.91)</td>
<td>$(0.48)</td>
<td>$1.60</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.13</td>
<td>$(0.91)</td>
<td>$(0.48)</td>
<td>$1.11</td>
</tr>
</tbody>
</table>

1. During 2018, the Company recorded a $0.9 million loss, a $11.7 million gain, a $17.9 million gain and a $21.4 million loss on the remeasurement of financial instruments, primarily related to the warrants issued to Amazon for the quarters ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018, respectively.

2. During 2017, the Company recorded a $59.9 million deferred tax gain during the quarter ended December 31, 2017 due to the enactment of lower U.S. federal corporate tax rates.

3. During 2017, the Company recorded a 1.9 million gain, a 67.6 million loss, a 34.4 million loss and a 20.4 million gain on the remeasurement of financial instruments, primarily related to the warrants issued to Amazon for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, respectively.
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2018, 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

Except for the internal controls of Omni, which was acquired on November 9, 2018, there were no changes in internal control over financial reporting during the most recently completed fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management’s Annual Report on Internal Controls over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control system is designed 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.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). The Company’s assessment of and conclusion on the effectiveness of its internal control over financial reporting did not include the internal controls of Omni which was acquired on November 9, 2018 and was included in the 2018 consolidated financial statements. The Omni acquisition constituted 23% of the Company’s total assets as of December 31, 2018, and 7% of total net revenues, for the year end December 31, 2018.

Based on management’s assessment of those criteria, management believes that, as of December 31, 2018, the Company’s internal control over financial reporting was effective.

The effectiveness of our internal controls over financial reporting as of December 31, 2018 has been audited by our independent registered accounting firm as stated in its attestation report that follows this report.

March 1, 2019
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Air Transport Services Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Air Transport Services Group, Inc. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2018, of the Company and our report dated March 1, 2019, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule and includes an explanatory paragraph regarding the Company’s three principal customers and an explanatory paragraph regarding the Company’s adoption of the new revenue accounting standard.

As described in Management’s Annual Report on Internal Controls over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Omni Air International, Inc. and subsidiaries, which was acquired on November 9, 2018, and whose financial statements constitute 23% of total assets and 7% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at Omni Air International, Inc. and subsidiaries.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

87
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 1, 2019
ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The response to this Item is incorporated herein by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders under the captions “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance and Board Matters.”

Executive Officers

The following table sets forth information about the Company’s executive officers. The executive officers serve at the pleasure of the Company’s Board of Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph C. Hete</td>
<td>64</td>
<td>President and Chief Executive Officer, Air Transport Services Group, Inc., since December 2007 and Chief Executive Officer, ABX Air, Inc., since August 2003. Mr. Hete was President of ABX Air, Inc. from January 2000 to February 2008. Mr. Hete was Chief Operating Officer of ABX Air, Inc. from January 2000 to August 2003. From 1997 until January 2000, Mr. Hete held the position of Senior Vice President and Chief Operating Officer of ABX Air, Inc. Mr. Hete served as Senior Vice President, Administration of ABX Air, Inc. from 1991 to 1997 and Vice President, Administration of ABX Air, Inc. from 1986 to 1991. Mr. Hete joined ABX Air, Inc. in 1980.</td>
</tr>
<tr>
<td>Quint O. Turner</td>
<td>56</td>
<td>Chief Financial Officer, Air Transport Services Group, Inc., since February 2008 and Chief Financial Officer, ABX Air, Inc. since December 2004. Mr. Turner was Vice President of Administration of ABX Air, Inc. from February 2002 to December 2004. Mr. Turner was Corporate Director of Financial Planning and Accounting of ABX Air, Inc. from 1997 to 2002. Prior to 1997, Mr. Turner held positions of Manager of Planning and Director of Financial Planning of ABX Air, Inc. Mr. Turner joined ABX Air, Inc. in 1988.</td>
</tr>
<tr>
<td>Richard F. Corrado</td>
<td>59</td>
<td>Chief Operating Officer, Air Transport Services Group, Inc., since September 2017. President of Cargo Aircraft Management Inc., since April 2010. President of Airborne Global Solutions, Inc. since July 2010. Mr. Corrado was Chief Commercial Officer, Air Transport Services Group, Inc., from April 2010 to September 2017. Before joining ATSG, Mr. Corrado was President of Transform Consulting Group from July 2006 through March 2010 and Chief Operating Officer of AFMS Logistics Management from February 2008 through March 2010. He was Executive Vice President of Air Services and Business Development for DHL Express from September 2003 through June of 2006; and Senior Vice President of Marketing for Airborne Express from August 2000 through August 2003.</td>
</tr>
<tr>
<td>W. Joseph Payne</td>
<td>55</td>
<td>Chief Legal Officer &amp; Secretary, Air Transport Services Group, Inc., since May 2016; Senior Vice President, Corporate General Counsel and Secretary, Air Transport Services Group, Inc., since February 2008; and Vice President, General Counsel and Secretary, ABX Air, Inc. since January 2004. Mr. Payne was Corporate Secretary/Counsel of ABX Air, Inc. from January 1999 to January 2004, and Assistant Corporate Secretary from July 1996 to January 1999. Mr. Payne joined ABX Air, Inc. in April 1995.</td>
</tr>
</tbody>
</table>
Name  Age  Information
Michael L. Berger  57  Chief Commercial Officer, Air Transport Services Group, Inc. and President of Airborne Global Solutions since February 2018. Before joining ATSG, Mr. Berger was Chief Commercial Officer for Dicom Transportation group of Canada from March 2017 through February 2018. Mr. Berger was Global Head of Sales for TNT Express based in Amsterdam from September 2014 through February 2017.
Mr. Berger joined Airborne Express in 1986 and worked 28 years for Airborne Express and its successor, DHL Express where he held many roles including Head of Sales for the United States.

The executive officers of the Company are appointed annually at the Board of Directors meeting held in conjunction with the annual meeting of stockholders. There are no family relationships between any directors or executive officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The response to this Item is incorporated herein by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders under the captions “Executive Compensation” and “Director Compensation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The responses to this Item are incorporated herein by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders under the captions “Equity Compensation Plan Information,” “Voting at the Meeting,” “Stock Ownership of Management” and “Common Stock Ownership of Certain Beneficial Owners.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The response to this Item is incorporated herein by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders under the captions “Related Person Transactions” and “Independence.”

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The response to this Item is incorporated herein by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders under the caption “Fees of the Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List of Documents filed as part of this report:

(1) Consolidated Financial Statements

The following are filed in Part II, item 8 of this Form 10-K Annual Report:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Income
Consolidated Statements of Cash Flows
Consolidated Statements of Stockholders’ Equity
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules
Schedule II—Valuation and Qualifying Account

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at beginning of period</th>
<th>Additions charged to cost and expenses</th>
<th>Deductions</th>
<th>Balance at end of period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable reserve:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>$ 2,445,310</td>
<td>$ 596,000</td>
<td>$ 1,597,505</td>
<td>$ 1,443,805</td>
</tr>
<tr>
<td>December 31, 2017</td>
<td>1,264,211</td>
<td>1,184,099</td>
<td>3,000</td>
<td>2,445,310</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>415,336</td>
<td>1,006,307</td>
<td>157,432</td>
<td>1,264,211</td>
</tr>
</tbody>
</table>

All other schedules are omitted because they are not applicable or are not required, or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

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

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description of Exhibit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articles of Incorporation</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Restated Certificate of Incorporation of Air Transport Services Group, Inc. (31)</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws of Air Transport Services Group, Inc., reflecting amendments through May 10, 2013. (16)</td>
</tr>
<tr>
<td>Instruments defining the rights of security holders</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Form of 1.125% Convertible Senior Note due 2024 (included in Exhibit 4.1). (28)</td>
</tr>
<tr>
<td>Material Contracts</td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>Director compensation fee summary. (8)</td>
</tr>
<tr>
<td>10.2</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated August 24, 2006, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (2)</td>
</tr>
<tr>
<td>10.3</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated October 10, 2006, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (3)</td>
</tr>
<tr>
<td>10.4</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated February 16, 2007, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (4)</td>
</tr>
<tr>
<td>10.5</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated April 25, 2007, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (5)</td>
</tr>
<tr>
<td>10.6</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated October 26, 2007, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (7)</td>
</tr>
<tr>
<td>10.7</td>
<td>Aircraft Loan and Security Agreement and related promissory note, dated December 19, 2007, by and among ABX Air, Inc. and Chase Equipment Leasing, Inc. (7)</td>
</tr>
<tr>
<td>10.8</td>
<td>Guaranty by Air Transport Services Group, Inc. in favor of DHL Express (USA), Inc., dated May 8, 2009 (6), as amended by Amendment to the Guaranty dated as of January 14, 2015 (20)</td>
</tr>
<tr>
<td>10.9</td>
<td>Form of Time-Based Restricted Stock Award Agreement under Air Transport Services Group, Inc. 2005 Amended and Restated Long-Term Incentive Plan. (9)</td>
</tr>
</tbody>
</table>
10.10 Form of Performance-Based Stock Unit Award Agreement under Air Transport Services Group, Inc. 2005 Amended and Restated Long-Term Incentive Plan. (9)

10.11 Form of Restricted Stock Unit Award Agreement under Air Transport Services Group, Inc. 2005 Amended and Restated Long-Term Incentive Plan. (18)

10.12 Conversion Agreement dated August 3, 2010, between Cargo Aircraft Management, Inc., M&B Conversions Limited and Israel Aerospace Industries Ltd. (10)

10.13 Credit Agreement, dated as of May 9, 2011, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents, and Bank of America, N.A., as Documentation Agent. (11)

10.14 Guarantee and Collateral Agreement, dated as of May 9, 2011, made by Cargo Aircraft Management, Inc. and certain of its Affiliates in favor of SunTrust Bank, as Administrative Agent. (11)

10.15 Amendment to Confidentiality and Standstill Agreement, dated as of June 11, 2012, between Air Transport Services Group, Inc. and Red Mountain Capital Partners LLC. (12)

10.16 Form of amended and restated change-in-control agreement in effect between Air Transport Services Group, Inc. and its executive officers. (14)

10.17 Amendment to the Credit Agreement, dated July 20, 2012, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents, and Bank of America, N.A., as Documentation Agent. (13)

10.18 Amended and Restated Lease Agreement, dated December 27, 2012, between Clinton County Port Authority and Air Transport Services Group, Inc. (15)

10.19 Loan Agreement, Chapter 166, Ohio Revised Code, dated December 1, 2012, between the Director of Development Services Agency of Ohio and Clinton County Port Authority. (15)


10.21 Lease Agreement for the Jump Hangar Facility, dated December 1, 2012, between Clinton County Port Authority and Air Transport International, LLC. (15)


10.23 Bond Purchase Agreement, dated December 13, 2012, among the State of Ohio, acting by and through its Treasurer of State, the Development Services Agency of Ohio, acting by and through a duly authorized representative, Clinton County Port Authority, Air Transport International, LLC and Stifel, Nicolaus & Company, Inc. (15)


10.25 Second Amendment to the Credit Agreement, dated October 22, 2013, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents, and Bank of America, N.A., as Documentation Agents. (17)
Third Amendment to Credit Agreement and First Amendment to Guarantee and Collateral Agreement, dated May 6, 2014, 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 as Administrative Agent. (19)

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. (20)

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. (21)

Air Transportation Services Agreement, dated as of March 8, 2016, by and between Airborne Global Solutions, Inc. and Amazon Fulfillment Services Inc. 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. (22)

Investment Agreement, dated as of March 8, 2016, by and between Air Transport Services Group, Inc., and Amazon.com, Inc. 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. (22)

Warrant to Purchase Common Stock, issued March 8, 2016, by and between Air Transport Services Group, Inc. and Amazon.com. Those portions of the Warrant marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC. (22)

Stockholders Agreement, dated as of March 8, 2016, by and between Air Transport Services Group, Inc., and Amazon.com, Inc. 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. (22)

Amended and Restated Credit Agreement, dated as of May 31, 2016, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents and Bank of America, N.A., as Documentation Agent. (23)

Guarantee and Collateral Agreement made by Cargo Aircraft Management, Inc. and certain of its Affiliates in favor of SunTrust Bank, as Administrative Agent, dated as of May 31, 2016. (23)

Air Transport Services Group, Inc. Executive Incentive Compensation Plan, last modified August 5, 2016. (23)

Form of Time-Based Restricted Stock Award Agreement under Air Transport Services Group, Inc. 2015 Amended and Restated Long-Term Incentive Plan. (24)

Form of Performance-Based Stock Unit Award Agreement under Air Transport Services Group, Inc. 2015 Amended and Restated Long-Term Incentive Plan. (24)

Form of Restricted Stock Unit Award Agreement under Air Transport Services Group, Inc. 2015 Amended and Restated Long-Term Incentive Plan. (24)


First Amendment to the Amended and Restated Credit Agreement, dated as of March 31, 2017, among Cargo Aircraft Management, Inc., as Borrower, Air Transport Services Group, Inc., the Lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Regions Bank and JPMorgan Chase Bank, N.A., as Syndication Agents and Bank of America, N.A., as Documentation Agent. (26)

Second Amendment to the Amended and Restated Credit Agreement, entered into on September 25, 2017, by and among Air Transport Services Group, Inc., Cargo Aircraft Management, Inc., as borrower, the guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent. (29)

Purchase Agreement, dated September 25, 2017, by and among Air Transport Services Group, Inc. and Goldman Sachs & Co. LLC and SunTrust Robinson Humphrey, Inc., as representatives of the initial purchasers named therein. (28)

Base Convertible Bond Hedge Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Goldman Sachs & Co. LLC. (28)

Base Convertible Bond Hedge Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Bank of America, N.A. (28)


Base Convertible Bond Hedge Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Bank of Montreal. (28)

Additional Convertible Bond Hedge Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Goldman Sachs & Co. LLC. (28)


Bank Warrant Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Goldman Sachs & Co. LLC. (28)


Additional Warrant Confirmation, dated September 25, 2017, between Air Transport Services Group, Inc., and Goldman Sachs & Co. LLC. (28)


Air Transport Services Group, Inc. Severance Plan for Senior Management. (30)

10.62 Second Amended and Restated Credit Agreement, dated as of November 9, 2018, among Cargo Aircraft Management, Inc., as borrower; Air Transport Services Group, Inc.; the lenders from time to time party thereto; SunTrust Bank, as Administrative Agent; Bank of America, N.A. and PNC Bank, National Association, as Co-Syndication Agents; and Regions Bank, JPMorgan Chase Bank, N.A. and Branch Banking and Trust Company, as Co-Documentation Agents, filed herewith.

10.63 Second Amended and Restated Guarantee and Collateral Agreement made by Cargo Aircraft Management, Inc. and certain of its Affiliates in favor of SunTrust Bank, as Administrative Agent, dated as of November 9, 2018, filed herewith.

10.64 Purchase and Sale Agreement, by and among Air Transport Services Group, Inc. and the Sellers and the Sellers' Representative Named Herein, dated as of October 1, 2018. Pursuant to Item 601(b)(2) of Regulation S-K, certain exhibits and schedules have been omitted from this filing. The registrant agrees to furnish the Commission on a supplemental basis a copy of any omitted exhibit or schedule, filed herewith.

10.65 Investment Agreement, dated as of December 20, 2018, by and between Air Transport Services Group, Inc. and Amazon.com, Inc., filed herewith. 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.

10.66 Warrant to Purchase Common Stock, issued December 20, 2018, by and between Air Transport Services Group, Inc. and Amazon.com, Inc., filed herewith. Those portions of the Warrant marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

10.67 Amended and Restated Stockholders Agreement, dated as of December 20, 2018, by and between Air Transport Services Group, Inc. and Amazon.com, Inc., filed herewith. 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.

Code of Ethics

14.1 Code of Ethics—CEO and CFO. (1)

List of Significant Subsidiaries

21.1 List of Significant Subsidiaries of Air Transport Services Group, Inc., filed within.

Consent of experts and counsel

23.1 Consent of independent registered public accounting firm, filed herewith.

Certifications

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) The Company's Code of Ethics can be accessed from the Company's Internet website at www.atsginc.com.
(2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 9, 2006.
(3) Incorporated by reference to the Company's Annual Report on Form 10-K/A filed on August 14, 2007 with the Securities and Exchange Commission.
(7) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 17, 2008 with the Securities and Exchange Commission.
(8) Incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, Corporate Governance and Board Matters, filed March 30, 2018 with the Securities and Exchange Commission.
(10) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 3, 2010. 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.
(12) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 18, 2012.
(13) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on July 24, 2012.
(15) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 4, 2013. 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.
(17) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2013.
(18) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014.
(20) 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.

(22) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2016.

(23) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2016.

(24) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on March 15, 2016.

(25) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 27, 2016.


(27) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 2, 2017.

(28) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on September 29, 2017.

(29) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on September 25, 2017.

(30) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2017.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Air Transport Services Group, Inc.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/S/ JOSEPH C. Hete</td>
<td>President and Chief Executive Officer (Principal Executive Officer)</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Joseph C. Hete</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated:

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/S/ RANDY D. RADEMACHER</td>
<td>Director and Chairman of the Board</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Randy D. Rademacher</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ RICHARD M. BAUDOUIN</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Richard M. Baudouin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ ROBERT K. CORETZ</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Robert K. Coretz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ JOSEPH C. Hete</td>
<td>Director, President and Chief Executive Officer (Principal Executive Officer)</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Joseph C. Hete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ RAYMOND E. JOHNS JR.</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Raymond E. Johns, Jr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ LAURA J. PETERSON</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Laura J. Peterson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ J. CHRISTOPHER TEETS</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>J. Christopher Teets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ JEFFREY J. VORHOLT</td>
<td>Director</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Jeffrey J. Vorholt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/S/ QUINT O. TURNER</td>
<td>Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)</td>
<td>March 1, 2019</td>
</tr>
<tr>
<td>Quint O. Turner</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF NOVEMBER 9, 2018

AMONG

CARGO AIRCRAFT MANAGEMENT, INC.,
AS BORROWER,

AIR TRANSPORT SERVICES GROUP, INC.,
THE LENDERS FROM TIME TO TIME PARTY HERETO,

SUNTRUST BANK,
AS ADMINISTRATIVE AGENT,

BANK OF AMERICA, N.A.
AND
PNC BANK, NATIONAL ASSOCIATION
AS CO-SYNDICATION AGENTS

AND

REGIONS BANK,
JPMORGAN CHASE BANK, N.A.
AND
BRANCH BANKING AND TRUST COMPANY
AS CO-DOCUMENTATION AGENTS

SUNTRUST ROBINSON HUMPHREY, INC.,
JPMORGAN CHASE BANK, N.A.,
REGIONS CAPITAL MARKETS, a Division of Regions Bank,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
PNC CAPITAL MARKETS LLC
and
BB&T CAPITAL MARKETS

as Joint Lead Arrangers and Joint Bookrunners
# TABLE OF CONTENTS

**Section 1** Definitions and Rules of Interpretation.  
- **Section 1.1** Definitions  
- **Section 1.2** Rules of Interpretation

**Section 2** Amount and Terms of Credit.  
- **Section 2.1** Commitment  
- **Section 2.2** Minimum Borrowing Amounts, etc.  
- **Section 2.3** Notice of Borrowing  
- **Section 2.4** Disbursement of Funds  
- **Section 2.5** Evidence of Indebtedness  
- **Section 2.6** Conversions/Continuations  
- **Section 2.7** Pro Rata Borrowings  
- **Section 2.8** Interest  
- **Section 2.9** Interest Periods  
- **Section 2.10** [Reserved]  
- **Section 2.11** Compensation  
- **Section 2.12** Mitigation of Obligations  
- **Section 2.13** Replacement of Lenders  
- **Section 2.14** Incremental Facility  
- **Section 2.15** Defaulting Lenders  
- **Section 2.16** Extension of Final Maturity Date  
- **Section 2.17** Inability to Determine Interest Rates.  
- **Section 2.18** Illegality.  
- **Section 2.19** Increased Costs.

**Section 3** Letters of Credit.  
- **Section 3.1** Letters of Credit  
- **Section 3.2** Notices of Issuance  
- **Section 3.3** Issuance of Letters of Credit  
- **Section 3.4** Letter of Credit Disbursement/Reimbursement Obligation  
- **Section 3.5** Lenders’ Participation Obligations  
- **Section 3.6** Obligation to Pay Interest  
- **Section 3.7** Cash Collateral  
- **Section 3.8** Letter of Credit Reporting  
- **Section 3.9** Unconditional Obligation to Reimburse  
- **Section 3.10** Law Governing Letters of Credit

**Section 4** Fees; Commitments.  
- **Section 4.1** Fees  
- **Section 4.2** Voluntary Reduction of Commitments  
- **Section 4.3** Commitment Terminations

**Section 5** Payments.  
- **Section 5.1** Voluntary Prepayments  
- **Section 5.2** Mandatory Prepayments.
Section 5.3 Method and Place of Payment
Section 5.4 Taxes.

Section 6 Conditions Precedent.
Section 6.1 Conditions Precedent to Closing Date
Section 6.2 Conditions Precedent to All Credit Events
Section 6.3 Effect of Amendment and Restatement.

Section 7 Representations and Warranties.
Section 7.1 Corporate Status; Compliance with Law
Section 7.2 Power and Authority
Section 7.3 No Violation
Section 7.4 Litigation
Section 7.5 Use of Proceeds; Margin Regulations
Section 7.6 Governmental Approvals
Section 7.7 Investment Company Act
Section 7.8 True and Complete Disclosure/Closing Date Acquisition Agreement/Beneficial Ownership Certification
Section 7.9 Financial Condition; Financial Statements
Section 7.10 Security Interests
Section 7.11 Tax Returns and Payments
Section 7.12 Compliance with ERISA
Section 7.13 Subsidiaries
Section 7.14 Intellectual Property
Section 7.15 Pollution and Other Regulations
Section 7.16 Properties
Section 7.17 Labor Matters
Section 7.18 No Default
Section 7.19 No Material Adverse Change
Section 7.20 Insurance
Section 7.21 Accounts
Section 7.22 Material Contracts
Section 7.23 Indebtedness
Section 7.24 OFAC
Section 7.25 Patriot Act
Section 7.27 Aircraft
Section 7.28 EEA Financial Institutions

Section 8 Affirmative Covenants
Section 8.1 Information Covenants
Section 8.2 Books, Records and Inspections
Section 8.3 Maintenance of Insurance
Section 8.4 Payment of Taxes
Section 8.5 Franchises
Section 8.6 Compliance with Contractual Obligations and Laws, Statutes, etc.
Section 8.7 Maintain Property
Section 8.8 Environmental Laws
Section 8.9 Use of Proceeds
Section 8.10 Collateral Pool; Release of Aircraft; Additional Guarantees
Section 8.11 Hedging Transactions
Section 8.12 Aircraft Appraisals
Section 8.13 Post Closing Covenant
Section 8.14 Compliance with Anti-Corruption Laws; Beneficial Ownership Regulation, Anti-Money Laundering Laws and Sanctions
Section 8.15 Further Assurances

Section 9 Negative Covenants
Section 9.1 Changes in Business
Section 9.2 Consolidation, Merger, Sale of Assets, etc.
Section 9.3 Liens
Section 9.4 Indebtedness
Section 9.5 Advances, Investments and Loans
Section 9.6 Amendments to Documents, etc.
Section 9.7 Dividends, Restrictive Agreements.
Section 9.8 Transactions with Affiliates
Section 9.9 Sales and Leasebacks
Section 9.10 Changes in Fiscal Periods
Section 9.11 Activities of Holdings
Section 9.12 Fixed Charge Coverage Ratio
Section 9.13 Leverage Ratios
Section 9.14 Collateral Ratio
Section 9.15 Minimum Collateral.
Section 9.16 Government Regulation.

Section 10 Events of Default.
Section 10.1 Payments
Section 10.2 Representations etc.
Section 10.3 Covenants
Section 10.4 Default Under Other Agreements
Section 10.5 Bankruptcy, etc.
Section 10.6 ERISA
Section 10.7 Credit Documents
Section 10.8 Restraint of Business
Section 10.9 Loss of Authority
Section 10.10 Hedging Obligations
Section 10.11 Judgments
Section 10.12 Certified Air Carrier Status
Section 10.13 Change in Control
Section 10.14 Application of Proceeds from Collateral

Section 11 The Administrative Agent.
Section 11.1 Appointment
Section 11.2 Delegation of Duties
Section 11.3 Exculpatory Provisions
Section 11.4 Reliance by Administrative Agent
Section 11.5 Notice of Default
Section 11.6 Non-Reliance on Administrative Agent and Other Lenders
Section 11.7  Indemnification  
104
Section 11.8  The Administrative Agent and Joint Lead Arrangers in their Individual Capacity  
104
Section 11.9  Successor Administrative Agent  
105
Section 11.10  Withholding Tax  
105
Section 11.11  Administrative Agent May File Proofs of Claim  
105
Section 11.12  Authorization to Execute Other Credit Documents  
106
Section 11.13  Collateral and Guaranty Matters  
106
Section 11.14  Right to Realize on Collateral and Enforce Guarantee  
107
Section 11.15  Secured Bank Product Obligations and Hedging Obligations  
107
Section 12  Miscellaneous.  
107
Section 12.1  Payment of Expenses, etc.  
107
Section 12.2  Right of Setoff  
108
Section 12.3  Notices.  
109
Section 12.4  Successors and Assigns.  
113
Section 12.5  No Waiver; Remedies Cumulative  
117
Section 12.6  Payments Pro Rata  
118
Section 12.7  Calculations; Computations  
118
Section 12.8  Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial  
119
Section 12.9  Counterparts  
120
Section 12.10  Effectiveness  
120
Section 12.11  Headings  
120
Section 12.12  Amendment or Waiver  
120
Section 12.13  Survival  
123
Section 12.14  Domicile of Loans  
123
Section 12.15  USA Patriot Act  
123
Section 12.16  Confidentiality  
123
Section 12.17  Release of Liens and Guarantees  
124
Section 12.18  Integration  
124
Section 12.19  Acknowledgments  
124
Section 12.20  Interest Rate Limitation  
125
Section 12.21  Independence of Covenants  
126
Section 12.22  No Advisory or Fiduciary Relationship  
126
Section 12.23  Acknowledgement and Consent to Bail-In of EEA Financial Institutions.  
126
Section 12.24  Certain ERISA Matters  
127
ANNEXES:

1.1A Revolving Commitments
1.1B Existing Aircraft Liens
1.1C Outstanding Principal Balance of Term Loan A-1
1.1D Term Loan A-2 Commitments
3.1 Existing Letters of Credit
7.3 No Violation
7.11 Taxes
7.13 Subsidiaries
7.15 Environmental Matters
7.20 Insurance
8.10 Closing Date Collateral Pool
9.4(c) Existing Indebtedness
9.5(d) Existing Investments
9.8 Affiliate Transactions

EXHIBITS:

A Form of Notice of Borrowing
B-1 Form of Term Note
B-2 Form of Revolving Note
C Form of Assignment and Acceptance
D [1-4] Form of Tax Certificates
E-1 Form of Opinion of Vorys, Sater, Seymour and Pease LLP, counsel to Holdings and its Subsidiaries
E-2 Form of Opinion of W. Joseph Payne, Esq., Chief Legal Officer of Holdings and General Counsel to the Borrower and all Subsidiaries
E-3 Form of Opinion of Greenberg Traurig, P.A., special Florida counsel to the Borrower and certain of the Guarantors
E-4 Form of Opinion of Fennemore Craig, P.C., special Nevada counsel to Air Transport International Limited Liability Company
F Form of Closing Certificate
G Form of Second Amended and Restated Guarantee and Collateral Agreement
H Form of Solvency Certificate
I Form of Compliance Certificate
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of
November 9, 2018, among CARGO AIRCRAFT MANAGEMENT, INC., a Florida corporation
(“Borrower”), AIR TRANSPORT SERVICES GROUP, INC., a Delaware corporation (“Holdings”),
the lending and other financial institutions from time to time a party hereto (each a “Lender” and,
collectively, the “Lenders”) and SUNTRUST BANK, as administrative agent (in such capacity, the
“Administrative Agent”). Unless otherwise defined herein, all capitalized terms used herein and defined
in Section 1 are used herein as so defined.

WITNESSETH:

WHEREAS, the Borrower, Holdings, certain of the Lenders and SunTrust Bank as
Administrative Agent are parties to that certain Amended and Restated Credit Agreement, dated as of
May 31, 2016 (as amended, supplemented or otherwise modified from time to time immediately prior
to the date hereof, the “Existing Credit Agreement”);

WHEREAS, the Borrower has requested that the Lenders amend and restate the Existing
Credit Agreement to (i) permit the addition of Incremental Term Commitments (as defined below) in
an aggregate principal amount of $675,000,000 and (ii) amend and modify certain other terms and
conditions of the Existing Credit Agreement on the terms and conditions herein; and subject to the terms
and conditions of this Agreement, the Administrative Agent, the Required Lenders, the Letter of Credit
Issuer and the Swingline Lender, are willing to do so;

WHEREAS, the parties hereto desire to have BOKF, NA dba Bank of Oklahoma and
Goldman Sachs Bank USA (the “New Lenders”) become a party to this Agreement in their capacity as
a “Lender” and to have all rights, benefits and obligations of a Lender hereunder;

WHEREAS, each of the New Lenders, by executing this Agreement, desires to become
a “Lender” hereunder and under the other Credit Documents with all of the rights and benefits hereunder
and thereunder, and be bound by all of the terms and provisions (and subject to all of the obligations)
of a Lender hereunder and thereunder; and

WHEREAS, the parties hereto intend that the Term Loans A-2 (as defined below) will
be an Incremental Term Loan made pursuant to Section 2.14 (and solely for purposes of incurring the
Term Loans A-2 on the Closing Date, the Administrative Agent and the Lenders hereby waive (i) the
requirements of Section 2.14(a) with respect to the limitation on the amount of Incremental Term
Commitments that may be added and (ii) the notice requirements set forth in Section 2.14).

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

Section 1 DEFINITIONS AND RULES OF INTERPRETATION.

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

“Adjustment Date” shall be as defined in the Applicable Margin.
“Administrative Agent” shall have the meaning provided in the introductory paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to Section 11.9.

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

“Agreement” shall mean this Credit Agreement.

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

“Aircraft Appraisal” shall mean an appraisal of Holdings’ and its Subsidiaries fleet of Boeing 757, 767 and 777 Aircraft, as well as any other type of Aircraft that the Borrower determines to include in the Collateral Pool, conducted by an independent, third party appraiser acceptable to the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent. Except as otherwise agreed between the Borrower and Administrative Agent from time to time, the form and substance of all Aircraft Appraisals shall be consistent with the Aircraft Appraisal prepared and delivered to the Administrative Agent immediately prior to the Closing Date pursuant to the Existing Credit Agreement.

“Anniversary Date” shall mean May 31 of each year after the Closing Date until the applicable Final Maturity Date.

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

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to Holdings or its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Anti-Money Laundering Laws” means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to a Credit Party, its Subsidiaries or Affiliates related to terrorism financing or money laundering, including any applicable provision of the Patriot Act and The Currency and Foreign Transactions Reporting Act

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

<table>
<thead>
<tr>
<th>Level</th>
<th>Secured Leverage Ratio</th>
<th>Applicable Margin for Eurodollar Rate Loans</th>
<th>Applicable Margin for Base Rate Loans</th>
<th>Commitment Fee for Revolver</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Greater than or equal to 2.50x</td>
<td>2.25%</td>
<td>1.25%</td>
<td>0.35%</td>
</tr>
<tr>
<td>II</td>
<td>Less than 2.50x but greater than or equal to 2.00x</td>
<td>2.00%</td>
<td>1.00%</td>
<td>0.30%</td>
</tr>
<tr>
<td>III</td>
<td>Less than 2.00x but greater than or equal to 1.50x</td>
<td>1.75%</td>
<td>0.75%</td>
<td>0.25%</td>
</tr>
<tr>
<td>IV</td>
<td>Less than 1.50x but greater than or equal to 1.00x</td>
<td>1.50%</td>
<td>0.50%</td>
<td>0.20%</td>
</tr>
<tr>
<td>V</td>
<td>Less than 1.00x</td>
<td>1.25%</td>
<td>0.25%</td>
<td>0.20%</td>
</tr>
</tbody>
</table>

For the purposes hereof, changes in the Applicable Margin resulting from changes in the Secured Leverage Ratio shall become effective on the date (the “Adjustment Date”) that is three Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 8.1 and shall remain in effect until the next change to be effected pursuant to this paragraph; provided, that the foregoing is subject in all events to the last paragraph of Section 8.1(c). If any financial statements referred to above are not delivered within the time periods specified in Section 8.1, then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the table above shall apply. Each determination of the Secured Leverage Ratio pursuant to the above table shall be made in a manner consistent with the determination thereof pursuant to Section 9.13. Notwithstanding the foregoing, the Applicable Margin from the Closing Date until the third Business Day after the Borrower delivers the required financial statements under Section 8.1 for the Fiscal Quarter ending December 31, 2018 shall be at Level I.

“Approved Fund” shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.
“APU” shall mean any auxiliary power unit currently installed on any Aircraft, together with any and all parts incorporated in or installed on or attached to any such auxiliary power unit and any and all parts removed therefrom so long as title thereto shall remain vested in Holdings or its Subsidiaries after removal from any such auxiliary power unit.

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

“Assignment and Acceptance” shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 12.4(b)) and accepted by the Administrative Agent, in substantially the form of Exhibit C or any other form approved by the Administrative Agent.

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

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

“Bank Product Obligations” shall mean, collectively, all obligations and other liabilities of any Credit Party to any Lender-Related Bank Product Provider arising with respect to any Bank Products.

“Bank Products” shall mean any of the following services provided to any Credit Party by any Lender-Related Bank Product Provider: (a) any treasury or other cash management services, including deposit accounts, automated clearing house (ACH) origination and other funds transfer, depository (including cash vault and check deposit), zero balance accounts and sweeps, return items processing, controlled disbursement accounts, positive pay, lockboxes and lockbox accounts, account reconciliation and information reporting, payables outsourcing, payroll processing, trade finance services, investment accounts and securities accounts, and (b) card services, including credit cards (including purchasing cards and commercial cards), prepaid cards, including payroll, stored value and gift cards, merchant services processing, and debit card services.

“Bankruptcy Code” shall have the meaning provided in Section 10.5.

“Base Rate” shall mean, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% per annum, (c) the Eurodollar Rate determined on a daily basis for an Interest Period of 1 month plus 1.00% and (d) zero percent (0%). For purposes hereof: “Prime Rate” shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in Atlanta, Georgia (it being understood that such prime rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer), and “Federal Funds Effective Rate” shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if
such rate is not so published for any day which is a Business Day, the average of the quotations for the
day of such transactions received by the Administrative Agent from three federal funds brokers of
recognized standing selected by it. If for any reason the Administrative Agent shall have determined
(which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal
Funds Effective Rate, for any reason, including the inability or failure of the Administrative Agent to
obtain sufficient quotations in accordance with the terms hereof, the Base Rate shall be determined
without regard to clause (b) of the first sentence of this definition, as appropriate, until the circumstances
giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime
Rate or the Federal Funds Effective Rate shall be effective on the effective day of such change in the
Prime Rate or the Federal Funds Effective Rate, respectively.

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

“Beneficial Ownership Certification” means a certification regarding beneficial
ownership as required by the Beneficial Ownership Regulation.


“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that
is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code or (c) any Person
whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA
or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

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

“Borrowing” shall mean the incurrence of one Type of Loan pursuant to a single Facility
by the Borrower from all of the Lenders having Commitments with respect to such Facility on a pro
rata basis on a given date (or resulting from conversions on a given date), having in the case of Eurodollar
Rate Loans the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 2.17
and/or Section 2.18 shall be considered part of any related Borrowing of Eurodollar Rate Loans.

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

“CMI Service Agreement” shall mean the Amended and Restated Air Transportation
Services Agreement, dated January 14, 2015, between DHL Network Operations (USA), Inc., ABX Air,
Inc. and Borrower.

“Cape Town Convention” shall mean the Convention on International Interests in Mobile
Equipment, and its Protocol on Matters Specific to Aircraft Equipment.
“Capital Lease” as applied to any Person shall mean any lease of (or arrangement conveying the right to use) any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP (subject to changes in GAAP as provided in Section 12.7), is classified and accounted for as a capital lease on the balance sheet of that Person.

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

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

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

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

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

“Certified Air Carrier” shall mean, as to any Person, an air carrier holding a certificate issued by the FAA pursuant to Section 44705 of Title 49 of the United States Code or any other Federal aviation laws.
“Change in Control” shall mean, at any time, (i) any Person or “group” (within the meaning of Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the “1934 Act”)) (a) shall have acquired, directly or indirectly, beneficial or record ownership (within the meaning of Rule 13d-3 under the 1934 Act) of 30% or more on a fully diluted basis of the total voting power represented by the Capital Stock of Holdings or (b) shall have obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body) of Holdings (other than pursuant to proxies solicited by the board of directors of Holdings in connection with an election of directors); (ii) Holdings shall cease to beneficially own (as defined in Rule 13d-3 under the 1934 Act) 100% on a fully diluted basis of the Capital Stock of the Borrower; or (iii) during any period of 24 consecutive months, a majority of the members of the board of directors of Holdings cease to be composed of individuals who are Continuing Directors (as defined below); provided, however, that an underwriter, initial purchaser, investor or holder of any Permitted Convertible Indebtedness or Permitted Warrant Transaction shall be deemed to not directly or indirectly acquire or own the shares of Capital Stock of Holdings issuable upon conversion or exercise, as applicable, thereof for the purposes of clause (i)(a) above unless and until such shares of Capital Stock are “beneficially owned” by such person within the meaning of Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder”. For purposes of this definition, “Continuing Director” shall mean, with respect to any period, any individuals (A) who were members of the board of directors of Holdings on the first day of such period, (B) whose election or nomination to that board was approved by individuals referred to in clause (A) above constituting at the time of such election or nomination at least a majority of that board, or (C) whose election or nomination to that board was approved by individuals referred to in clauses (A) and (B) above constituting at the time of such election or nomination at least a majority of that board.

“Change in Law” shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation, implementation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by any Lender (or its applicable lending office) or the Letter of Credit Issuer (or, for purposes of Section 2.19(b), by the Parent Company of such Lender or the Letter of Credit Issuer, if applicable) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

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

“Closing Date” shall have the meaning provided in Section 12.10.

“Closing Date Acquisition” shall mean the purchase by Holdings of 100% of the membership interests of each of the Targets pursuant to the terms of the Closing Date Acquisition Agreement.
“Closing Date Acquisition Agreement” shall mean that certain Purchase and Sale Agreement, dated as of October 1, 2018, among the Sellers, Robert K. Coretz, as Sellers’ Representative, and Holdings, together with all exhibits and schedules thereto, as in effect on the date thereof.

“Closing Date Acquisition Documents” shall mean, collectively, the Closing Date Acquisition Agreement, each of the other Transaction Documents (as defined in the Closing Date Acquisition Agreement) and each other document, instrument, certificate and agreement executed and delivered in connection therewith.

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

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

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

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

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

“Commitment” shall mean, with respect to each Lender, such Lender’s Revolving Commitment and/or Term Loan A-2 Commitment, as the context may require.

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

“Commitment Fee Rate for Revolver” shall mean 0.35% per annum; provided that commencing with the date of delivery of financial statements pursuant to Section 8.1(b) for the Fiscal Quarter of Holdings ended December 31, 2018, the Commitment Fee Rate for Revolver shall be calculated in accordance with the Applicable Margin.

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended and in effect from time to time, and any successor statute.

“Compliance Certificate” shall have the meaning provided in Section 8.1(c).
“Consolidated EBITDA” shall mean, for any period, Consolidated Net Income of such Person for such period plus, without duplication and to the extent reflected as a deduction in the statement of such Consolidated Net Income for such period, the sum of (i) total income tax expense during such period, plus (ii) Consolidated Interest Expense during such period, plus (iii) depreciation and amortization expense, plus (iv) amortization of intangibles (including, but not limited to, goodwill), plus (v) any non-recurring expenses paid on or during the 12 month period after the Closing Date in connection with the Related Transactions in an aggregate amount not to exceed $20,000,000, plus (vi) non-cash expense items related to the issuance of warrants, plus (vii) any extraordinary expenses or losses, and (viii) minus any extraordinary income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains or losses on the sales of assets outside of the Ordinary Course of Business); provided, that, for purposes of calculating compliance with the financial covenants set forth in Section 9.12 and Section 9.13, to the extent that during such period any Credit Party shall have made an Investment of the type described in clause (i) or (ii) of such definition that is permitted under the Credit Agreement, or any sale, transfer or other disposition of any Person, business, property or assets, Consolidated EBITDA shall be calculated on a Pro Forma Basis with respect to such Person, business, property or assets so acquired or disposed of. Notwithstanding anything to the contrary contained herein, for purposes of determining Consolidated EBITDA under this Agreement for any period that includes the Fiscal Quarters ended December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018, Consolidated EBITDA for such Fiscal Quarters shall be deemed to be $108,218,757, $106,551,648, $106,174,767 and $115,055,593, respectively (subject to any adjustments made pursuant to the immediately preceding proviso, but excluding the Closing Date Acquisition).

“Consolidated Fixed Charges” shall mean, for any period, the sum, without duplication, of the amounts determined for Holdings and its Subsidiaries on a consolidated basis equal to (i) Consolidated Interest Expense to the extent paid in cash during such period, (ii) scheduled payments of principal on Consolidated Total Debt during such period (excluding any voluntary prepayment made pursuant to Section 5.1) and (iii) Dividends paid during such period (excluding, solely for purposes of determining Consolidated Fixed Charges, repurchases of Capital Stock of Holdings that are effected pursuant to Rule 10b-18 of the Securities Exchange Act of 1934, as amended). For purposes of calculating the Consolidated Fixed Charges for the four Fiscal Quarters ending on each of December 31, 2018, March 31, 2019, June 30, 2019 and September 30, 2019, scheduled payments of principal on Consolidated Total Debt shall be deemed to be $27,656,250 for each four Fiscal Quarter period ending on such date. For purposes of calculating Fixed Charges for the December 31, 2018 determination date, Consolidated Interest Expense shall be deemed to be $60,488,415. For the March 31, 2019 through December 31, 2019 determination dates, Consolidated Interest Expense shall be determined on a cumulative basis for the period beginning January 1, 2019 and ending on the applicable date of determination and annualized. For the determination dates ending March 31, 2020 and thereafter, Cash Interest Expense shall be determined on a trailing four quarter basis.

“Consolidated Interest Expense” shall mean, for any period, total interest expense determined in accordance with GAAP (including that attributable to Capital Leases in accordance with GAAP) of Holdings and its Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of Holdings and its Subsidiaries, including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing.
“Consolidated Net Income” shall mean for any period, the net income (or loss) of Holdings and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP, provided that there shall be excluded (i) the income (or loss) of any Person in which any other Person has a joint interest, in each case except to the extent of the amount of dividends or other distributions actually received by Holdings or any of its Subsidiaries from such Person during such period, (ii) the income of any Subsidiary of Holdings (other than a Credit Party) to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary and (iii) the income statement effect of FASB 52 foreign currency gains and losses.

“Consolidated Secured Debt” shall mean, as at any date of determination, the aggregate amount of all Indebtedness of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP that is secured by a Lien on any asset or property of Holdings or any of its Subsidiaries.

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

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

“Credit Documents” shall mean this Agreement, the Notes, the Security Documents and all applications, agreements and instruments relating to the Letters of Credit but excluding the Letters of Credit.

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

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

“Debtor Relief Laws” shall mean the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

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

“Defaulting Lender” shall mean, subject to Section 2.15(c), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the Letter of Credit Issuer or Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action (as defined in Section 12.23); provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the
jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.15(b)) upon delivery of written notice of such determination to the Borrower, the Letter of Credit Issuer, the Swingline Lender and each Lender.

“Disqualified Institution” means any Person identified by name in writing to the Administrative Agent from time to time after the Closing Date in accordance with the terms hereof, to the extent such Person is a competitor or is an Affiliate of a competitor of Holdings or its Subsidiaries, which designation shall not apply retroactively to disqualify any Persons that have previously acquired an assignment or participation interest in the Loans or Commitments.

“Dividends” shall have the meaning provided in Section 9.7.

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

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

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

“Electronic System” shall mean any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, Debt Domain, SyndTrak and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent and any Letter of Credit Issuer and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

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

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

“Environmental Law” shall mean any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law in each case as amended,

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

“ERISA Affiliate” shall mean any person that for purposes of Title I or Title IV of ERISA or Section 412 of the Code would be deemed at any relevant time to be a “single employer” or otherwise aggregated with the Borrower or any of its Subsidiaries under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

“ERISA Event” shall mean (i) any “reportable event” as defined in Section 4043 of ERISA with respect to a Plan (other than an event as to which the PBGC has waived under subsection .22, .23, .25, .27 or .28 of PBGC Regulation Section 4043 the requirement of Section 4043(a) of ERISA that it be notified of such event); (ii) any failure to make a required contribution to any Plan that would result in the imposition of a lien or other encumbrance or the provision of security under Section 430 of the Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance, there being or arising any “unpaid minimum required contribution” or “accumulated funding deficiency” (as defined or otherwise set forth in Section 4971 of the Code or Part 3 of Subtitle B of Title 1 of ERISA), whether or not waived, or any filing of any request for or receipt of a minimum funding waiver under Section 412 of the Code or Section 303 of ERISA with respect to any Plan or Multiemployer Plan, or that such filing may be made, or any determination that any Plan is, or is expected to be, in at-risk status under Title IV of ERISA; (iii) any incurrence by the Borrower, any of its Subsidiaries or any of their respective ERISA Affiliates of any liability under Title IV of ERISA with respect to any Plan or Multiemployer Plan (other than for premiums due and not delinquent under Section 4007 of ERISA); (iv) any institution of proceedings, or the occurrence of an event or condition which would reasonably be expected to constitute grounds for the institution of proceedings by the PBGC, under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (v) any incurrence by the Borrower, any of its Subsidiaries or any of their respective ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan, or the receipt by the Borrower, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice that a Multiemployer Plan is in endangered or critical status under Section 305 of ERISA; (vi) any receipt by the Borrower, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice, or any receipt by any Multiemployer Plan from the Borrower, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (vii) engaging in a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA; or (viii) any filing of a notice of intent to terminate any Plan if such termination would require material additional
contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA, any filing under Section 4041(c) of ERISA of a notice of intent to terminate any Plan, or the termination of any Plan under Section 4041(c) of ERISA.

“Eurodollar Rate” shall mean, with respect to each Interest Period for a Eurodollar Rate Loan, (i) 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 approximately 11:00 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, divided by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including any marginal, emergency, supplemental, special or other reserves and without benefit of credits for proration, exceptions or offsets that may be available from time to time) expressed as a decimal (rounded upward to the next 1/100th of 1%) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); provided, that (x) if the rate referred to in clause (i) is less than zero, such rate shall be deemed to be zero for purposes of this Agreement and (y) if the rate referred to in clause (i) above is not available at any such time for any reason, then the rate referred to in clause (i) 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 (and if such offered rate referred to in this clause (y) is less than zero, such rate shall be deemed to be zero for purposes of this Agreement).

“Eurodollar Rate Loan” shall mean a Loan that bears interest at a rate determined by reference to the Eurodollar Rate.

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

“Excluded Swap Obligation” shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act at the time the Guaranty of such Guarantor becomes effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or security interest is or becomes illegal.

“Excluded Taxes” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection
Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.13) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to 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, (c) Taxes attributable to such Recipient's failure to comply with Section 5.4 and (d) any U.S. federal withholding Taxes imposed under FATCA.

“Existing Credit Agreement” shall have the meaning given such term in the first WHEREAS clause hereof.

“Existing Letters of Credit” shall mean the letters of credit issued and outstanding under the Existing Credit Agreement as set forth on Annex 3.1.

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

“Facility” shall mean any of the credit facilities established under this Agreement, i.e., the Term Facility, the Revolving Facility, the Swingline Facility or the Incremental Facility.

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

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

“FATCA” means Sections 1471 through 1474 of the Code, as of the Closing 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.

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

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

“Fiscal Quarter” shall mean a fiscal quarter of any Fiscal Year.

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

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

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

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

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

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

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

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

“Guarantor” shall mean each of Holdings and the Subsidiary Guarantors.

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

“Hedge Termination Value” shall mean, in respect of any one or more Hedging Transactions, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Transactions, (a) for any date on or after the date such Hedging Transactions have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Transactions, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Transactions (which may include a Lender or any Affiliate of a Lender).
“Hedging Obligations” of any Person shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

“Hedging Transaction” of any Person shall mean (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into by such Person that is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, spot transaction, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

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

“ICA” shall have the meaning provided in Section 7.7.

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

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

“Incremental Facility” shall mean the Facility evidenced by the Incremental Commitments, if any.

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

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

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

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

“Incremental Term Commitment” shall have the meaning provided in Section 2.14(a).
“Incremental Term Loan Tranche” shall have the meaning provided in Section 2.14(b).

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

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

The “amount” or “principal amount” of any Indebtedness at any time of determination represented by (1) any obligation under clause (i) shall be the lesser of (a) the amount of the applicable obligation and (b) the Fair Market Value of the property to which such obligation relates, (2) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the accreted value at such time of determination, (3) any Capitalized Lease Obligation shall be the amount that is required to be capitalized in accordance with GAAP, (4) any “synthetic lease” under clause (h) shall be the stipulated loss value, termination value or other equivalent amount, (5) any Hedging Obligation shall be the Hedge Termination Value of such Hedging Obligation, whether or not an event of default or an early termination event has in fact occurred, and (6) any Contingent Obligation shall be an amount equal to the stated or determinable amount of the primary obligation in respect of which such guaranty or other contingent obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder).
“Indemnified Taxes” shall mean (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Credit Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

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

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

“IRS” shall mean the United States Internal Revenue Service.

“Joint Lead Arrangers” shall mean each of SunTrust Robinson Humphrey, Inc., JPMorgan Chase Bank, N.A., Regions Capital Markets, a division of Regions Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, PNC Capital Markets LLC and BB&T Capital Markets, each in their capacities as Joint Lead Arrangers and Joint Bookrunners.

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

“Lender” shall have the meaning provided in the introductory paragraph of this Agreement and, for the avoidance of doubt, shall include the New Lenders.

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

“Lender-Related Bank Product Provider” shall mean any Person that, at the time it provides any Bank Product to any Credit Party, (i) is a Lender or an Affiliate of a Lender and (ii) except when the Lender-Related Bank Product Provider is SunTrust Bank and its Affiliates, has provided prior written notice to the Administrative Agent which has been acknowledged by the Borrower of (x) the existence of such Bank Product and (y) the maximum dollar amount of obligations arising thereunder (the “Bank Product Amount”). In no event shall any Lender-Related Bank Product Provider acting in such capacity be deemed a Lender for purposes hereof to the extent of and as to Bank Products except that each reference to the term “Lender” in Section 11 and Section 12.1(iv) shall be deemed to include such Lender-Related Bank Product Provider and in no
event shall the approval of any such Person in its capacity as Lender-Related Bank Product Provider be
required in connection with the release or termination of any security interest or Lien of the
Administrative Agent. The Bank Product Amount may be changed from time to time upon written
notice to the Administrative Agent by the applicable Lender-Related Bank Product Provider. No Bank
Product Amount may be established at any time that a Default or Event of Default exists. For the
avoidance of doubt, any such Person shall not constitute a Lender-Related Bank Product Provider with
respect to any Bank Products entered into after the time such Person ceases to be a Lender or an Affiliate
of Lender.

“Lender-Related Hedge Provider” shall mean, with respect to any Hedging Transaction,
any Person that, at the time it enters into such Hedging Transaction with any Credit Party, (i) is a Lender
or an Affiliate of a Lender and (ii) except when the Lender-Related Hedge Provider is SunTrust Bank
or any of its Affiliates, has provided prior written notice to the Administrative Agent which has been
acknowledged by the Borrower of the existence of such Hedging Transaction; provided that, for the
avoidance of doubt, (x) any such Person shall not constitute a Lender-Related Hedge Provider with
respect to any Hedging Transaction entered into after the time that such Person ceases to be a Lender
or an Affiliate of a Lender and (y) the notice and acknowledgment requirement set forth in clause (ii)
above shall not be required for any Hedging Transaction entered into prior to the Closing Date so long
as the other requirements of this definition with respect to such Hedging Transaction are satisfied;
provided, however, that any Permitted Bond Hedge Transaction or any Permitted Warrant Transaction,
in each case, shall not constitute transactions with a Lender-Related Hedge Provider. In no event shall
any Lender-Related Hedge Provider acting in such capacity be deemed a Lender for purposes hereof to
the extent of and as to Hedging Obligations except that each reference to the term “Lender” in Section
11 and Section 12.1(iv) shall be deemed to include such Lender-Related Hedge Provider. In no event
shall the approval of any such Person in its capacity as Lender-Related Hedge Provider be required in
connection with the release or termination of any security interest or Lien of the Administrative Agent.

“Letter of Credit” shall mean any stand-by letter of credit issued pursuant to Section 3
by the Letter of Credit Issuer for the account of the Borrower pursuant to the Letter of Credit Commitment
and any Existing Letter of Credit.

“Letter of Credit Commitment” shall mean that portion of the Total Revolving
Commitments that may be used by the Borrower for the issuance of Letters of Credit in an aggregate
face amount not to exceed $75,000,000.

“Letter of Credit Disbursement” shall mean a payment made by the Letter of Credit
Issuer pursuant to a Letter of Credit.

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

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

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

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

“Loan” shall have the meaning provided in Section 2.1.

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

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

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

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

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

“Material Contract” shall mean, as of any date of determination, each contract, agreement or arrangement (other than the Credit Documents) referenced in the list of Material Contracts under the “Exhibits” section in Holdings’ most recent Annual Report on Form 10-K and Holdings’ most recent Quarterly Report on Form 10-Q, in each case as filed with the SEC.

“Maximum Rate” shall have the meaning provided in Section 12.20.
“Minimum Borrowing Amount” shall mean (i) for Base Rate Loans, $100,000 or a whole multiple of $100,000 in excess thereof and (ii) for Eurodollar Rate Loans, $500,000 or a whole multiple of $100,000 in excess thereof.

“Moody’s” shall mean Moody’s Investors Service, Inc., and its successors.

“Multiemployer Plan” shall mean any “multiemployer plan” as defined in Section 4001(a)(3) of ERISA, which is contributed to by (or to which there is or may be an obligation to contribute of) the Borrower, any of its Subsidiaries or an ERISA Affiliate, and each such plan for the five-year period immediately following the latest date on which the Borrower, any of its Subsidiaries or an ERISA Affiliate contributed to or had an obligation to contribute to such plan.

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

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

“New Lenders” shall have the meaning assigned to such term in the third WHEREAS clause hereof.

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

“Non-Defaulting Lender” shall mean each Lender other than a Defaulting Lender.

“Non-Extending Lender” shall have the meaning provided in Section 2.16(b).

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

“Non-U.S. Plan” shall mean any plan, fund (including, without limitation, any superannuation fund) or other similar program established, contributed to (regardless of whether through direct contributions or through employee withholding) or maintained outside the United States by the Borrower or one or more of its Subsidiaries primarily for the benefit of employees of the Borrower or such Subsidiaries residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement, or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

“Notes” shall be a collective reference to any promissory notes evidencing the Loans.
“Notice of Borrowing” shall have the meaning provided in Section 2.3.

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

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

“Obligations” shall mean (a) all amounts owing by the Credit Parties to the Administrative Agent, the Letter of Credit Issuer, any Lender (including the Swingline Lender) or the Joint Lead Arrangers pursuant to or in connection with this Agreement or any other Credit Document or otherwise with respect to any Loan or Letter of Credit including, without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all fees and expenses of counsel to the Administrative Agent, the Letter of Credit Issuer and any Lender (including the Swingline Lender) incurred pursuant to this Agreement or any other Credit Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, (b) all Hedging Obligations owed by any Credit Party to any Lender-Related Hedge Provider, and (c) all Bank Product Obligations, together with all renewals, extensions, modifications or refinancings of any of the foregoing; provided, however, that with respect to any Guarantor, the Obligations shall not include any Excluded Swap Obligations; provided, however, that any obligations under any Permitted Bond Hedge Transaction or any Permitted Warrant Transaction, in each case, shall not constitute Obligations.

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

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

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

“Other Connection Taxes” shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

“Other Taxes” shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Credit Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.13).
“Parent Company” shall mean, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

“Participant” shall have the meaning provided in Section 12.4(d).

“Participant Register” shall have the meaning set forth in Section 12.4(e).

“Patriot Act” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

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

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

“Permitted Bond Hedge Transaction” means any call or capped call option (or substantively equivalent derivative transaction) relating to Holdings’ common stock (or other securities or property following a merger event or other change of the common stock of Holdings) purchased by Holdings in connection with the issuance of any Permitted Convertible Indebtedness; provided that the purchase price for such Permitted Bond Hedge Transaction, less the proceeds received by Holdings from the sale of any related Permitted Warrant Transaction, does not exceed the net proceeds received by Holdings from the issuance of such Permitted Convertible Indebtedness in connection with such Permitted Bond Hedge Transaction.

“Permitted Convertible Indebtedness” means indebtedness of Holdings permitted to be incurred pursuant to Section 9.4(i) that is convertible into common stock of Holdings (or other securities or property following a merger event or other change of the common stock of Holdings) and/or cash (in an amount determined by reference to the price of such common stock). For the avoidance of doubt, the amounts outstanding under any Permitted Convertible Indebtedness will be determined for purposes of the Credit Documents without giving effect to any treatment in respect of convertible debt instruments under Accounting Standards Codification Subtopics 470-20 or 815-40 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Permitted Convertible Indebtedness in a reduced or bifurcated manner as described therein, and such Permitted Convertible Indebtedness shall at all times be valued at the full stated principal amount thereof.

“Permitted Liens” shall mean all Liens permitted pursuant to Section 9.3.

“Permitted Warrant Transaction” means any call option, warrant or right to purchase (or substantively equivalent derivative transaction) relating to Holdings’ common stock (or other securities or property following a merger event or other change of the common stock of Holdings) and/or cash (in an amount determined by reference to the price of such common stock) sold by Holdings substantially concurrently with any purchase by Holdings of a related Permitted Bond Hedge Transaction.
“Person” shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

“Plan” shall mean any “employee benefit plan” as defined in Section 3 of ERISA (other than a Multiemployer Plan) maintained or contributed to by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate has or may have an obligation to contribute, and each such plan that is subject to Title IV of ERISA for the five-year period immediately following the latest date on which the Borrower or any ERISA Affiliate maintained, contributed to or had an obligation to contribute to (or is deemed under Section 4069 of ERISA to have maintained or contributed to or to have had an obligation to contribute to, or otherwise to have liability with respect to) such plan.

“Pro Forma Basis” shall mean, (i) with respect to any Person, business, property or asset acquired under clause (i) or (ii) of the definition of “Investment”, to the extent that such Investment is permitted under the Credit Agreement, the inclusion as “Consolidated EBITDA” of the EBITDA (i.e. net income before interest, taxes, depreciation and amortization) for such Person, business, property or asset as if such Investment had been made on the first day of the applicable period, based on historical results accounted for in accordance with GAAP, and (ii) with respect to any Person, business, property or asset sold, transferred or otherwise disposed of, the exclusion from “Consolidated EBITDA” of the EBITDA (i.e. net income before interest, taxes, depreciation and amortization) for such Person, business, property or asset so disposed of during such period as if such disposition had been consummated on the first day of the applicable period, in accordance with GAAP.

“Pro Rata Share” shall mean (i) with respect to any Class of Commitment or Loan of any Lender at any time, a percentage, the numerator of which shall be such Lender’s Commitment of such Class (or if such Commitment has been terminated or expired or the Loans have been declared to be due and payable, such Lender’s Revolving Credit Exposure or Term Loan, as applicable), and the denominator of which shall be the sum of all Commitments of such Class of all Lenders (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Revolving Credit Exposure or Term Loans, as applicable, of all Lenders) and (ii) with respect to all Classes of Commitments and Loans of any Lender at any time, the numerator of which shall be the sum of such Lender’s Revolving Commitment (or if such Revolving Commitment has been terminated or expired or the Loans have been declared to be due and payable, such Lender’s Revolving Credit Exposure) and Term Loans and the denominator of which shall be the sum of all Lenders’ Revolving Commitments (or if such Revolving Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Revolving Credit Exposure of all Lenders funded under such Commitments) and Term Loans.

“Qualified Aircraft” means an Aircraft which satisfies all of the following requirements: (a) such Aircraft is 100% owned by the Borrower and/or a Guarantor; (b) such Aircraft is in compliance with all applicable Requirements of Law; (c) such Aircraft is duly registered with the FAA or applicable Aviation Authority; (d) the Borrower or the applicable Guarantor has obtained all licenses, permits, authorizations, approvals and authority from the FAA, the DOT, the TSA and each other applicable Governmental Authority necessary to conduct its business as presently conducted, including, without limitation, a certificate of airworthiness issued by the FAA or other Aviation Authority covering such Aircraft; (e) the Borrower or the applicable Guarantor operates and maintains, or causes to be operated and maintained, such Aircraft, in all material respects, in a safe,
skilled and competent manner and in accordance with all applicable Requirements of Law, including, without limitation, noise, environmental and emission standards and requirements, and including those of the FAA, the DOT, the TSA and the airports served, and, except for Aircraft and flights that are the subject of a dry lease or interchange arrangement, has Operational Control of such Aircraft and provides qualified flight crews for each flight made by such Aircraft in accordance with all applicable Requirements of Law; and (f) such Aircraft is not subject to (i) any Lien that is prior to the Lien in favor of the Administrative Agent for the benefit of the Secured Parties (other than (x) Liens existing on the Closing Date (as defined in the Existing Credit Agreement) with respect to the Aircraft described on Annex1.1B and (y) Liens with respect to Aircraft so long as such Liens on or with respect to such Aircraft are consented to by the Administrative Agent in its sole discretion (which consent may be conditioned upon the entering into of such subordination and/or intercreditor arrangements as may be required by the Administrative Agent)) or (ii) a Negative Pledge.

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

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

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

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

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

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

“Refinancing” shall have the meaning set forth in Section 6.1(o).

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

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

“Reimbursement Obligation” shall mean the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.4 for amounts drawn under Letters of Credit.
“Reinvestment Assets” shall mean any replacement assets of a like kind to those assets subject to the Asset Sale or Recovery Event giving rise to a Reinvestment Election; provided, however, that (i) such replacement assets shall be employed in the business of, and be owned by, Holdings and/or its Subsidiaries and (ii) such replacement assets shall not be subject to any Liens.

“Reinvestment Election” shall have the meaning provided in Section 5.2(a)(iv).

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

“Reinvestment Prepayment Amount” shall mean, with respect to any Reinvestment Election, the amount, if any, on the Reinvestment Prepayment Date relating thereto by which (a) the Anticipated Reinvestment Amount in respect of such Reinvestment Election exceeds (b) the aggregate amount thereof expended by the Borrower and its Subsidiaries to acquire Reinvestment Assets as provided in Section 5.2.

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

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

“Related Parties” shall mean, with respect to any specified Person, such Person’s Affiliates and the respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors or other representatives of such Person and such Person’s Affiliates.

“Related Transaction Documents” shall mean the Credit Documents, the Closing Date Acquisition Agreement, the other Transaction Documents (as defined in the Closing Date Acquisition Agreement) and all other agreements or instruments executed in connection with the Related Transactions.

“Related Transactions” shall mean, collectively, the making of each Term Loan A-2 and Revolving Loan on the Closing Date, the Closing Date Acquisition, the Refinancing, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all Related Transaction Documents.

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

“Replaced Lender” shall have the meaning provided in Section 2.13.

“Replacement Lender” shall have the meaning provided in Section 2.13.
“Required Lenders” shall mean Non-Defaulting Lenders whose outstanding Term Loans and Revolving Commitments (or, if after the Total Revolving Commitment has been terminated, Total Revolving Extensions of Credit) constitute at least a majority of the sum of (i) the total outstanding Term Loans of Non-Defaulting Lenders and (ii) the Total Revolving Commitment less the aggregate Revolving Commitments of Defaulting Lenders (or, if after the Total Revolving Commitment has been terminated, the Total Revolving Extensions of Credit of Non-Defaulting Lenders).

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

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

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

“Revolving Credit Exposure” shall mean, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Revolving Loans, Letter of Credit Exposure and Swingline Exposure.

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

“Revolving Facility” shall mean the Facility evidenced by the Total Revolving Commitment.

“Revolving Facility Final Maturity Date” shall mean May 30, 2023, 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.

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

“Revolving Loan” shall have the meaning provided in Section 2.1(b).
“Roving Percentage” shall mean at any time for each Lender with a Revolving Commitment, the percentage obtained by dividing such Lender’s Revolving Commitment by the Total Revolving Commitment or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender’s Revolving Extensions of Credit then outstanding constitutes of the aggregate amount of the Total Revolving Extensions of Credit then outstanding.

“Sanctioned Country” shall mean, at any time, a country or territory that is, or whose government is, the subject or target of any Sanctions.

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including, without limitation, OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person located, operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s).

“Sanctions” shall mean any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority with jurisdiction over any Lender, Holdings, the Borrower or any Subsidiaries or Affiliates.

“Screen Rate” shall mean the rate specified in clause (i) of the definition of Eurodollar Rate.

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

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

“Secured Parties” shall mean the Administrative Agent, the Lenders, the Letter of Credit Issuer, the Lender-Related Hedge Providers and the Lender-Related Bank Product Providers.

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

“Sellers” shall mean, collectively, Omni Air International Holdings, Inc., Omni Aviation Leasing Holdings, LLC and T7 Aviation Leasing Holdings, LLC.

“Series” when used in reference to any Term Loan, refers to whether such Term Loan is a Term Loan A-1, a Term Loan A-2 or, to the extent designated in an Incremental Facility
Amendment as a “Series” other than a Term Loan A-1 or a Term Loan A-2, Incremental Term Loans so designated.

“Standard & Poor s” shall mean S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and any successor thereto.

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

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

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

“Swap Obligation” shall mean, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“Swingline Commitment” shall mean $5,000,000.

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

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

“Swingline Facility” shall mean the Facility evidenced by the Swingline Commitment.

“Swingline Lender” shall mean SunTrust Bank.

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

“Targets” shall mean, collectively, Omni Air International, LLC, a Nevada limited liability company, Omni Aviation Leasing, LLC, a Nevada limited liability company, and T7 Aviation Leasing, LLC, a Nevada limited liability company.
“Taxes” shall mean any and all present or future taxes, levies, impost, duties, deductions, withholdings (including backup withholding), assessments, fees, or charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term Facility” shall mean the Facility evidenced by the Term Loans.

“Term Facility Final Maturity Date” shall mean May 30, 2023, 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.

“Term Lender” shall mean, at any time, any Lender that has a Term Loan A-2 Commitment or a Term Loan of any Series.

“Term Loan” shall mean a Term Loan A-1, a Term Loan A-2 or an Incremental Term Loan, as the context may require.

“Term Loan A-1” shall have the meaning provided in Section 2.1(a)(i).

“Term Loan A-2” shall have the meaning provided in Section 2.1(a)(ii).

“Term Loan A-2 Commitment” shall mean, as to any Term Lender, its obligation to make a Term Loan A-2 hereunder on the Closing Date in a principal amount equal to the amount set forth opposite such Lender’s name on Annex 1.1D. The aggregate amount of all Term Loan A-2 Commitments on the Closing Date is $675,000,000.

“Term Loan A-1 Scheduled Repayment” shall have the meaning provided in Section 5.2(a)(ii).

“Term Loan A-2 Scheduled Repayment” shall have the meaning provided in Section 5.2(a)(iii).

“Term Loan Scheduled Repayment” shall mean each of the Term Loan A-1 Scheduled Repayment and the Term Loan A-2 Scheduled Repayment, as the context may require.

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

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

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

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

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

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

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

“UCC” shall mean the Uniform Commercial Code.

“Unfunded Pension Liability” of any Plan shall mean the amount, if any, by which the value of the accumulated plan benefits under the Plan, determined on a plan termination basis in accordance with actuarial assumptions at such time consistent with those prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions).

“Unpaid Drawing” shall mean any unreimbursed Letter of Credit Disbursement.

“Unutilized Commitment” for any Lender at any time shall mean the excess of (i) the Revolving Commitment of such Lender over (ii) the sum of (x) the aggregate outstanding principal amount of Revolving Loans made by such Lender plus (y) an amount equal to such Lender’s Revolving Percentage, if any, of the Letter of Credit Outstandings at such time; provided that solely for purposes of calculating the Commitment Fee pursuant to Section 4.1(a), Swingline Loans shall be deemed not to be outstanding.

“U.S. Person” shall mean any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” shall have the meaning set forth in Section 5.4(g) (ii)(B)(iii).

“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).

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

“Withholding Agent” shall mean the Borrower, any other Credit Party or the Administrative Agent, as applicable.

“Written” or “in writing” shall mean any form of written communication or a communication by facsimile transmission or electronic mail.
Section 1.2  **Rules of Interpretation.** Any definition of or reference to any document, instrument or agreement (including this Agreement) shall include such document, instrument or agreement as amended, restated, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

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

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

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

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

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

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

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

(h) To the extent that any of the representations and warranties contained in Section 7 under this Agreement or in any of the other Credit Documents is qualified by “Material Adverse Effect”, the qualifier “in all material respects” contained in Section 6.2 and the qualifier “in any material respect” contained in Section 10.2 shall not apply.

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

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

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

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

(m) The Administrative Agent does not, and the Lenders do not, warrant or accept responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of “Eurodollar Rate” or with respect to any alternative, successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of the Eurodollar Rate or have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability. The interest rate on Eurodollar Loans is determined by reference to the London interbank offered rate (“LIBOR”). LIBOR is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the “IBA”) for purposes of the IBA setting LIBOR. As a result, it is possible that commencing in 2022, LIBOR may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR. In the event LIBOR is no longer available (or in certain other circumstances), Section 2.17 of this Agreement provides a mechanism for determining an alternative rate of interest.

Section 2 AMOUNT AND TERMS OF CREDIT.

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

(a)

(i) The parties hereto acknowledge and agree that Loans made prior to the Closing Date under the Term Facility (each a “Term Loan A-1” and, collectively, the “Term Loans A-1”) were made pursuant to the Existing Credit Agreement and such outstanding Term Loans shall be subject to Section 6.3. The Borrower
acknowledges and agrees that aggregate outstanding principal amount of the Term Loans A-1 as of the Closing Date is $60,000,000 and the outstanding principal amount of each Term Loan A-1 held by each Term Lender as of the Closing Date (both immediately prior to the Closing Date and on the effectiveness of this Agreement after giving effect to the reallocations described in Section 6.3) is set forth on Annex 1.1C opposite the name of such Lender. Once repaid or prepaid, Term Loans A-1 may not be reborrowed.

(ii) Subject to the terms and conditions set forth herein, each Term Lender with a Term Loan A-2 Commitment severally agrees to make to the Borrower a single loan denominated in Dollars (each a “Term Loan A-2” and, collectively, the “Term Loans A-2”) in a principal amount equal to such Lender’s Term Loan A-2 Commitment on the Closing Date. Amounts borrowed under this clause (a)(ii) and repaid or prepaid may not be reborrowed.

(b) Loans under the Revolving Facility (each a “Revolving Loan” and, collectively, the “Revolving Loans”) (i) were made pursuant to “Revolving Commitments” under and as defined in the Existing Credit Agreement prior to the Closing Date and such Revolving Loans shall be subject to Section 6.3, (ii) on and after the Closing Date shall, subject to the terms and conditions herein, be made at any time and from time to time prior to the Revolving Facility Final Maturity Date, (iii) except as hereinafter provided, may, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Rate Loans, provided that all Revolving Loans made as part of the same Borrowing shall, unless otherwise specifically provided herein, consist of Revolving Loans of the same Type, (iv) may be repaid and reborrowed in accordance with the provisions hereof, (v) shall not exceed for any Lender at any time outstanding that aggregate principal amount which, when added to the product of (x) such Lender’s Revolving Percentage and (y) the sum of (I) the aggregate amount of Letter of Credit Outstandings at such time and (II) the aggregate principal amount of all Swingline Loans then outstanding, equals the Revolving Commitment of such Lender at such time and (vi) shall not exceed in aggregate principal amount at any time outstanding, when added to the sum of (x) the aggregate amount of Letters of Credit Outstandings at such time and (y) the aggregate principal amount of all Swingline Loans then outstanding, the Total Revolving Commitment. The Borrower shall repay all outstanding Revolving Loans on the Revolving Facility Final Maturity Date.

(c) Subject to and upon the terms and conditions herein set forth, the Swingline Lender, in its individual capacity, agrees, at any time and from time to time after the Closing Date and prior to the Swingline Expiry Date, to make a loan or loans (each a “Swingline Loan” and, collectively, the “Swingline Loans”) to the Borrower, which Swingline Loans (i) shall be made and maintained as Base Rate Loans, (ii) shall not exceed at any time outstanding the Swingline Commitment, (iii) shall not exceed in aggregate principal amount at any time outstanding, when combined with (x) the aggregate principal amount of all Revolving Loans then outstanding and (y) all Letter of Credit Outstandings at such time, the Total Revolving Commitment then in effect, and (iv) may be repaid and reborrowed in accordance with the provisions hereof. The Borrower shall repay in full each Swingline Loan on the earlier to occur of (1) the date five (5) Business Days after such Swingline Loan is made and (2) the Swingline Expiry Date; provided, that the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan to refinance another outstanding Swingline Loan. The Swingline Lender shall not make any Swingline Loan after receiving a written notice from the Borrower or any Lender stating that a Default or an Event of Default exists and is continuing until such time as the Swingline Lender shall have received written
notice of (i) rescission of all such notices from the party or parties originally delivering such notice (which notice of rescission such Person or Persons shall give to the Swingline Lender promptly upon the discontinuance of such Default or Event of Default) or (ii) the waiver of such Default or Event of Default in accordance with this Agreement. Also, the Swingline Lender shall not have any obligation to make any Swingline Loan in the event there is a Defaulting Lender (unless the Swingline Exposure of such Defaulting Lender has been reallocated or Cash Collateralized in accordance with Section 2.15).

On any Business Day, the Swingline Lender may in its sole discretion, give notice to the Lenders that all then outstanding Swingline Loans shall be funded with a Borrowing of Revolving Loans (provided that such notice shall be deemed to have been automatically given upon the occurrence of an Event of Default), in which case a Borrowing of Revolving Loans constituting Base Rate Loans (each such Borrowing, a “Mandatory Borrowing”) shall be made on the immediately succeeding Business Day by all Lenders with a Revolving Commitment pro rata based on such Lender’s Revolving Percentages and the proceeds thereof shall be applied directly to the Swingline Lender to repay such outstanding Swingline Loans. Each Lender with a Revolving Loan Commitment hereby irrevocably agrees to make such Revolving Loans upon one Business Day’s notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified to it in writing by the Swingline Lender notwithstanding (i) that the amount of the Mandatory Borrowing may not comply with the minimum amount for a Borrowing specified in Section 2.2, (ii) whether any conditions specified in Section 6.2 are then satisfied, (iii) the date of such Mandatory Borrowing and (iv) any reduction in the Total Revolving Commitment after such Swingline Loans were made. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code in respect of the Borrower), each Lender with a Revolving Commitment hereby agrees that it shall forthwith purchase from the Swingline Lender (without recourse or warranty), by assignment, such outstanding Swingline Loans as shall be necessary to cause such Lenders to share in such Swingline Loans ratably based upon their respective Revolving Percentages, provided that all interest payable on such Swingline Loans shall be for the account of the Swingline Lender until the date the respective purchase is made and, to the extent attributable to such purchase, shall be payable to such Lender purchasing same from and after such date of purchase. Each Lender’s obligations pursuant to the preceding sentence shall be absolute and unconditional.

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

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

Section 2.2 Minimum Borrowing Amounts, etc. The aggregate principal amount of each Borrowing under a Facility shall be the Minimum Borrowing Amount for such Facility (except that Mandatory Borrowings shall be made in the amounts required by Section 2.1(c)). More
than one Borrowing may be incurred on any day, provided that at no time shall there be outstanding more than an aggregate of fifteen (15) Borrowings of Eurodollar Rate Loans.

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

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

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

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

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

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

(a) 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.

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

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

Section 2.6 Conversions/Continuations. So long as no Default or Event of Default is in existence, the Borrower shall have the option to convert on any Business Day all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of the Loans owing pursuant to a single Facility (other than under the Swingline Facility, with all Swingline Loans to at all times be maintained as Base Rate Loans) into a Borrowing or Borrowings pursuant to such Facility of another Type of Loan, provided that (i) except as otherwise provided in Section 2.17 or Section 2.18, Eurodollar Rate Loans may be converted into Base Rate
Loans only on the last day of an Interest Period applicable thereto and no partial conversion of a Borrowing of Eurodollar Rate Loans shall reduce the outstanding principal amount of the Eurodollar Rate Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) Base Rate Loans may only be converted into Eurodollar Rate Loans if no Default or Event of Default is in existence on the date of the conversion, and (iii) Borrowings of Eurodollar Rate Loans resulting from this Section 2.6 shall be limited in numbers as provided in Section 2.2. So long as no Default or Event of Default shall be in existence, the Borrower shall have the option to continue any Eurodollar Rate Loan as a Eurodollar Rate Loan by selecting a new Interest Period for such Eurodollar Rate Loan. Each new Interest Period selected under this Section shall commence on the last day of the immediately preceding Interest Period. If the Borrower shall fail to select in a timely manner a new Interest Period for any Eurodollar Rate Loan in accordance with this Section, such Loan will automatically, on the last day of the current Interest Period therefor, be continued as provided in Section 2.9(b). Each such conversion or continuation shall be effected by the Borrower giving the Administrative Agent at its Notice Office, prior to 11:00 a.m., at least three Business Days’ (or one Business Day’s, in the case of a conversion into Base Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each a “Notice of Conversion/Continuation”) specifying the Loans to be so converted, the Type of Loans to be converted into and, if to be converted into a Borrowing of Eurodollar Rate Loans, the Interest Period to be initially applicable thereto or, as the case may be, specifying the Loans to be so continued and the Interest Period applicable to such continuation. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion or continuation affecting any of its Loans. Notwithstanding the foregoing or the provisions of Section 2.9, if a Default or an Event of Default is in existence at the time any Interest Period in respect of any Borrowing of Eurodollar Rate Loans is to expire and the Administrative Agent or the Required Lenders have determined that a continuation of Eurodollar Rate Loans as such is not appropriate, such Loans may not be continued as Eurodollar Rate Loans but instead shall be automatically converted on the last day of such Interest Period into Base Rate Loans.

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

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

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

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

(c) Interest shall accrue from and including the date of any Borrowing to but excluding the date of any repayment thereof and shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each March, June, September and December, commencing December 31, 2018, (ii) in respect of each Eurodollar Rate Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period of six months, on the date occurring every three months after the first day of such Interest Period during such Interest Period and (iii) in respect of each Loan (x) other than a Revolving Loan that is an Base Rate Loan, on any prepayment, conversion or continuation (on the amount so prepaid, converted or continued) and (y) at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

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

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

Section 2.9 Interest Periods. (a) At the time the Borrower gives a Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, a Borrowing of Eurodollar Rate Loans (in the case of the initial Interest Period applicable thereto) or prior to 11:00 a.m. on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of Eurodollar Rate Loans, the Borrower shall have the right to elect by giving the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of the Interest Period applicable to such Borrowing, which Interest Period shall, at the option of the Borrower, be a one, two, three or six month period. Notwithstanding anything to the contrary contained above:

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

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

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

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

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

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

Section 2.10  [Reserved]

Section 2.11  Compensation. The Borrower shall compensate each Lender, upon its written request (which request shall set forth the basis for requesting and the method of calculating such compensation), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Rate Loans) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of Eurodollar Rate Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion (whether or not withdrawn by the Borrower or attempted to be withdrawn by the Borrower); (ii) if any repayment or conversion of any of its Eurodollar Rate Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay its Eurodollar Rate Loans when required by the terms of this Agreement or (y) an election made pursuant to Section 2.17 or Section 2.18.

Section 2.12 Mitigation of Obligations. If any Lender requests compensation under Section 2.19, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.4, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 2.19 or 5.4, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.
Section 2.13  **Replacement of Lenders.** If any Lender is owed increased costs or additional amounts, or the Borrower receives notice from any Lender or the Administrative Agent, under Section 2.17, Section 2.18, Section 2.19, Section 5.4, or any Lender becomes a Defaulting Lender or a Non-Consenting Lender, then the Borrower shall have the right, unless such Lender has theretofore removed or cured the conditions which resulted in the obligation to pay such increased costs or additional amounts or which caused it to be a Defaulting Lender or a Non-Consenting Lender, to replace (at its sole cost and expense) in its entirety such Lender (the “Replaced Lender”), on ten Business Days’ (or three Business Days’, in the case of the replacement of a Non-Consenting Lender) prior written notice to the Administrative Agent and such Replaced Lender, with one or more other Persons (collectively, the “Replacement Lender”) reasonably acceptable to the Administrative Agent (which acceptance shall not be unreasonably withheld); provided, that: (i) at the time of any replacement pursuant to this Section 2.13, the Replaced Lender and the Replacement Lender shall enter into one or more Assignment and Acceptances (appropriately completed), pursuant to which the Replacement Lender shall acquire all of the Commitments (including all participation interests in Letters of Credit) and outstanding Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (a) an amount equal to the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Replaced Lender and (b) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Lender pursuant to Section 4.1 and (c) any other amounts payable to the Replaced Lender under this Agreement (including, without limitation, amounts payable under Section 2.11) and (ii) a Defaulting Lender shall be a Replaced Lender only to the extent not prohibited by law. Upon the execution of the respective assignment documentation, the payment of amounts referred to in the preceding sentence and, if so requested by the Replacement Lender, delivery to the Replacement Lender of appropriate Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder, and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions arising under this Agreement, which shall survive as to such Replaced Lender.

Section 2.14  **Incremental Facility.** (a) Upon notice to the Administrative Agent (whereupon the Administrative Agent shall promptly notify the Lenders), at any time after the Closing Date, the Borrower may from time to time request (i) additional commitments under the Term Facility (each an “Incremental Term Commitment” and all of them, collectively, the “Incremental Term Commitments”) and/or (ii) increases in the aggregate amount of the Revolving Commitments (each such increase, an “Incremental Revolving Commitment” and, together with the Incremental Term Commitments, the “Incremental Commitments”); provided that (x) both before and after giving effect to any such addition(s), the aggregate amount of Incremental Commitments that have been added pursuant to this Section 2.14 after the Closing Date (excluding, for the avoidance of doubt, each Term Loan A-2 added on the Closing Date) shall not exceed $400,000,000, (y) any such addition or increase shall be in an amount of not less than $10,000,000 and (z) there shall be not more than three (3) such increases after the Closing Date.

   (a) Any Loans made in respect of any Incremental Revolving Commitments shall be made by increasing the Total Revolving Commitment with the same terms (including pricing) as the existing Revolving Loans (each, a “Revolving Commitment Increase”). Any Loans made in respect of any Incremental Term Commitments (the “Incremental Term Loans”) may be made, at the option of the Borrower, by either (i) issuing a commitment to make term loans with the same terms (including pricing) as an existing Series of Term Loans, or (ii) creating a new Series of term loans (an “Incremental Term Loan Tranche”). Any Revolving Commitment Increases or Incremental Term Loans (A) shall not have a final maturity earlier than the Revolving Facility Final Maturity Date or
Term Facility Final Maturity Date or a weighted average life which is shorter than the then remaining average life of Term Loans A-2, as the case may be, (B) shall rank pari passu in right of payment and of security (including Guaranties) with the Revolving Loans and the Term Loans and (C) shall have such other terms and provisions, to the extent not consistent with the Revolving Loans or the Term Loans, as the case may be, as are reasonably satisfactory to the Joint Lead Arrangers.

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

(c) If any Incremental Commitments are added in accordance with this Section 2.14, the Administrative Agent and the Borrower shall determine the effective date (the “Incremental Commitments Effective Date”) and the final allocation of such addition; provided, that any existing Lender electing to participate in the proposed Incremental Commitments shall have the right to participate in the proposed increase or addition on a pro rata basis in accordance with such Lender’s Revolving Commitment (in the case of an increase of the Revolving Commitments) or the outstanding Term Loans held by such Lender (in the case of Incremental Term Commitments) as of
the Business Day prior to the Incremental Commitments Effective Date. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final allocation of such addition and the Incremental Commitments Effective Date. As a condition precedent to such addition, the Borrower shall deliver to the Administrative Agent (i) a pro forma Compliance Certificate after giving effect to such addition and (ii) a certificate of the Borrower dated as of the Incremental Commitments Effective Date signed by an Authorized Officer of the Borrower certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Section 7 and the other Credit Documents are true and correct in all material respects on and as of the Incremental Commitments Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall have been true and correct in all material respects as of such earlier date, (B) no Default or Event of Default exists before or after giving effect to such addition and (C) all conditions set forth in Section 6.2 are satisfied as of such date. On each Incremental Commitments Effective Date, each Lender or Incremental Lender which is providing an Incremental Commitment (x) shall become a “Lender” for all purposes of this Agreement and the other Credit Documents, (y) shall have, as applicable, an Incremental Term Commitment and/or an Incremental Revolving Commitment which shall become “Commitments” hereunder and (z) in the case of an Incremental Term Commitment, shall make an Incremental Term Loan to the Borrower in a principal amount equal to such Incremental Term Commitment, and such Incremental Term Loan shall be a “Term Loan” for all purposes of this Agreement and the other Credit Documents (except that the interest rate applicable to any Incremental Term Loan under an Incremental Term Loan Tranche may be different).

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

(e) This Section 2.14 shall supersede any provisions in Section 12.12 to the contrary.
Section 2.15  Defaulting Lenders

(a) Cash Collateral.

(i) At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or the Letter of Credit Issuer (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize the Letter of Credit Issuer’s Letter of Credit Exposure with respect to such Defaulting Lender in an amount not less than 100% of the Letter of Credit Issuer’s Letter of Credit Exposure with respect to such Defaulting Lender; provided, that, the Borrower shall not be required to Cash Collateralize the Letter of Credit Exposure of such Defaulting Lender to the extent (x) such Letter of Credit Exposure has been reallocated to Non-Defaulting Lenders in accordance with Section 2.15(b)(iv) and/or Cash Collateralized provided by such Defaulting Lender or (y) at the time such Lender becomes a Defaulting Lender, such Defaulting Lender is replaced by the Borrower in accordance with Section 2.13.

(ii) The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Letter of Credit Issuer, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders’ obligation to fund participations in respect of Letters of Credit, to be applied pursuant to clause (iii) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Letter of Credit Issuer as herein provided, or that the total amount of such Cash Collateral is less than the minimum amount required pursuant to clause (i) above, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(iii) Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.15(a) or 2.15(b) in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender’s obligation to fund participations in respect of Letters of Credit or Letter of Credit Disbursements (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(iv) Cash Collateral (or the appropriate portion thereof) provided to reduce the Letter of Credit Issuer’s Letter of Credit Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.15(a) following (A) the elimination of the applicable Letter of Credit Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (B) the determination by the Administrative Agent and the Letter of Credit Issuer that there exists excess Cash Collateral; provided that, subject to Sections 2.15(b) through 2.15(d), the Person providing Cash Collateral and the Letter of Credit Issuer may agree that Cash Collateral shall be held to support future anticipated Letter of Credit
Exposure or other obligations and provided further that to the extent that such Cash Collateral was provided by the Borrower, such Cash Collateral shall remain subject to the security interest granted pursuant to the Credit Documents.

(b) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and in Section 12.12.

(ii) Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 10 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 12.2 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Letter of Credit Issuer or Swingline Lender hereunder; third, to Cash Collateralize the Letter of Credit Issuer’s Letter of Credit Exposure with respect to such Defaulting Lender in accordance with Section 2.15(a); fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender’s potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the Letter of Credit Issuers’ future Letter of Credit Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.15(a); sixth, to the payment of any amounts owing to the Lenders, the Letter of Credit Issuer or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Letter of Credit Issuer or Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or Letter of Credit Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 6.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and Letter of Credit Disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or Letter of Credit Disbursements owed to, such Defaulting Lender until such time as all Loans and funded and unfunded
participations in Letter of Credit Disbursements and Swingline Loans are held by the Lenders pro rata in accordance with the Revolving Commitments and outstanding Term Loans without giving effect to clause (iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.15(b) (ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) (A) No Defaulting Lender shall be entitled to receive any Commitment Fee for Revolver for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive a Letter of Credit Fee for any period during which that Lender is a Defaulting Lender only to the extent allocable to that portion of its Letter of Credit Exposure for which it has provided Cash Collateral pursuant to Section 2.15(a).

(C) With respect to any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender’s participation in Letters of Credit or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to the Letter of Credit Issuer and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Letter of Credit Issuer’s Letter of Credit Exposure or Swingline Lender’s Swingline Exposure with respect to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) All or any part of such Defaulting Lender’s participation in Letters of Credit and Swingline Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Pro Rata Shares of the Revolving Commitments (calculated without regard to such Defaulting Lender’s Revolving Commitment) but only to the extent that (x) the conditions set forth in Section 6.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender’s Revolving Commitment. Subject to Section 12.23, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender’s increased exposure following such reallocation.

(v) If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swingline Loans in an amount
equal to the Swingline Lender’s Swingline Exposure with respect to such Defaulting Lender and (y) second, Cash Collateralize the Letter of Credit Issuers’ Letter of Credit Exposure with respect to such Defaulting Lender in accordance with the procedures set forth in Section 2.15(a).

(c) Defaulting Lender Cure. If the Borrower, the Administrative Agent, Swingline Lender and Letter of Credit Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held pro rata by the Lenders in accordance with the applicable Commitments (without giving effect to Section 2.15(b)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender’s having been a Defaulting Lender.

(d) New Swingline Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans and (ii) no Letter of Credit Issuer shall be required to issue, extend, renew or increase any Letter of Credit; provided, that, at such time as the Swingline Lender is satisfied that it will have no Swingline Exposure after giving effect to such Swingline Loan and the Letter of Credit Issuer is satisfied that it will have no Letter of Credit Exposure after giving effect to the issuance, extension, renewal or increase of any Letter of Credit, then the Swing Line Lender will make the requested Swingline Loans and the Letter of Credit Issuer will issue, extend, renew or increase Letters of Credit, in each case, so long as the other terms and conditions applicable for such Credit Events have been satisfied in accordance with this Agreement.

Section 2.16 Extension of Final Maturity Date

(a) At least 45 days but not more than 65 days prior to the first, second, third and fourth Anniversary Date, provided that all of the conditions set forth in Section 6.2(a), (b) and (c) have been met in each case, the Borrower, by written notice to the Administrative Agent, may request an extension of the Term Facility Final Maturity Date and/or the Revolving Facility Final Maturity Date in effect at such time by one calendar year from the then scheduled applicable Final Maturity Date. The Administrative Agent shall promptly notify each Lender holding the applicable Class of Loans and Commitments of such request (including the amount of any fees to be paid such Lenders for such proposed extension, the amortization of the Term Loans of each Series following the Extension Date and any other terms applicable to such proposed extension not otherwise in contravention of the express terms and provisions this Agreement), and each such Lender shall in turn, in its sole discretion, at least 20 days but not more than 30 days prior to the applicable Anniversary Date, notify the Borrower and the Administrative Agent in writing as to whether such Lender will consent to such extension. If any Lender holding the applicable Class of Loans and Commitments shall fail to notify the Administrative Agent and the Borrower in writing of its consent to any such request for extension of the applicable Final Maturity Date by the 20th day prior to the
applicable Anniversary Date, such Lender shall be deemed to be a Non-Extending Lender (as defined below) with respect to such request. The Administrative Agent shall notify the Borrower not later than the 20th day prior to the applicable Anniversary Date of the decision of the Lenders holding the applicable Class of Loans and Commitments regarding the Borrower’s request for an extension of the applicable Final Maturity Date.

(b) If all of the Lenders holding the applicable Class of Loans and Commitments consent in writing to any such request in accordance with subsection (a) of this Section 2.16, the applicable Final Maturity Date shall, effective as at such next Anniversary Date (the “Extension Date”), be extended for one calendar year from the then scheduled applicable Final Maturity Date; provided that on the Extension Date, no Default or Event of Default shall have occurred and be continuing, or shall occur as a consequence thereof. If Lenders holding at least 66 2/3% in interest of the Term Loans of the applicable Series and/or Revolving Commitments (as applicable) at such time consent in writing to any such request in accordance with subsection (a) of this Section 2.16, the applicable Final Maturity Date in effect at such time shall, effective as at the applicable Extension Date, be extended as to those Lenders that so have consented (each a “Consenting Lender”) but shall not be extended as to any other Lender (each a “Non-Extending Lender”). To the extent that the applicable Final Maturity Date is not extended as to any Lender holding the applicable Class of Loans and Commitments pursuant to this Section 2.16 and the applicable Class of Commitments and Loans of such Lender is not assumed in accordance with subsection (c) of this Section 2.16 on or prior to the applicable Extension Date, (i) the applicable Class of Commitments and/or Loans of such Non-Extending Lender shall automatically terminate in whole on such unextended applicable Final Maturity Date (such unextended Final Maturity Date, the “Termination Date”) without any further notice or other action by the Borrower, such Lender or any other Person, and in the case of a Non-Extending Lender holding a Revolving Commitment that is not extended, the Letter of Credit Exposure and Swingline Exposure of such Non-Extending Lender will automatically be reallocated (effective on the Termination Date) among the Consenting Lenders pro rata in accordance with their respective Revolving Commitments that are extended; provided that the sum of each such Consenting Lender’s total Revolving Credit Exposure may not in any event exceed the Revolving Commitment of such Consenting Lender as in effect at the time of such reallocation; provided, further, that, to the extent that any portion (the “unreallocated portion”) of the Letter of Credit Exposure and Swingline Exposure of any Non-Extending Lender cannot be so reallocated for any reason, the Borrower will, not later than two (2) Business Days after demand by the Administrative Agent (at the direction of the Letter of Credit Issuer and/or the Swingline Lender), (x) Cash Collateralize the obligations of the Borrower to the Letter of Credit Issuer or Swingline Lender in respect of such Letter of Credit Exposure or Swingline Exposure, as the case may be, in an amount equal to the aggregate amount of the unreallocated portion of the Letter of Credit Exposure and Swingline Exposure of such Non-Extending Lender, or (y) in the case of such Swingline Exposure, prepay and/or Cash Collateralize in full the unreallocated portion thereof, or (z) make other arrangements satisfactory to the Administrative Agent, the Letter of Credit Issuer and the Swingline Lender in their sole discretion to protect them against the risk of non-payment by such Non-Extending Lender; (ii) notwithstanding anything contained in this Agreement to the contrary, including Section 5.3 and 12.6, such Non-Extending Lender shall have received from the Borrower the aggregate principal amount of, and any interest accrued and unpaid to the unextended applicable Final Maturity Date, the outstanding applicable Class of Loans, if any, of such Non-Extending Lender plus any accrued but unpaid commitment fees owing to such Non-Extending Lender as of such date and all other amounts payable hereunder to such Non-Extending Lender; and (iii) such Non-Extending Lender's rights under Sections 2.11 and 12.1 and its obligations under Section 12.8, shall survive the applicable Final Maturity Date for such Lender as to matters occurring prior to
such date. It is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Borrower for any requested extension of any Final Maturity Date.

(c) If Lenders holding at least 66 2/3% of the Term Loans of the applicable Series and/or Revolving Commitments (as applicable) at any time consent to any such request pursuant to subsection (a) of this Section 2.16, the Borrower may arrange for one or more Consenting Lenders or, to the extent that the Consenting Lenders decline to assume any Non-Extending Lender's Commitment and/or Loans, Incremental Lenders reasonably acceptable to the Administrative Agent (each such Incremental Lender that accepts an offer to assume a Non-Extending Lender's Commitment and/or Loan as of the applicable Extension Date being an “Assuming Lender”) to assume, effective as of the Extension Date, any Non-Extending Lender's Term Loans or Revolving Commitments (as applicable) and all of the obligations of such Non-Extending Lender under this Agreement thereafter arising, without recourse to or warranty by, or expense to, such Non-Extending Lender; provided, however, that if the Borrower makes an offer to any Consenting Lender to assume any Non-Extending Lender's Loans or Revolving Commitments (as applicable), the Borrower shall make such offer to all Consenting Lenders on a pro rata basis based on their respective Term Loans and/or Revolving Commitments (as applicable) and such Non-Extending Lender's Term Loans and/or Revolving Commitments (as applicable) shall be allocated among those Consenting Lenders which accept such offer on a pro rata basis based on their respective Term Loans and/or Revolving Commitments (as applicable); provided further that:

(i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Extending Lender (A) the aggregate principal amount of, and any interest accrued and unpaid to the effective date of the assignment on, the outstanding assumed Loans, if any, of such Non-Extending Lender plus (B) any accrued but unpaid commitment fees owing to such Non-Extending Lender as of the effective date of such assignment;

(ii) all additional cost reimbursements, expense reimbursements and indemnities payable to such Non-Extending Lender, and all other accrued and unpaid amounts owing to such Non-Extending Lender hereunder, as of the effective date of such assignment shall have been paid to such Non-Extending Lender; and

(iii) with respect to any such Assuming Lender, the applicable processing and recordation fee required under Section 12.4 for such assignment shall have been paid;

provided further that such Non-Extending Lender's rights under Sections 2.11 and 12.1 and its obligations under Section 12.8, shall survive such substitution as to matters occurring prior to the date of substitution. At least three Business Days prior to any Extension Date, (A) each such Assuming Lender, if any, shall have delivered to the Borrower and the Administrative Agent an assumption agreement, in form and substance satisfactory to the Borrower and the Administrative Agent (an “Assumption Agreement”), duly executed by such Assuming Lender, such Non-Extending Lender, the Borrower and the Administrative Agent (B) any such Consenting Lender shall have delivered confirmation in writing satisfactory to the Borrower and the Administrative Agent as to the increase in the amount of its Commitment and (C) each Non-Extending Lender being replaced pursuant to this Section 2.16 shall have delivered to the Administrative Agent any note or notes held by such Non-Extending Lender. Upon the payment or prepayment of all amounts referred to in clauses (A), (B) and (C) of the immediately preceding sentence, each such Consenting Lender or
Assuming Lender, as of the Extension Date, will be substituted for such Non-Extending Lender under this Agreement and shall be a Lender for all purposes of this Agreement, without any further acknowledgment by or the consent of the other Lenders, and the obligations of each such Non-Extending Lender hereunder shall, by the provisions hereof, be released and discharged.

(d) If all of the Lenders holding the applicable Class of Commitments and/or Loans (as applicable) (after giving effect to any assignments pursuant to subsection (b) of this Section 2.16) consent in writing to the requested extension (whether by execution or delivery of an Assumption Agreement or otherwise) not later than one Business Day prior to such Extension Date, the Administrative Agent shall so notify the Borrower, and, so long as no Default or Event of Default shall have occurred and be continuing as of such Extension Date, or shall occur as a consequence thereof, the applicable Final Maturity Date then in effect shall be extended for the additional one year period described in subsection (a) of this Section 2.16, and all references in this Agreement and in the other Credit Documents, if any, to the “Term Facility Final Maturity Date” or the “Revolving Facility Final Maturity Date”, as applicable, shall, with respect to each Consenting Lender and each Assuming Lender for such Extension Date, refer to the Term Facility Final Maturity Date or the Revolving Facility Final Maturity Date, as applicable, as so extended. Promptly following each Extension Date, the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Lender) of the extension of the scheduled applicable Final Maturity Date in effect immediately prior thereto.

(e) Any extended Loans and/or Revolving Commitments under this Section shall be established pursuant to an amendment (an “Extension Amendment”) to this Agreement (which notwithstanding anything to the contrary set forth in Section 12.12, shall not require the consent of any Lender other than the Consenting Lenders and the Assuming Lenders with respect to the extended Loans and/or Revolving Commitments established thereby) executed by the Credit Parties, the Administrative Agent and the Consenting Lenders and the Assuming Lenders. In connection with any Extension Amendment, the Borrower shall deliver an opinion of counsel reasonably acceptable to the Administrative Agent as to the enforceability of such Extension Amendment, this Agreement as amended thereby and such other customary matters as reasonably requested by the Administrative Agent, and such of the other Credit Documents (if any) as may be amended or replaced thereby. Notwithstanding anything to the contrary set forth in Section 12.12, the Administrative Agent is expressly permitted to amend the Credit Documents through the Extension Amendment to the extent necessary to give effect to any extension pursuant to this Section and mechanical changes necessary or advisable in connection therewith.

(f) This Section 2.16 shall supersede any provisions in Section 12.12 to the contrary. For the avoidance of doubt, any of the provisions of this Section 2.16 may be amended with the consent of the Required Lenders; provided that no such amendment shall require any Lender to provide any requested extension of any Final Maturity Date without its prior written consent.

Section 2.17 Inability to Determine Interest Rates.

(a) If, prior to the commencement of any Interest Period for any Borrowing of Eurodollar Rate Loans:

(i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant interbank market, adequate and reasonable means do not exist
for ascertaining the Eurodollar Rate (including, without limitation, because the Screen Rate is not available or published on a current basis) for such Interest Period, and

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Rate Loans for such Interest Period,

then the Administrative Agent shall give written notice thereof (or telephonic notice, promptly confirmed in writing) to the Borrower and to the Lenders as soon as practicable thereafter. Until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) the obligations of the Lenders to make Eurodollar Revolving Loans or to continue or convert outstanding Loans as or into Eurodollar Rate Loans shall be suspended and (ii) all such affected Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto unless the Borrower prepays such Loans in accordance with this Agreement. Unless the Borrower notifies the Administrative Agent at least one (1) Business Day before the date of any Borrowing of Eurodollar Rate Loans for which a Notice of Borrowing or a Notice of Conversion/Continuation has previously been given that it elects not to borrow, continue or convert to a Borrowing of Eurodollar Rate Loans on such date, then such Borrowing shall be made as, or continued as, a Eurodollar Rate Loan for the same term as previously elected (and if no previous election has been made, for an Interest Period of one month).

(b) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (a)(i) above have arisen and such circumstances are unlikely to be temporary, (ii) the circumstances set forth in clause (a)(i) above have not arisen but the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate shall no longer be used for determining interest rates for loans or (iii) a rate other than the Screen Rate has become a widely recognized benchmark rate for newly originated loans in Dollars in the U.S. market, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Screen Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin). Notwithstanding anything to the contrary in Section 12.12, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (b) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 2.17(b), only to the extent the Screen Rate for the applicable currency and/or such Interest Period is not available or published at such time on a current basis), (x) any Notice of Conversion/Continuation that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Borrowing of Eurodollar Rate Loans shall be ineffective, and (y) if any Notice of Borrowing requests a Borrowing of Eurodollar Rate Loans, such Borrowing shall be made as a
Borrowing of Base Rate Loans; provided, that, if such alternate rate of interest shall be less than zero percent (0%), such rate shall be deemed to be zero percent (0%) for the purposes of this Agreement.

Section 2.18 **Illegality.** If any Change in Law shall make it unlawful or impossible for any Lender to perform any of its obligations hereunder or to make, maintain or fund any Eurodollar Rate Loan and such Lender shall so notify the Administrative Agent, the Administrative Agent shall promptly give notice thereof to the Borrower and the other Lenders, whereupon until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurodollar Revolving Loans, or to continue or convert outstanding Loans as or into Eurodollar Rate Loans, shall be suspended. In the case of the making of a Borrowing of Eurodollar Rate Loans, such Lender’s Revolving Loan shall be made as a Base Rate Loan as part of the same Borrowing of Revolving Loans for the same Interest Period and, if the affected Eurodollar Rate Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Rate Loan if such Lender may lawfully continue to maintain such Loan to such date or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Rate Loan to such date. Notwithstanding the foregoing, the affected Lender shall, prior to giving such notice to the Administrative Agent, use reasonable efforts to designate a different applicable lending office if such designation would avoid the need for giving such notice and if such designation would not otherwise be disadvantageous to such Lender in the good faith exercise of its discretion.

Section 2.19 **Increased Costs.**

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of the Eurodollar Rate hereunder against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Eurodollar Rate) or the Letter of Credit Issuer; or

(ii) impose on any Lender, the Letter of Credit Issuer or the eurodollar interbank market any other condition affecting this Agreement or any Eurodollar Rate Loans made by such Lender or any Letter of Credit or any participation therein;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining a Eurodollar Rate Loan or to increase the cost to such Lender or the Letter of Credit Issuer of participating in or issuing any Letter of Credit or to reduce the amount received or receivable by such Lender or the Letter of Credit Issuer hereunder (whether of principal, interest or any other amount), then, from time to time, such Lender or the Letter of Credit Issuer may provide the Borrower (with a copy thereof to the Administrative Agent) with written notice and demand with respect to such increased costs or reduced amounts, and within fifteen (15) days after receipt of such notice and demand the Borrower shall pay to such Lender or the Letter of Credit Issuer, as the case may be, such additional amounts as will compensate such Lender or the Letter of Credit Issuer for any such increased costs incurred or reduction suffered.
(b) If any Lender or the Letter of Credit Issuer shall have determined that on or after the Closing Date any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s or the Letter of Credit Issuer’s capital (or on the capital of the Parent Company of such Lender or the Letter of Credit Issuer) as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender, the Letter of Credit Issuer or such Parent Company could have achieved but for such Change in Law (taking into consideration such Lender’s or the Letter of Credit Issuer’s policies or the policies of such Parent Company with respect to capital adequacy and liquidity), then, from time to time, such Lender or the Letter of Credit Issuer may provide the Borrower (with a copy thereof to the Administrative Agent) with written notice and demand with respect to such reduced amounts, and within fifteen (15) days after receipt of such notice and demand the Borrower shall pay to such Lender or the Letter of Credit Issuer, as the case may be, such additional amounts as will compensate such Lender, the Letter of Credit Issuer or such Parent Company for any such reduction suffered.

(c) A certificate of such Lender or the Letter of Credit Issuer setting forth the amount or amounts necessary to compensate such Lender, the Letter of Credit Issuer or the Parent Company of such Lender or the Letter of Credit Issuer, as the case may be, specified in subsection (a) or (b) of this Section shall be delivered to the Borrower (with a copy to the Administrative Agent) and shall be conclusive, absent manifest error.

(d) Failure or delay on the part of any Lender or the Letter of Credit Issuer to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s or the Letter of Credit Issuer’s right to demand such compensation.

Section 3  LETTERS OF CREDIT.

Section 3.1 Letters of Credit. On any Business Day prior to the Revolving Facility Final Maturity Date, the Letter of Credit Issuer, in reliance upon the agreements of the other Lenders pursuant to Section 3.4 and Section 3.5, may, in its sole discretion, issue, at the request of the Borrower, Letters of Credit for the account of the Borrower on the terms and conditions hereinafter set forth; provided that (i) each Letter of Credit shall expire on the earlier of (A) the date one year after the date of issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (B) the date that is five (5) Business Days prior to the Revolving Facility Final Maturity Date; (ii) the Borrower may not request any Letter of Credit if, after giving effect to such issuance, (A) the aggregate Letter of Credit Exposure would exceed the Letter of Credit Commitment or (B) the aggregate Revolving Credit Exposure of all Lenders would exceed the amount of the Total Revolving Commitment and (iii) the Borrower shall not request, and the Letter of Credit Issuer shall have no obligation to issue, any Letter of Credit the proceeds of which would be made available to any Person (I) to fund any activity or business of or with any Sanctioned Person or in any Sanctioned Countries, that, at the time of such funding, is the subject of any Sanctions or (II) in any manner that would result in a violation of any Sanctions by any party to this Agreement. Each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Letter of Credit Issuer without recourse a participation in each Letter of Credit equal to such Lender’s Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit (x) on the Closing Date with respect to all Existing Letters of Credit and (y) on the date of issuance with respect to all other Letters of Credit. Each issuance of a Letter of Credit shall be deemed to utilize the Revolving Commitment of each Lender by an amount equal to the amount of such participation.
Section 3.2 Notices of Issuance. To request the issuance of a Letter of Credit (or any amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall give the Letter of Credit Issuer and the Administrative Agent irrevocable written notice at least three (3) Business Days prior to the requested date of such issuance specifying the date (which shall be a Business Day) such Letter of Credit is to be issued (or amended, renewed or extended, as the case may be), the expiration date of such Letter of Credit, the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. In addition to the satisfaction of the conditions in Section 6, the issuance of such Letter of Credit (or any amendment which increases the amount of such Letter of Credit) will be subject to the further conditions that such Letter of Credit shall be in such form and contain such terms as the Letter of Credit Issuer shall approve and that the Borrower shall have executed and delivered any additional applications, agreements and instruments relating to such Letter of Credit as the Letter of Credit Issuer shall reasonably require; provided that in the event of any conflict between such applications, agreements or instruments and this Agreement, the terms of this Agreement shall control.

Section 3.3 Issuance of Letters of Credit. At least two (2) Business Days prior to the issuance of any Letter of Credit, the Letter of Credit Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received such notice, and, if not, the Letter of Credit Issuer will provide the Administrative Agent with a copy thereof. Unless the Letter of Credit Issuer has received notice from the Administrative Agent, on or before the Business Day immediately preceding the date the Letter of Credit Issuer is to issue the requested Letter of Credit, directing the Letter of Credit Issuer not to issue the Letter of Credit because such issuance is not then permitted hereunder because of the limitations set forth in Section 3.1 or that one or more conditions specified in Section 6 are not then satisfied, then, subject to the terms and conditions hereof, the Letter of Credit Issuer shall, on the requested date, issue such Letter of Credit in accordance with the Letter of Credit Issuer’s usual and customary business practices.

Section 3.4 Letter of Credit Disbursement/Reimbursement Obligation. The Letter of Credit Issuer shall examine all documents purporting to represent a demand for payment under a Letter of Credit promptly following its receipt thereof. The Letter of Credit Issuer shall notify the Borrower and the Administrative Agent of such demand for payment and whether the Letter of Credit Issuer has made or will make a Letter of Credit Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Letter of Credit Issuer and the Lenders with respect to such Letter of Credit Disbursement. The Borrower shall be irrevocably and unconditionally obligated to reimburse the Letter of Credit Issuer for any Letter of Credit Disbursements paid by the Letter of Credit Issuer in respect of such drawing, without presentment, demand or other formalities of any kind. Unless the Borrower shall have notified the Letter of Credit Issuer and the Administrative Agent prior to 11:00 a.m. on the Business Day immediately prior to the date on which such drawing is honored that the Borrower intends to reimburse the Letter of Credit Issuer for the amount of such drawing in funds other than from the proceeds of Revolving Loans, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting the Lenders to make a Borrowing of Base Rate Loans on the date on which such drawing is honored in an exact amount due to the Letter of Credit Issuer; provided that for purposes solely of such Borrowing, the conditions precedent set forth in Section 6.2 hereof shall not be applicable. The Administrative Agent shall notify the Lenders of such Borrowing in accordance with Section 2.3, and each Lender shall make the proceeds of its Base Rate Loan included in such Borrowing available to the Administrative Agent for the account of the Letter of Credit Issuer in accordance with Section 2.4. The proceeds of such

- 55 -
Borrowing shall be applied directly by the Administrative Agent to reimburse the Letter of Credit Issuer for such Letter of Credit Disbursement.

Section 3.5 Lenders’ Participation Obligations. If for any reason a Borrowing of Base Rate Loans may not be (as determined in the sole discretion of the Administrative Agent), or is not, made in accordance with the foregoing provisions, then each Lender (other than the Letter of Credit Issuer) shall be obligated to fund the participation that such Lender purchased pursuant to Section 3.1 in an amount equal to its Pro Rata Share of such Letter of Credit Disbursement on and as of the date which such Borrowing should have occurred. Each Lender’s obligation to fund its participation shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right that such Lender or any other Person may have against the Letter of Credit Issuer or any other Person for any reason whatsoever, (ii) the existence of a Default or an Event of Default or the termination of the Revolving Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any of its Subsidiaries, (iv) any breach of this Agreement by the Borrower or any other Lender, (v) any amendment, renewal or extension of any Letter of Credit or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. On the date that such participation is required to be funded, each Lender shall promptly transfer, in immediately available funds, the amount of its participation to the Administrative Agent for the account of the Letter of Credit Issuer. Whenever, at any time after the Letter of Credit Issuer has received from any such Lender the funds for its participation in a Letter of Credit Disbursement, the Letter of Credit Issuer (or the Administrative Agent on its behalf) receives any payment on account thereof, the Administrative Agent or the Letter of Credit Issuer, as the case may be, will distribute to such Lender its Pro Rata Share of such payment; provided that if such payment is required to be returned for any reason to the Borrower or to a trustee, receiver, liquidator, custodian or similar official in any bankruptcy proceeding, such Lender will return to the Administrative Agent or the Letter of Credit Issuer any portion thereof previously distributed by the Administrative Agent or the Letter of Credit Issuer to it.

Section 3.6 Obligation to Pay Interest. To the extent that any Lender shall fail to pay any amount required to be paid pursuant to Section 3.4 and Section 3.5 on the due date therefor, such Lender shall pay interest to the Letter of Credit Issuer (through the Administrative Agent) on such amount from such due date to the date such payment is made at a rate per annum equal to the Federal Funds Rate; provided that if such Lender shall fail to make such payment to the Letter of Credit Issuer within three (3) Business Days of such due date, then, retroactively to the due date, such Lender shall be obligated to pay interest on such amount at the rate set forth in Section 2.8(c).

Section 3.7 Cash Collateral. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders demanding that its reimbursement obligations with respect to the Letters of Credit be Cash Collateralized pursuant to this Section, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Letter of Credit Issuer and the Lenders, an amount in cash equal to 103% of the aggregate Letter of Credit Exposure of all Lenders as of such date plus any accrued and unpaid fees thereon; provided that such obligation to Cash Collateralize the reimbursement obligations of the Borrower with respect to the Letters of Credit shall become effective immediately, and such deposit shall become immediately due and payable, without demand or notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in Section 10.5. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the
Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. The Borrower agrees to execute any documents and/or certificates to effectuate the intent of this Section. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and reasonable discretion of the Administrative Agent (acting in good faith) and at the Borrower’s risk and expense, such deposits shall not bear interest. Interest and profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Letter of Credit Issuer for Letter of Credit Disbursements for which it had not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the Letter of Credit Exposure at such time or, if the maturity of the Loans has been accelerated, with the consent of the Required Lenders, be applied to satisfy other obligations of the Borrower under this Agreement and the other Credit Documents. If the Borrower is required to Cash Collateralize its reimbursement obligations with respect to the Letters of Credit as a result of the occurrence of an Event of Default, such Cash Collateral so posted (to the extent not so applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all Events of Default have been cured or waived.

Section 3.8 Letter of Credit Reporting. Upon the request of any Lender, but no more frequently than quarterly, the Letter of Credit Issuer shall deliver (through the Administrative Agent) to each Lender and the Borrower a report describing the aggregate Letters of Credit then outstanding. Upon the request of any Lender from time to time, the Letter of Credit Issuer shall deliver to such Lender any other information reasonably requested by such Lender with respect to each Letter of Credit then outstanding.

Section 3.9 Unconditional Obligation to Reimburse. The Borrower’s obligation to reimburse Letter of Credit Disbursements hereunder shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever and irrespective of any of the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement;

(ii) the existence of any claim, set-off, defense or other right which the Borrower or any Subsidiary or Affiliate of the Borrower may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such beneficiary or transferee may be acting), any Lender (including the Letter of Credit Issuer) or any other Person, whether in connection with this Agreement or the Letter of Credit or any document related hereto or thereto or any unrelated transaction;

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

(iv) payment by the Letter of Credit Issuer under a Letter of Credit against presentation of a draft or other document to the Letter of Credit Issuer that does not comply with the terms of such Letter of Credit;
(v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, the Borrower’s obligations hereunder; or

(vi) the existence of a Default or an Event of Default.

Neither the Administrative Agent, the Letter of Credit Issuer, any Lender nor any Related Parties of any of the foregoing shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to above), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Letter of Credit Issuer; provided that the foregoing shall not be construed to excuse the Letter of Credit Issuer from liability to the Borrower to the extent of any actual direct damages (as opposed to special, indirect (including claims for lost profits or other consequential damages), or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Letter of Credit Issuer’s failure to exercise due care when determining whether drafts or other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Letter of Credit Issuer (as finally determined by a court of competent jurisdiction), the Letter of Credit Issuer shall be deemed to have exercised due care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented that appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Letter of Credit Issuer may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

Section 3.10 **Law Governing Letters of Credit.** Unless otherwise expressly agreed by the Letter of Credit Issuer and the Borrower when a Letter of Credit is issued and subject to applicable laws, (i) each standby Letter of Credit shall be governed by the “International Standby Practices 1998” (ISP98) (or such later revision as may be published by the Institute of International Banking Law & Practice on any date any Letter of Credit may be issued), (ii) each documentary Letter of Credit shall be governed by the Uniform Customs and Practices for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (or such later revision as may be published by the International Chamber of Commerce on any date any Letter of Credit may be issued) and (iii) the Borrower shall specify the foregoing in each letter of credit application submitted for the issuance of a Letter of Credit (it being understood that government agencies and authorities require certain letters of credit to be governed by, and construed in accordance with, the internal laws of the applicable state without regard to its conflict of laws principles, and such governing law provisions may be agreed to by the Letter of Credit Issuer in its discretion (the consent to which shall not be unreasonably withheld)).
Section 4 FEES; COMMITMENTS.

Section 4.1 Fees. (a) The Borrower agrees to pay to the Administrative Agent a commitment fee ("Commitment Fee for Revolver") for the account of each Revolving Lender for the period from and including the Closing Date to but not including the date the Total Revolving Commitment has been terminated, in an amount equal to the Commitment Fee Rate for Revolver then in effect multiplied by the average daily Unutilized Commitment of each Lender. Such Commitment Fee for Revolver shall be due and payable in arrears on the last Business Day of each March, June, September and December, commencing on December 31, 2018, and on the first date upon which the Total Revolving Commitments shall have been terminated.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender pro rata on the basis of its Revolving Percentage, a fee in respect of each outstanding Letter of Credit (the "Letter of Credit Fee") for each day computed at the rate equal to the Applicable Margin for Revolving Loans that are Eurodollar Rate Loans for such day on the Stated Amount of such Letter of Credit on such day. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on December 31, 2018, and on the date upon which the Total Revolving Commitment is terminated.

(b) The Borrower agrees to pay to the Administrative Agent for the account of the Letter of Credit Issuer a fee in respect of each Letter of Credit (the "Fronting Fee") computed at the rate of 0.125% per annum on the average daily Stated Amount of such Letter of Credit. Accrued Fronting Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on December 31, 2018, and on the date upon which the Total Revolving Commitment is terminated.

(c) The Borrower agrees to pay directly to the Letter of Credit Issuer upon each issuance of, drawing under, and/or amendment or transfer by a beneficiary of, a Letter of Credit such amount as shall at the time of such issuance, drawing, transfer or amendment be the administrative charge which the Letter of Credit Issuer is customarily charging for issuances of, drawings under or amendments or transfers of, letters of credit issued by it.

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

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

Section 4.2 Voluntary Reduction of Commitments. Upon at least three Business Days’ prior written notice (or telephonic notice confirmed in writing) to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, without premium or penalty, to terminate or partially reduce the Total Unutilized Revolving Commitment, provided that (x) any such termination shall apply to proportionately and permanently reduce the Revolving Commitment of each of the Lenders with such a Commitment and (y) any partial reduction pursuant to this clause Section 4.2 shall be in the amount of at least $5,000,000 or a whole multiple thereof.
Section 4.3  Commitment Terminations. Unless earlier terminated pursuant to the terms of the Agreement:

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

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

(c) The Term Loan A-2 Commitments shall be automatically and permanently reduced to $0 upon the making of Term Loans A-2 pursuant to Section 2.1(a)(ii).

Section 5  PAYMENTS.

Section 5.1  Voluntary Prepayments. (a) The Borrower shall have the right to prepay Term Loans and/or Revolving Loans and/or Swingline Loans, in whole or in part, without premium or penalty, from time to time on the following terms and conditions: (i) the Borrower shall give the Administrative Agent at the Payment Office written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans, whether such Loans are Term Loans, Revolving Loans or Swingline Loans, the amount of such prepayment and (in the case of Eurodollar Rate Loans) the specific Borrowing(s) pursuant to which made, which notice shall be received by the Administrative Agent by 11:00 a.m. (x) one Business Day prior to the date of such prepayment in the case of Base Rate Loans, (y) three Business Days’ prior written notice in the case of Eurodollar Rate Loans and (z) 11:00 a.m. on the date of prepayment, in the case of Swingline Loans, which notice shall promptly be transmitted by the Administrative Agent to each of the Lenders; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least $500,000 or a whole multiple of $100,000 in excess thereof; provided that no partial prepayment of Eurodollar Rate Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans; and (iv) each prepayment of Term Loans of any Series pursuant to this Section 5.1 shall be applied to the then remaining applicable Term Loan Scheduled Repayment of such Series on a pro rata basis (based upon the then remaining principal amount of each such Term Loan Scheduled Repayment). Any prepayment made pursuant to this Section shall be subject to Section 2.11.

Section 5.2  Mandatory Prepayments.

(a) Requirements:

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

(ii) The Borrower shall be required to repay the principal amount of the Term Loans A-1 on the last day of March, June, September and December of each year and on the Term Facility Final Maturity Date, commencing December 31, 2018 (each such repayment, a “Term Loan A-1 Scheduled Repayment”), each such installment on any such date to be in the amount set forth below opposite such date:

<table>
<thead>
<tr>
<th>Date</th>
<th>Installment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>March 31, 2019</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>June 30, 2019</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>September 30, 2019</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>March 31, 2020</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>September 30, 2020</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>December 31, 2020</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>March 31, 2021</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>June 30, 2021</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>September 30, 2021</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>December 31, 2021</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>March 31, 2022</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>June 30, 2022</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>September 30, 2022</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>December 31, 2022</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>March 31, 2023</td>
<td>$3,750,000</td>
</tr>
<tr>
<td>Term Facility Final Maturity Date</td>
<td>All amounts outstanding in respect of Term Loans A-1</td>
</tr>
</tbody>
</table>

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 A-1 on the last day of March, June, September and December of each year (commencing with June 30, 2023) 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. The Term Loan A-1 Scheduled Repayments shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in clause (b) immediately below.

(iii) The Borrower shall be required to repay the principal amount of Term Loans A-2 on the last day of March, June, September and December of each year and on the Term Facility Final Maturity Date, commencing March 31, 2019 (each such repayment, a “Term Loan A-2 Scheduled Repayment”), each such installment on any such date to be in the amount set forth below opposite such date:

<table>
<thead>
<tr>
<th>Date</th>
<th>Installment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2019</td>
<td>$4,218,750</td>
</tr>
<tr>
<td>June 30, 2019</td>
<td>$4,218,750</td>
</tr>
<tr>
<td>September 30, 2019</td>
<td>$4,218,750</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>$4,218,750</td>
</tr>
<tr>
<td>March 31, 2020</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>September 30, 2020</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>December 31, 2020</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>March 31, 2021</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>June 30, 2021</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>September 30, 2021</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>December 31, 2021</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>March 31, 2022</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>June 30, 2022</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>September 30, 2022</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>December 31, 2022</td>
<td>$8,437,500</td>
</tr>
<tr>
<td>March 31, 2023</td>
<td>$12,656,250</td>
</tr>
</tbody>
</table>

Term Facility Final Maturity Date | All amounts outstanding in respect of Term Loans A-2

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 A-2 on the last day of March, June, September and December of each year (commencing with June 30, 2023) in equal installments of $12,656,250 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. The Term Loan A-2 Scheduled Repayments shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in clause (b) immediately below.

(iv) On or before the third Business Day following the date of receipt thereof by Holdings or any of its Subsidiaries of the Cash Proceeds from any Asset Sale or Recovery Event, an amount equal to 100% of the Net Cash Proceeds then received from such Asset Sale or Recovery Event shall be applied as a mandatory repayment of principal of the then outstanding Term Loans, provided that Net Cash Proceeds from Recovery Events in an aggregate amount not to exceed $75,000,000 in any Fiscal Year shall not be required to be used to so repay Term Loans to the extent the Borrower elects, as hereinafter provided, to cause such Net Cash Proceeds to be reinvested in Reinvestment Assets (a “Reinvestment Election”) on or prior to the Reinvestment Prepayment Date; provided, further, that if any such Net Cash Proceeds

LEGAL02/38433738v11
are not so reinvested on or prior to the Reinvestment Prepayment Date, such Net Cash Proceeds shall promptly thereafter be applied toward prepayments of the Term Loans in accordance with this Section 5.2. The Borrower may exercise its Reinvestment Election (within the parameters specified in the preceding sentence) with respect to a Recovery Event, if (x) the Reinvestment Test is satisfied on the date of delivering the Reinvestment Notice referred to below and (y) the Borrower delivers a Reinvestment Notice to the Administrative Agent by the third Business Day following the date of such Recovery Event, with such Reinvestment Election being effective with respect to the Net Cash Proceeds of such Recovery Event equal to the Anticipated Reinvestment Amount specified in such Reinvestment Notice.

(v) On or before the third Business Day following the date of the receipt thereof by Holdings and/or any of its Subsidiaries, an amount equal to 100% of the cash proceeds (net of reasonable and documented underwriting discounts and commissions, other banking and investment banking fees, attorneys’, advisors’, consultants’ and accountants’ fees) of the incurrence of Indebtedness by Holdings and/or any of its Subsidiaries (other than Indebtedness permitted by Section 9.4), shall be applied as a mandatory repayment of principal of the then outstanding Term Loans.

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

(b) Application:

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

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

Section 5.3 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement shall be made to the Administrative Agent for the ratable (based on its pro rata share) account of the Lenders entitled thereto, not later than 2:00 p.m. on the date when due and shall be made in immediately available funds and in lawful
Section 5.4 Taxes, Defined Terms. For purposes of this Section 5.4, the term “Lender” includes Letter of Credit Issuer and the term “applicable law” includes FATCA.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Credit Party under any Credit Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. 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 and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 10 Business Days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient 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.

(d) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender’s failure to comply with the provisions

money of the United States of America at the Payment Office, it being understood that prior written notice by the Borrower to the Administrative Agent to make a payment from the funds in the Borrower’s account at the Payment Office shall constitute the making of such payment to the extent of such funds held in such account. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. Any payments made by the Borrower under this Agreement which are made later than 2:00 p.m. shall be deemed to have been made by the Borrower on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.
of Section 12.4(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such 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 any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(e) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower or any other Credit Party to a Governmental Authority pursuant to this Section 5.4, the Borrower or other Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 5.4(g)(ii)(A), 5.4(g)(ii)(B) and 5.4(g)(ii)(D)) shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) Any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), two (2) executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of executed
original copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

i. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Credit Document, executed originals of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Credit Document, IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

ii. executed originals of IRS Form W-8ECI;

iii. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit D-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN or W-8BEN-E; or

iv. to the extent a Foreign Lender is not the beneficial owner (including a Foreign Lender that is a partnership), executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E or W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-2 or Exhibit D-3, IRS Form W-9, and/or other certification documents that would be required from each beneficial owner (including a partner of Foreign Lender that is a partnership) pursuant to clauses (ii)(B)(i)-(iii) above if such beneficial owner (or partner) were a Lender, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of executed original copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by
applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Credit 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 Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative 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 Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their 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. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the Closing Date.

Each Lender agrees that if any form, certification or other supplementing documentation prescribed by applicable law that it previously delivered pursuant to this Section 5.4(g) expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.4 (including by the payment of additional amounts pursuant to this Section 5.4), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnifying party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) to the extent that the payment would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.
(i) Survival. 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 Credit Document.

Section 6 CONDITIONS PRECEDENT

Section 6.1 Conditions Precedent to Closing Date. The obligation of the Lenders to make each Loan hereunder, and the obligation of the Letter of Credit Issuer to issue Letters of Credit hereunder, in each case, on the Closing Date are subject to the satisfaction on or prior to the Closing Date of each of the following conditions:

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

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

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

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

(iii) Greenberg Traurig, P.A., special Florida counsel to the Borrower and certain Guarantors, which opinion shall be dated the Closing Date and shall be in the form of Exhibit E-3; and

(iv) Fennemore Craig, P.C., special Nevada counsel to Air Transport International Limited Liability Company, a Nevada limited liability company, which opinion shall be dated the Closing Date and shall be in the form of Exhibit E-4.

(c) Proceedings. (i) On the Closing Date, the Administrative Agent shall have received from each Credit Party a certificate, dated the Closing Date, signed by the Secretary of such Credit Party in the form of Exhibit F (together with certifications as to incumbency and signatures of such officers) with appropriate insertions and deletions, together with (x) copies of the articles or certificate of incorporation, the limited liability company agreement, the partnership agreement, any certificate of designation, the by-laws, or other organizational documents of each such Credit Party, (y) the resolutions, or such other administrative approval, of each such Credit Party referred to in such certificate to be reasonably satisfactory to the Administrative Agent and (z) in the case of the certificate delivered by the Borrower, a statement that all of the applicable conditions set forth in Section 6 have been satisfied as of such date.

- 68 -
(ii) On the Closing Date, all corporate, limited liability company, partnership and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be reasonably satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all information and copies of all certificates, documents and papers, including long-form good standing certificates and any other records of corporate, partnership or limited liability company proceedings and governmental approvals, if any, which the Administrative Agent may have reasonably requested in connection therewith, such documents and papers, where appropriate, to be certified by proper corporate or Governmental Authority.

(iii) A Notice of Borrowing for the Revolving Loans and the Term Loans A-2 to be made on the Closing Date, together with a Funds Disbursement Agreement, in each case executed by the Borrower.

(d) Closing Date Bring-Down Certificate. A certificate from an Authorized Officer of the Borrower dated the Closing Date to the effect that (A) all representations and warranties of the Credit Parties contained in this Agreement and the other Credit Documents are true, correct and complete in all material respects (except to the extent any such representation and warranty specifically refers to an earlier date, in which case the same were true and correct in all material respects as of such earlier date); (B) after giving effect to the Related Transactions, no Default or Event of Default has occurred and is continuing; (C) since December 31, 2017, 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; and (D) each of the Credit Parties, as applicable, has satisfied each of the conditions set forth in Section 6.1 and Section 6.2.

(e) Reaffirmation. A Reaffirmation of Obligations Under Credit Documents dated the Closing Date duly executed by each Credit Party, in form and substance reasonably acceptable to the Administrative Agent.

(f) Affidavit. An Affidavit of Out-Of-State Execution and Delivery regarding the execution of the Credit Documents to be executed on the Closing Date, duly executed by the Borrower and notarized.

(g) Security Documents. On the Closing Date, each of Holdings and the Domestic Subsidiaries of Holdings shall have duly authorized, executed and delivered the Second Amended and Restated Guarantee and Collateral Agreement substantially in the form of Exhibit G (as modified, amended or supplemented from time to time in accordance with the terms thereof and hereof, the “Guarantee and Collateral Agreement”) together with (A) UCC financing statements and other applicable documents under the laws of all necessary or appropriate jurisdictions with respect to the perfection of the Liens granted under the Guarantee and Collateral Agreement, as requested by the Administrative Agent in order to perfect such Liens, duly authorized by the applicable Credit Parties and (B) priority search certificates identifying the registrations made with the “International Registry” (as defined under the Cape Town Convention) and lien searches with the FAA, in each case, relating to the airframes with respect to the Aircraft and Engines included (or to be included on the Closing Date) in the Collateral Pool, and copies of favorable UCC, tax, and judgment search reports in all necessary or appropriate jurisdictions, as requested by the Administrative Agent, indicating that there are no prior Liens on any of the Collateral or on the Capital Stock of the Targets.
or their Subsidiaries, in each case, other than Permitted Liens. On the Closing Date, the Administrative Agent shall have received copies of duly executed FAA form “Aircraft Security Agreements” and/or “Amended and Restated Aircraft Security Agreements” to be filed on the Closing Date with the FAA, the substance of which shall be satisfactory to the Administrative Agent, covering the Aircraft and Engines included (or to be included on the Closing Date) in the Collateral Pool and the registrations satisfactory to the Administrative Agent shall have been made with the “International Registry” (as defined under the Cape Town Convention) relating to the airframes with respect to the Aircraft and Engines owned by the Targets to be included in the Collateral Pool on the Closing Date.

(h) Governmental Approvals and Consents; No Injunction. Each Credit Party shall have obtained all permits, registrations, filings, licenses, authorizations, consents, orders or approvals of or from any Governmental Authority and other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Credit Documents and the Related Transaction Documents, and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to Administrative Agent. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Credit Documents and the Related Transaction Documents and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired. No action, proceeding or investigation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Related Transaction Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent’s sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Related Transaction Documents or the consummation of the transactions contemplated hereby or thereby

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

(j) Fees. On the Closing Date, the Administrative Agent and the Joint Lead Arrangers shall have received all fees required to be paid, and all expenses required to be paid, on or before the Closing Date, including, without limitation, all Fees accrued to and including the Closing Date under the Existing Credit Agreement.

(k) Evidence of Insurance. The Administrative Agent shall have received a certificate from the Borrower’s insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to Section 8.3 is in full force and effect, together with endorsements naming the Administrative Agent, for the benefit of Lenders, as additional insured and lender’s loss payee thereunder to the extent required under Section 8.3.

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

(m) Compliance Certificate. A pro forma Compliance Certificate dated the Closing Date, after giving effect to the Related Transactions.

(n) Closing Date Acquisition. All conditions precedent to the Closing Date Acquisition, other than the funding of the Revolving Loans and Term Loans A-2 to be made on the Closing Date, shall have been satisfied, and the Closing Date Acquisition shall be consummated simultaneously with the closing and funding of such Loans in accordance with the Closing Date Acquisition Agreement, without alteration, amendment or other change, supplement or modification of the Closing Date Acquisition Agreement except for waivers of conditions that could not reasonably be expected to be adverse to the Lenders or the Joint Lead Arrangers in any material respect or as otherwise approved in writing by the Required Lenders and the Joint Lead Arrangers. The Administrative Agent (or its counsel) shall have received certified copies of the Closing Date Acquisition Agreement and all other material Closing Date Acquisition Documents, each in form and substance satisfactory to the Administrative Agent including certification by an Authorized Officer of Holdings that such documents are in full force and effect as of the Closing Date. Since the date of the Closing Date Acquisition Agreement, there shall not have been a Material Adverse Effect (as defined in the Closing Date Acquisition Agreement as in effect on the date thereof).

(o) Refinancing. Substantially concurrently with the funding of the Revolving Loans and Term Loans A-2 to be made on the Closing Date, (i) all Indebtedness set forth on Schedule 6.10 to the Closing Date Acquisition Agreement (other than customer deposits and cash received for future services) shall have been repaid in full (including by the issuance of one more Letters of Credit to backstop letters of credit included in such Indebtedness), together with all fees and other amounts owing thereon and all commitments thereunder and guaranties thereof shall have been terminated and all liens and other collateral securing the obligations under any such Indebtedness shall have been terminated and released (or arrangements reasonably satisfactory to the Administrative Agent for such termination and release shall have been made) and (ii) the Targets and their Subsidiaries shall have no third party Indebtedness as of the Closing Date other than under the Facilities (collectively, the “Refinancing”). The Administrative Agent shall have received pay-off letters in form and substance satisfactory to it evidencing the foregoing repayment, termination and release.

(p) Patriot Act, Etc. At least five (5) days prior to the Closing Date, all documentation and other information required by bank regulatory authorities or reasonably requested by the Administrative Agent or any Lender under or in respect of applicable “know your customer” requirements and Anti-Money Laundering Laws including the Patriot Act and, if the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, a Beneficial Ownership Certification in relation to Borrower.

Section 6.2 Conditions Precedent to All Credit Events. The obligation of the Lenders to make each Loan hereunder, and the obligation of the Letter of Credit Issuer to issue Letters of Credit hereunder, is subject, at the time of each such Credit Event, to the satisfaction of the conditions that at the time of each Credit Event and also after giving effect thereto, (a) there shall exist no Default or Event of Default, (b) all representations and warranties contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as
though such representations and warranties had been made on and as of the date of such Credit Event (except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representation and warranty shall have been true and correct in all material respect as of such earlier date), (c) the Borrower shall have delivered a certificate to the Administrative Agent demonstrating compliance on a pro forma basis after giving effect to the proposed Credit Event with covenants set forth in Section 9.14 and Section 9.15 (without giving effect to the cure periods in such Sections), which certification shall include the following information in form and content reasonably acceptable to the Administrative Agent: a schedule of all Aircraft then included in the Collateral Pool, the most recent appraised value of such Aircraft, the location of such Aircraft and an indication of whether any such Aircraft is then subject to any lease and (d) since December 31, 2015, there shall have been no event, change, condition or occurrence that has had, or could reasonably be expected to have, a Material Adverse Effect.

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

Section 6.3  **Effect of Amendment and Restatement.**

(a) Upon this Agreement becoming effective pursuant to Sections 6.1 and 6.2, from and after the Closing Date: (i)(A) all outstanding “Revolving Loans” (as such term is defined in the Existing Credit Agreement), if any, shall be deemed to be Revolving Loans outstanding hereunder, (B) all outstanding “Swingline Loans” (as such term is defined in the Existing Credit Agreement), if any, shall be deemed to be Swingline Loans outstanding hereunder, (C) each outstanding “Letter of Credit” (as such term is defined in the Existing Credit Agreement), if any, shall be deemed to be a Letter of Credit issued and outstanding hereunder and (D) all outstanding “Term Loans” (as such term is defined in the Existing Credit Agreement) shall be deemed to be a Term Loan A-1 outstanding hereunder; (ii) all terms and conditions of the Existing Credit Agreement and any other “Credit Document” as defined therein, as amended and restated by this Agreement and the other Credit Documents being executed and delivered on the Closing Date, shall be and remain in full force and effect, as so amended, and shall constitute the legal, valid, binding and enforceable obligations of the Credit Parties to the Lenders and the Administrative Agent; (iii) the terms and conditions of the Existing Credit Agreement shall be amended as set forth herein and, as so amended and restated, shall be restated in their entirety, but shall be amended only with respect to the rights, duties and obligations among the Borrower, the Lenders and the Administrative Agent accruing from and after the Closing Date; (iv) this Agreement shall not in any way release or impair the rights, duties, Obligations or Liens created pursuant to the Existing Credit Agreement or any other “Credit Document” as defined therein or affect the relative priorities thereof, in each case to the extent in force and effect thereunder as of the Closing Date, except as modified hereby or by documents, instruments and agreements executed and delivered in connection herewith, and all of such rights, duties, Obligations and Liens are assumed, ratified and affirmed by the Borrower; (v) all indemnification obligations of the Credit Parties under the Existing Credit Agreement and any other “Credit Document” as defined therein shall survive the execution and delivery of this Agreement and shall continue in full force and effect for the benefit of the Lenders, the Administrative Agent, and any other Person indemnified under the Existing Credit Agreement or such other Credit Document at any time prior to the Closing Date; (vi) the Obligations incurred under the Existing Credit Agreement
shall, to the extent outstanding on the Closing Date, continue to be outstanding under this Agreement and shall not be deemed to be paid, released, discharged or otherwise satisfied by the execution of this Agreement, and this Agreement shall not constitute a substitution or novation of such Obligations or any of the other rights, duties and obligations of the parties hereunder; (vii) the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of the Lenders or the Administrative Agent under the Existing Credit Agreement, nor constitute a waiver of any covenant, agreement or obligation under the Existing Credit Agreement, except to the extent that any such covenant, agreement or obligation is no longer set forth herein or is modified hereby; and (viii) any and all references in the Credit Documents to the Existing Credit Agreement shall, without further action of the parties, be deemed a reference to the Existing Credit Agreement, as amended and restated by this Agreement, and as this Agreement shall be further amended, modified, supplemented or amended and restated from time to time hereafter in accordance with the terms of this Agreement.

(b) The Administrative Agent, the Lenders and the Borrower agree that the Total Revolving Commitment (as defined in the Existing Credit Agreement) of each of the Revolving Lenders immediately prior to the effectiveness of this Agreement shall be reallocated among the Revolving Lenders such that, immediately after the effectiveness of this Agreement in accordance with its terms, the Revolving Commitment of each Revolving Lender shall be as set forth on Annex 1.1A. 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 and Acceptance (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). 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 Agreement, each Revolving Lender holds Revolving Loans equal to its Pro Rata Share (based on the Revolving Commitment of each Revolving Lender as set forth on Annex 1.1A).

(c) The Administrative Agent, the Lenders and the Borrower agree that the outstanding Term Loan (as defined in the Existing Credit Agreement) of each of the Term Lenders immediately prior to the effectiveness of this Agreement shall be reallocated among the Term Lenders such that, immediately after the effectiveness of this Agreement in accordance with its terms, the Term Loan A-1 of each Term Lender shall be as set forth on Annex 1.1C. In order to effect such reallocations, assignments shall be deemed to be made among the Term 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 and Acceptance (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). Further, to effect the foregoing, each Term Lender agrees to make cash settlements in respect of any outstanding Term Loan A-1, either directly or through the Administrative Agent, as the Administrative Agent may direct or approve, such that after giving effect to this Agreement, each Term Lender holds a Term Loan A-1 equal to the amount set forth corresponding to such Term Lender as set forth on Annex 1.1C.

(d) For the avoidance of doubt, the parties hereto agree that the addition of the Term Loan A-2 Commitments and the incurrence of each Term Loan A-2 on the Closing Date upon
the satisfaction of the conditions set forth in Section 6.1 and Section 6.2 is permitted and is deemed to be incurred as an Incremental Term Loan pursuant to Section 2.14.

Section 7 REPRESENTATIONS AND WARRANTIES.

To induce the Lenders to enter into this Agreement and to make the Loans and issue and/or participate in Letters of Credit provided for herein, Holdings and the Borrower make the following representations and warranties to, and agreements with, the Lenders, both immediately before and after giving effect to the Related Transactions, all of which shall survive the execution and delivery of this Agreement and the making of the Loans (with the making of each Credit Event thereafter being deemed to constitute a representation and warranty that the matters specified in this Section 7 are true and correct in all material respects on and as of the date of each such Credit Event unless such representation and warranty expressly indicates that it is being made as of any specific date (in which case such representation and warranty shall have been true and correct in all material respect as of such specific date)):

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

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

Section 7.3 No Violation. Neither the execution, delivery and performance by any Credit Party of the Credit Documents and the other Related Transactions Documents to which it is a party nor compliance with the terms and provisions thereof, nor the consummation of any of transactions contemplated herein or therein (i) will contravene any applicable provision of any law, statute, rule, regulation, order, writ, injunction or decree of any Governmental Authority, (ii) will, except as set forth on Annex 7.3, conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or (other than pursuant to the Security Documents) result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Holdings or any of its Subsidiaries pursuant to the terms of any indenture, debt instrument or agreement, mortgage, deed of trust, agreement or other
instrument to which Holdings or any of its Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject (including, without limitation, the CMI Service Agreement), (iii) will violate any provision of the charter or by-laws or limited liability company agreement of Holdings or any of its Subsidiaries or (iv) except as set forth on Annex 7.3, require any approval of stockholders, members or partners or any approval or consent of any Person under any Contractual Obligation of Holdings and its Subsidiaries, other than, in the case of clause (i), any contravention which could not reasonably be expected to have a Material Adverse Effect.

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

Section 7.5 Use of Proceeds; Margin Regulations. (a) On the Closing Date, the Borrower will use all of the proceeds of the Term Loans A-2 and up to $175,000,000 of proceeds of Revolving Loans to (i) finance the Closing Date Acquisition and (ii) pay a portion of the transaction costs and expenses arising in connection with the Related Transaction Documents. After the Closing Date, the proceeds of all Revolving Loans shall be utilized for working capital needs and other general corporate purposes of Holdings and its Subsidiaries.

(a) No part of the proceeds of any Loans will be used for any purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System and any successor thereto. None of Holdings, the Borrower or any of their Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

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

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

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

(a) All other factual information furnished on or after the Closing Date by or on behalf of the Credit Parties or any of their Subsidiaries in writing to the Administrative Agent or any Lender (including, without limitation, all information contained in the Credit Documents) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time in light of the circumstances under which such information was provided. The projections and pro forma financial information contained in such materials are based on good faith estimates and assumptions believed by such Persons to be reasonable at the time made, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There is no fact known to any Credit Party which materially and adversely affects the business, operations, property, assets, liabilities or condition (financial or otherwise) of any such Credit Party and its respective Subsidiaries which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated hereby.

(b) As of the Closing Date, the information included in the Beneficial Ownership Certification is true, correct and complete in all respects.

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

(a) The audited financial statements of Holdings and its Subsidiaries for the 2015 Fiscal Year consisting of balance sheets and the related consolidated statements of income, stockholders’ equity and cash flows for such Fiscal Year, were prepared in conformity with GAAP and fairly present, in all material respects, the financial position, on a consolidated basis, of the Persons described in such financial statements as at the respective dates thereof and the results of operations and cash flows, on a consolidated basis, of the Persons described therein for each of the periods then ended. As of the Closing Date, none of Holdings, the Borrower or any of their respective Subsidiaries has any contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the foregoing financial statements or the notes thereto and which in any such case is material in relation to the business, operations, properties, assets, condition (financial or otherwise) or prospects of Holdings, the Borrower or any of their respective Subsidiaries. Since December 31, 2015, no event, circumstance or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect.
Section 7.10  Security Interests. On and after the Closing Date, each of the Security Documents creates, as security for the Obligations purported to be secured thereby, a valid and enforceable (and, to the extent perfection thereof can be accomplished pursuant to the filings or other actions required by the Security Documents and such filings or other actions are required to have been made or taken, perfected) security interest in and Lien on all of the Qualified Aircraft included in the Collateral Pool, superior to and prior to the rights of all third Persons and subject to no other Liens (except that the Qualified Aircraft included in the Collateral Pool may be subject to Permitted Liens relating thereto), in favor of the Administrative Agent for the benefit of the Lenders. No filings or recordings are required in order to perfect the security interests created under any Security Document that are required by the Security Documents to be perfected except for filings or recordings which shall have been made upon or prior to the execution and delivery thereof.

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

Section 7.12  Compliance with ERISA. Each Plan is in substantial compliance in form and operation with its terms and with ERISA and the Code (including, without limitation, the Code provisions compliance with which is necessary for any intended favorable tax treatment) and all other applicable laws and regulations, except for such non-compliance which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Each Plan (and each related trust, if any) which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that it meets the requirements of Sections 401(a) and 501(a) of the Code covering all applicable tax law changes, or is comprised of a master or prototype plan that has received a favorable opinion letter from the IRS, and nothing has occurred since the date of such determination that would adversely affect such determination (or, in the case of a Plan with no determination, nothing has occurred that would adversely affect the issuance of a favorable determination letter or otherwise adversely affect such qualification). No ERISA Event has occurred or is reasonably expected to occur, except the occurrence of an ERISA Event that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There exists no Unfunded Pension Liability with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. None of the Borrower, any of its Subsidiaries or any ERISA Affiliate is making or accruing an obligation to make contributions, or has, within any of the five calendar years immediately preceding the date this assurance is given or deemed given, made or accrued an obligation to make, contributions to any Multiemployer Plan. There are no actions, suits or claims pending against or involving a Plan (other than routine claims for benefits) or, to the knowledge of the Borrower, any of its Subsidiaries or any ERISA Affiliate, threatened, which would reasonably be expected to be asserted successfully against any Plan and, if so asserted successfully, would reasonably be expected either singly or in the aggregate to result in a Material Adverse Effect. The Borrower, each of its Subsidiaries and each ERISA Affiliate have made all contributions to or under each Plan and Multiemployer Plan required by law within the applicable time limits prescribed thereby, by the terms of such Plan or Multiemployer Plan, respectively, or by any contract or agreement requiring contributions to a Plan or Multiemployer Plan.

LEGAL02/38433738v11
Plan. No Plan which is subject to Section 412 of the Code or Section 302 of ERISA has applied for or received an extension of any amortization period within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA. None of the Borrower, any of its Subsidiaries or any ERISA Affiliate have ceased operations at a facility so as to become subject to the provisions of Section 4068(a) of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA or ceased making contributions to any Plan subject to Section 4064(a) of ERISA to which it made contributions, except where such failure would not reasonably be expected to have a Material Adverse Effect. Each Non-U.S. Plan has been maintained in compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities, except as would not reasonably be expected to result in a Material Adverse Effect. All contributions required to be made with respect to a Non-U.S. Plan have been timely made. Neither the Borrower nor any of its Subsidiaries has incurred any obligation in connection with the termination of, or withdrawal from, any Non-U.S. Plan. The present value of the accrued benefit liabilities (whether or not vested) under each Non-U.S. Plan, determined as of the end of the Borrower’s most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not in any material respect exceed the current value of the assets of such Non-U.S. Plan allocable to such benefit liabilities. The Borrower represents and warrants as of the Closing Date that the Borrower is not and will not be using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to the Borrower’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement.

Section 7.13 Subsidiaries. (a) The Capital Stock of each direct and indirect Subsidiary of Holdings has been duly authorized and validly issued and is fully paid and non-assessable. Annex 7.13 hereto correctly sets forth the ownership interest of Holdings and each of its Subsidiaries in their respective Subsidiaries as of the Closing Date. Holdings will at all times own directly or indirectly the percentages specified in said Annex 7.13 of the outstanding Capital Stock of all of said entities except to the extent otherwise permitted pursuant to Section 9.2 or Section 9.5. Except as set forth on Annex 7.13, as of the Closing Date, there is no existing option, warrant, call, right, commitment or other agreement to which any Subsidiary of Holdings is a party requiring, and there is no membership interest or other Capital Stock of any Subsidiary of Holdings outstanding which upon conversion or exchange would require, the issuance by Holdings or any of its Subsidiaries of any additional membership interests or other Capital Stock of Holdings or any of its Subsidiaries or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Capital Stock of Holdings or any of its Subsidiaries. None of the Capital Stock of the direct or indirect Subsidiaries of Holdings is subject to any Lien.

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

Section 7.14 Intellectual Property. Holdings and each of its Subsidiaries owns, or is licensed to use, all material trademarks, trade names, copyrights, technology, know-how, patents, servicemarks, licenses and processes and other rights (“Intellectual Property”) free from burdensome restrictions that are necessary for the conduct of their business as currently conducted and as proposed to be conducted.
Section 7.15  **Pollution and Other Regulations.** Except as set forth on Annex 7.15, (a) each of Holdings and its Subsidiaries is in compliance with all Environmental Laws governing or relating to its business, and to the knowledge of Holdings and the Borrower, there is no condition or circumstance that would be likely to prevent or interfere with such compliance in the future, except in each case, individually or in the aggregate, as could not reasonably be expected to have a Material Adverse Effect, (b) all licenses, permits, registrations or approvals required for the business of Holdings and each of its Subsidiaries, as conducted as of the Closing Date, under any Environmental Law have been secured, and Holdings and each of its Subsidiaries is in compliance therewith, except, in each case, either individually or in the aggregate, as could not reasonably be expected to have a Material Adverse Effect, (c) neither Holdings nor any of its Subsidiaries has received any written communication from any Person alleging that it is in noncompliance with, breach of or default under, any applicable writ, order, judgment, injunction, or decree, in each case arising under or relating to Environmental Law, to which Holdings or such Subsidiary is a party or which would affect the ability of Holdings or such Subsidiary to operate its business or any Real Property, except in each such case, such noncompliance, breaches or defaults that individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (d) there are no facts, circumstances, conditions or occurrences relating to the business of Holdings or any of its Subsidiaries or on or relating to any Real Property that could reasonably be expected to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any Real Property of Holdings or any of its Subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

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

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

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

Section 7.19  **No Material Adverse Change.** Since December 31, 2015, no event, circumstance or change has occurred that has caused or evidences, either in any single case or in the aggregate, a Material Adverse Effect.

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

Section 7.21  **Accounts.** None of the “accounts” (as such term is defined in the UCC) of Holdings or any of its Subsidiaries is subject to any Lien, other than Permitted Liens, and
Section 7.22 **Material Contracts.** As of the Closing Date, all Material Contracts are in full force and effect and no defaults currently exist thereunder.

Section 7.23 **Indebtedness.** All Indebtedness of Holdings and its Subsidiaries outstanding immediately prior to the Closing Date is permitted pursuant to **Section 9.4**.

Section 7.24 **[Reserved]**.

Section 7.25 **Patriot Act.** Each Credit Party is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Patriot Act.

Section 7.26 **Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.** Holdings and the Borrower have implemented and maintain in effect policies and procedures reasonably designed to ensure compliance by Holdings, the Borrower, the Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective directors, officers and employees and to the knowledge of the Borrower its agents, are in compliance with Anti-Corruption Laws and applicable Sanctions. None of (a) Holdings, the Borrower, any Subsidiary or any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of Holdings, the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facilities established hereby (A) is a Sanctioned Person or currently the subject or target of any Sanctions, (B) is controlled by or is acting on behalf of a Sanctioned Person, (C) has its assets located in a Sanctioned Country, (D) is under administrative, civil or criminal investigation for an alleged violation of, or received notice from or made a voluntary disclosure to any governmental entity regarding a possible violation of, Anti-Corruption Laws, Anti-Money Laundering Laws or Sanctions by a governmental authority that enforces Sanctions or any Anti-Corruption Laws or Anti-Money Laundering Laws, or (E) directly or indirectly derives revenues from investments in, or transactions with, Sanctioned Persons. No Borrowing or Letter of Credit, use of proceeds or other Related Transactions will be used, directly or indirectly, in violation of Anti-Corruption Laws, Anti-Money Laundering Laws or applicable Sanctions.

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

Section 7.28 **EEA Financial Institutions.** No Credit Party is an EEA Financial Institution.

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

Section 8.1 **Information Covenants.** Holdings will furnish to Administrative Agent for each Lender:
(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the end of each Fiscal Year (i) the consolidated balance sheets of Holdings and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail, and (ii) with respect to such consolidated financial statements a report thereon of Deloitte & Touche LLP or other independent certified public accountants of recognized national standing selected by Holdings, and reasonably satisfactory to Administrative Agent (which report shall be unqualified as to going concern and scope of audit, and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements), that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards).

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

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

(c) Officer’s Certificates. At the time of the delivery of the financial statements provided for in Section 8.1(a) and (b), a certificate of the chief financial officer or treasurer of Holdings, substantially in the form of Exhibit I (a “Compliance Certificate”), to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and any proposed action with respect thereto, which Compliance Certificate shall set forth the calculations required to establish (x) the Total Leverage Ratio, the Secured Leverage Ratio, the Fixed Charge Coverage Ratio and the Consolidated EBITDA then in effect for the Test Period ending on the last day of such fiscal period or year and (y) the Collateral to Outstanding Loan Ratio, the Collateral to Total Exposure Ratio and the minimum Collateral requirements under Section 9.15 as of such date. The Compliance Certificate shall also state whether any change in GAAP or the application thereof has occurred since the date of the audited financial statements described in Section 7.9(b), and, if any change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate. If, as a result of any change in accounting principles and policies from those used in the preparation of the financial statements of Holdings described in Section 7.9(b), the consolidated financial statements of Holdings and its Subsidiaries delivered pursuant to clauses (a) and (b) immediately above will differ in any material respect from the consolidated financial statements that would have been delivered pursuant
to such clauses had no such change in accounting principles and policies been made, then, together with
the first delivery of such financial statements after such change, one or more statements of reconciliation
for all such prior financial statements in form and substance satisfactory to Administrative Agent.

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

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

(e) ERISA Events. Prompt notice and in any event within 15 days after (A) the
Borrower, any of its Subsidiaries or any ERISA Affiliate knows or has reason to know that any ERISA
Event has occurred which is reasonably expected to have a Material Adverse Effect, a certificate of the
chief financial officer of the Borrower describing such ERISA Event and the action, if any, proposed
to be taken with respect to such ERISA Event and a copy of any notice filed with the PBGC or the IRS
pertaining to such ERISA Event and any notices received by the Borrower, such Subsidiary or such
ERISA Affiliate from the PBGC or any other governmental agency with respect thereto, and (B)
becoming aware (1) that there has been an increase in Unfunded Pension Liabilities (not taking into
account Plans with negative Unfunded Pension Liabilities) since the date the representations hereunder
are given or deemed given, or from any prior notice, as applicable, and such increase is reasonably
expected to create a Material Adverse Effect, (2) of the existence of any Withdrawal Liability and such
Withdrawal Liability is reasonably expected to create a Material Adverse Effect, (3) of the adoption of,
or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Borrower,
any of its Subsidiaries or any ERISA Affiliate, or (4) of the adoption of any amendment to a Plan subject
to Section 412 of the Code which results in a material increase in contribution obligations of the Borrower,
any of its Subsidiaries or any ERISA Affiliate, a detailed written description thereof from the chief
financial officer of the Borrower.
(f) Modification of Organizational Documents. A copy of any amendment or other modification to the articles or certificate of incorporation, bylaws, partnership agreement, operating agreement or other similar organizational documents of Holdings or its Subsidiaries within 15 Business Days after the effectiveness thereof.

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

(h) Aircraft Appraisals. No later than April 30 of each calendar year, the Borrower shall deliver to the Administrative Agent an Aircraft Appraisal dated as of March 31 of such calendar year. Without limiting the foregoing, the Borrower shall cause to be delivered to the Administrative Agent an additional current Aircraft Appraisal during any calendar year as soon as practicable following a request therefor by the Administrative Agent, but in no event, later than 90 days after such request.

(i) Notice Regarding Material Contracts.

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

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

(iii) Promptly, and in any event within five (5) Business Days after (x) the entering into of any amendment, supplement, waiver or other modification to the Closing Date Acquisition Agreement that could reasonably be expected to be adverse to the Lenders in any material respect (and will provide copies of the same to the Administrative Agent upon such notice) and/or (y) the making of any demand or claim by Holdings or any of its Subsidiaries for indemnification or similar payments under the Closing Date Acquisition Agreement, including copies of any notices sent to any party to the Closing Date Acquisition Agreement in connection with the foregoing; provided that this clause (y) shall not apply to normal net working capital settlements contemplated by the terms of the Closing Date Acquisition Agreement.

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

(k) Patriot Act, Etc. Promptly (i) upon the request thereof, such other information and documentation required under applicable “know your customer” rules and regulations, the Patriot Act or any applicable Anti-Money Laundering Laws, in each case as from time to time reasonably requested by the Administrative Agent or any Lender and (ii) upon any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) and (d) of such certification.

Section 8.2 Books, Records and Inspections. Holdings will, and will cause each of its Subsidiaries to, maintain books and records pertaining to their respective business operations in such detail, form and scope as is consistent with good business practice and in accordance with GAAP. Holdings will, and will cause its Subsidiaries to, permit, upon two (2) Business Days’ notice to any Authorized Officer of Holdings (except if a Default or Event of Default has occurred and is continuing, no prior notice shall be required), officers and designated representatives of the Administrative Agent (which designated representatives may include one or more Lenders) to visit and inspect any of the properties or assets of Holdings and any of its Subsidiaries in whomsoever’s possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or, if applicable, the Required Lenders may desire. Further, upon the occurrence and during the continuance of an Event of Default, Holdings will, and will cause its Subsidiaries to, permit officers and designated representatives of any Lender, at the sole cost and expense of such Lender, to visit and inspect any of the properties or assets of Holdings and any of its Subsidiaries in whomsoever’s possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants.

Section 8.3 Maintenance of Insurance. Holdings will, and will cause each of its Subsidiaries to, at all times maintain or cause to be maintained in full force and effect insurance in such amounts, covering such risks and liabilities and with such deductibles or self-insured retentions as are in accordance with normal industry practice or otherwise as are acceptable to the Administrative Agent in its reasonable discretion determined in good faith, including with respect to the Qualified Aircraft included in the Collateral Pool, all risk ground, taxing, and flight aircraft hull insurance. Holdings will cause its Subsidiaries (as applicable) to maintain a policy of FAA War Risk Hull and Liability Insurance or its commercial equivalent, in amounts that are not less than the comprehensive aircraft and general liability and property damage insurance and of the type and covering the same risks as applicable on the Closing Date with respect to the Qualified Aircraft included in the Collateral Pool. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof and (ii) name the Administrative Agent as an additional insured and lender’s loss payee. Holdings will, and will cause each of its Subsidiaries to, furnish or cause to be furnished annually to the Administrative Agent certificates of insurance carried and other evidence of such insurance, if any, that comply with the immediately preceding sentence.
Section 8.4 Payment of Taxes. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a Lien or charge upon any properties of Holdings or any of its Subsidiaries, provided that neither Holdings nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of the management of Holdings) with respect thereto in accordance with GAAP.

Section 8.5 Franchises. Holdings will do, and will cause each of its Subsidiaries to do, or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its rights, franchises, licenses and privileges in the jurisdiction of its incorporation or formation and qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect, provided that any transaction permitted by Section 9.2 will not constitute a breach of this Section 8.5.

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

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

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

Section 8.9 Use of Proceeds. All proceeds of the Loans and all Letters of Credit shall be used as provided in Section 7.5. No part of the proceeds of any Loan or Letter of Credit will be used for the purpose of buying or carrying “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any such margin stock, in each case in violation of such Regulation U. The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not use, and the Borrower shall ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

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

(b) If after the Closing Date the Borrower desires to (or is required to pursuant to Section 9.14 or Section 9.15) include additional Aircraft into the Collateral Pool, the Borrower shall provide the Administrative Agent with prior written notice thereof, which such notice shall reasonably identify such Aircraft and shall include a certification that such Aircraft is a Qualified Aircraft. No Aircraft shall be admitted into the Collateral Pool until the Borrower shall have delivered, or caused to be delivered, each of the following, in form and substance satisfactory to the Administrative Agent:

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

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

(iii) a legal opinion from FAA counsel to the Borrower with respect to such Aircraft in form and substance reasonably acceptable to the Administrative Agent; and
(iv) take all actions reasonably requested by the Administrative Agent to grant to the Administrative Agent, for the benefit of the Lenders, a perfected security interest in such property having the priority required to be a Qualified Aircraft, including (x) the filing of Uniform Commercial Code financing statements in such jurisdictions as the Administrative Agent may require, (y) registrations made with the “International Registry” (as defined under the Cape Town Convention) with respect to the airframe of such Aircraft and its Engines and (z) the filing of one or more security agreements and other documents with the FAA or other applicable Aviation Authority.

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

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

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

(iii) the Administrative Agent shall have received a pro forma Compliance Certificate demonstrating, among other things, compliance with the covenants set forth in Section 9.12, Section 9.13, Section 9.14 and Section 9.15, after giving effect to the Aircraft Release.

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

(d) Without limiting the foregoing, and notwithstanding anything to the contrary in this Section 8.10 or otherwise, any Aircraft proposed by the Borrower to be added or released from the Collateral Pool pursuant to this Section 8.10 shall be subject to the approval of the Administrative Agent (which approval shall be in the reasonable discretion of the Administrative Agent). The Borrower shall provide the Administrative Agent with such information regarding the subject Aircraft proposed to be added or released, as the case may be, as the Administrative Agent may reasonably request.

(e) With respect to any new Wholly-Owned Domestic Subsidiary created or acquired by any Credit Party, 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.

Section 8.11 Hedging Transactions. Not later than sixty (60) days following the Closing Date, the Borrower will, at its sole cost and expense, enter into and thereafter maintain in full force and effect one or more Hedging Transactions, including in Borrower’s discretion, forward Hedging Transactions, in any combination, providing protection against fluctuations in interest rates with respect to not less than twenty-five percent (25%) of the Term Loans outstanding on the Closing Date, which Hedging Transactions, including any such forward Hedging Transactions, shall provide for not less than a three (3) year term and shall contain such protections and other terms as are customary and are reasonably satisfactory to Administrative Agent.

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

Section 8.13 Post Closing Covenant. Holdings and the Borrower shall cause to be delivered to the Administrative Agent:

(a) on or before the date that is 30 days after the Closing Date (or such later date (not to exceed 45 days after the Closing Date) as the Administrative Agent shall agree), each of the following:

(i) a legal opinion from Daugherty, Fowler, Peregrin, Haught & Jenson, P.C., special FAA counsel to Holdings and its Subsidiaries, addressed to the Administrative Agent and each of the Lenders, such opinion to be in form and content satisfactory to the Administrative Agent (and in any event covering the matters described in clause (ii) immediately below and those set forth in the opinion delivered by such law firm in connection with the Existing Credit Agreement);

(ii) evidence that FAA form “Aircraft Security Agreements” and/or “Amended and Restated Aircraft Security Agreements”, the substance of which shall be satisfactory to the Administrative Agent, covering the Aircraft and Engines included in the Collateral Pool have been filed with the FAA, and priority search certificates satisfactory to the Administrative Agent identifying the registrations made with the “International Registry” (as defined under the Cape Town Convention) with respect to the airframe of such Aircraft and its Engines and confirming that, except (x) with respect to Liens in existence on the Closing Date (as defined in the Existing Credit Agreement) with respect to the airframe and Engines described on Annex 1.1B or (y) as otherwise agreed by the Administrative Agent, no other registrations have been made with respect to such airframe or Engines that have not been subordinated to the registrations made in favor of the Administrative Agent or discharged; and
(iii) evidence that all other actions necessary or, in the reasonable opinion of the Administrative Agent, desirable to perfect and protect the security interests purported to be created by the Security Documents have been taken.

(b) on or before the date that is 45 days after the Closing Date (or such later date (not to exceed 105 days after the Closing Date) as the Administrative Agent shall agree), each of the following:

(i) evidence that a collateral assignment or a subordination agreement (each of which shall be in form and substance satisfactory to the Administrative Agent) with respect to each lease described in Annex 1.1(B) has been entered into and filed with the FAA; and

(ii) priority search certificates satisfactory to the Administrative Agent identifying the registration of the assignment of, or subordination agreement with respect to, each such lease described in Annex 1.1(B) on the “International Registry” (as defined under the Cape Town Convention) with respect to the airframe of any such Aircraft and its Engines related to any such lease.

Section 8.14 Compliance with Anti-Corruption Laws; Beneficial Ownership Regulation, Anti-Money Laundering Laws and Sanctions. Holdings and the Borrower will (a) maintain in effect and enforce policies and procedures reasonably designed to ensure compliance by Holdings, the Borrower, the Subsidiaries and their respective directors, officers, employees and agents with all Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, (b) notify the Administrative Agent and each Lender that previously received a Beneficial Ownership Certification of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein and (c) promptly upon the reasonable request of the Administrative Agent or any Lender, provide the Administrative Agent or such Lender, as the case may be, any information or documentation requested by it for purposes of complying with the Beneficial Ownership Regulation.

Section 8.15 Further Assurances. Holdings shall, and shall cause it Subsidiaries to, upon request of the Administrative Agent, execute and deliver or cause to be executed and delivered, to the Administrative Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Administrative Agent to carry out more effectively the provisions and purposes of this Agreement and the other Credit Documents.

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

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

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

(a) any Subsidiary of Holdings may be merged or consolidated with or into, or be liquidated or dissolved into, a Credit Party (so long as (i) a Credit Party is the surviving entity, (ii) if any such merger or consolidation involves the Borrower, the surviving entity shall be the Borrower and (iii) if any such merger or consolidation involves a Domestic Subsidiary, but not the Borrower, a Domestic Subsidiary (other than the Relief Fund) is the surviving entity, or all or any part of its business, properties and assets may be conveyed, leased, sold or transferred to the Borrower or any Subsidiary Guarantor which must be a Domestic Subsidiary if the transaction involves the conveyance, lease, sale or transfer of all or substantially all the properties and assets of a Domestic Subsidiary), provided that (x) in each case all Liens on any Collateral owned by a Subsidiary affected by any of the foregoing events shall remain in full force and effect after giving effect thereto and (y) in no event shall the Borrower reorganize, directly or indirectly, in any jurisdiction outside the United States of America;

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

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

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

Notwithstanding anything to the contrary contained in any of the Credit Documents, neither Holdings nor the Borrower will, and neither Holdings nor the Borrower will permit any of their Subsidiaries to, consummate any “Division” (as defined in Section 18-217 of the Delaware Limited Liability Company Act) or similar organizational change that may hereafter be permitted under any applicable statute unless the Required Lenders shall have expressly consented to any such action in writing, which consent will be conditioned upon, among other things, compliance with Section 8.10(e) to the extent applicable. Without limiting the foregoing, any reference herein to a merger, transfer, consolidation, amalgamation, assignment, sale or disposition or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, assignment, sale or disposition, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).
Section 9.3  **Liens.** Holdings will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to (i) any Qualified Aircraft included in the Collateral Pool, (ii) any Accounts (as such term is defined in the UCC) of Holdings or any of its Subsidiaries or (iii) any Capital Stock of any Subsidiary of Holdings (the assets described in the immediately preceding clauses (i), (ii) and (iii) referred to as “Restricted Assets”) or sell any such Restricted Asset subject to an understanding or agreement, contingent or otherwise, to repurchase such Restricted Asset or assign any right to receive income, or file or authorize the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute with respect to such Restricted Asset, except:

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

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

(c) Liens securing the Obligations; provided that no Liens may secure Hedging Obligations to a Lender-Related Hedge Provider or Bank Product Obligations without securing all other Obligations on a basis at least pari passu with such Hedging Obligations to a Lender-Related Hedge Provider or Bank Product Obligations and subject to the priority of payments set forth in Section 12.6 and Section 10.14;

(d) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 10.11; and

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

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

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

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

(c) Indebtedness existing on the Closing Date and listed on Annex 9.4(c) hereto and any renewals, extensions, refundings or refinancings of such Indebtedness, provided the amount thereof is not increased and the maturity of principal thereof is not shortened;
(d) Hedging Obligations (provided that such obligations are entered into to hedge actual risks and not for speculative purposes);

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

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

(g) [reserved];

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

(i) other Indebtedness of Holdings and its Subsidiaries in an aggregate outstanding principal amount not to exceed at any time $500,000,000.

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

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

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

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

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

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

(f) Hedging Obligations permitted by Section 9.4(d);

(g) Dividends permitted by Section 9.7;

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

(j) the Closing Date Acquisition; and

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

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).

Section 9.6 Amendments to Documents, etc. Holdings will not, and will not permit any of its Subsidiaries to, amend, modify or change (i) in any manner materially adverse to the interests of the Lenders or (ii) in a manner having, or reasonably expected to have, an adverse effect on any Credit Party’s ability to pay or perform any Obligations, the certificate or articles of incorporation, by-laws, partnership agreement, limited liability company agreement or other charter documents of Holdings or any Subsidiary of Holdings, or any agreement entered into by Holdings or any of its Subsidiaries with respect to its Capital Stock, or enter into any new agreement in any manner materially adverse to the interests of the Lenders with respect to the Capital Stock of Holdings or any of its Subsidiaries. Notwithstanding anything to the contrary in the foregoing, the entry into, performance of obligations under and any amendment, modification or change expressly required to be made under any Permitted Convertible Indebtedness, Permitted Bond Hedge Transaction and Permitted Warrant Transaction (including, for the avoidance of doubt, giving effect to anti-dilution and similar adjustments pursuant to the respective terms thereof) will be deemed to not be materially adverse to the interests of the Lenders.

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

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

(iii) Holdings may pay (X) cash Dividends to the holders of its common stock after the Closing Date and (Y) cash Dividends in excess of the amounts expressly permitted to be paid pursuant to clause (v) immediately below after the Closing Date in connection with Permitted Convertible Indebtedness and Permitted Warrant Transactions; provided that, in each case of the foregoing clauses (X) and (Y): (w) no Default or Event of Default is then in existence or would result from such payment of Dividends, (x) after giving effect to the payment of such Dividends and any related Borrowing, (I) the Secured Leverage Ratio of Holdings is less than 3.00 to 1.00 for the Test Period ending on, or most recently ended prior to, the proposed making of such Dividend payment, such compliance determined on a pro forma basis as if such Borrowing and such Dividend payments occurred on the first day of such Test Period and (II) the Total Leverage Ratio of Holdings is less than 3.50 to 1.00 for the Test Period ending on, or most recently ended prior to, the proposed making of such Dividend payment, such compliance determined on a pro forma basis as if such Borrowing and such Dividend payments occurred on the first day of such Test Period, (y) after giving effect to such payment of Dividends and any related Borrowing, Holdings and its Subsidiaries shall be in compliance with Section 9.12, Section 9.13, Section 9.14 and Section 9.15, such compliance determined on a pro forma basis giving effect to such Borrowing and such Dividend payments and (z) the aggregate amount of all cash Dividends paid under this clause (iii) shall not exceed $100,000,000 in any Fiscal Year of Holdings; and

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

(v) Holdings may (a) enter into (including any payments of premiums in connection therewith) Permitted Bond Hedge Transactions and Permitted Warrant Transactions; (b) make any payment in connection with Permitted Convertible Indebtedness or Permitted Warrant Transactions by delivery of shares of its common stock upon settlement thereof (together with cash in lieu of fractional shares) or set-off, netting and/or payment of an early termination payment or similar payment thereunder upon any early termination or cancellation thereof; (c) make payments of interest required to be made pursuant to the terms of any Permitted Convertible Indebtedness; (d) make any payment in cash to holders of Permitted Convertible Indebtedness upon conversion thereof up to the original principal amount thereof and any payment of cash in excess of the original principal amount thereof (together with cash in lieu of any fractional shares) to the extent that an amount corresponding to such excess is receivable in cash substantially contemporaneously (or a commercially reasonable period of time prior to or after such cash payment to such holders) from the other parties to a Permitted Bond Hedge Transaction relating to such Permitted Convertible Indebtedness; (e) make cash payments to satisfy obligations in respect of
Permitted Warrant Transactions solely to the extent Holdings does not have the option of satisfying such payment obligations through the issuance of Holdings’ common stock or is otherwise required to satisfy such payment obligations in cash, it being understood and agreed that any payment made in cash in connection with Permitted Warrant Transactions by set-off, netting and/or payment of an early termination payment or similar payment thereunder upon any early termination thereof, in each case, after using commercially reasonable efforts to satisfy such obligation (or the portion thereof remaining after giving effect to any netting or set-off against termination or similar payments under an applicable Permitted Bond Hedge Transaction) by delivery of shares of Holdings’ common stock shall be deemed to be a payment obligation required to be satisfied in cash; and (f) receive shares of its own common stock and/or cash on account of settlements and/or terminations or cancellations of any Permitted Bond Hedge Transactions;

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

(i) this Agreement and the other Credit Documents;

(ii) applicable law;

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

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

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

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

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

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

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

Section 9.11 Activities of Holdings. Holdings shall not (a) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than (i) the Indebtedness and obligations under the Credit Documents, (ii) obligations under the Securities Exchange Act of 1934, as amended and (iii) under any Permitted Convertible Indebtedness, Permitted Bond Hedge Transaction or any Permitted Warrant Transaction; (b) create or suffer to exist any Lien upon any property or assets now owned or hereafter acquired by it other than the Liens created under the Security Documents to which it is a party or permitted pursuant to Section 9.3; (c) engage in any business or activity or own any assets other than (i) holding 100% of the Capital Stock of the Borrower, (ii) performing its obligations and activities incidental thereto under the Credit Documents; and (iii) making Dividends expressly permitted by Section 9.7 and Investments expressly permitted by Section 9.5; (d) consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person; (e) sell or otherwise dispose of any Capital Stock of any of its Subsidiaries; or (f) create or acquire any Subsidiaries after the Closing Date, unless such Subsidiary is a Domestic Subsidiary, such Subsidiary becomes a party to the Guarantee and Collateral Agreement and Holdings and such Subsidiary have complied with each of the provisions of Section 8.10 promptly after its creation or acquisition.

Section 9.12 Fixed Charge Coverage Ratio. Holdings will not permit the Fixed Charge Coverage Ratio for any Test Period to be less than 1.25 to 1.00. For the purposes of calculating the financial covenant set forth in this Section, the Relief Fund shall be deemed not to be a “Subsidiary”. 

Section 9.13 Leverage Ratios.

(a) Holdings will not permit the Secured Leverage Ratio at the end of any Test Period ending on March 31, June 30, September 30 and December 31 of any calendar year to be more than 3.50 to 1.00. For the purposes of calculating the financial covenant set forth in this clause (a), the Relief Fund shall be deemed not to be a ‘Subsidiary.’
(b) Holdings will not permit the Total Leverage Ratio at the end of any Test Period ending on March 31, June 30, September 30 and December 31 of any calendar year to be more than 4.00 to 1.00. For the purposes of calculating the financial covenant set forth in this clause (b), the Relief Fund shall be deemed not to be a ‘Subsidiary.’

Section 9.14 Collateral Ratio. Holdings will not at any time permit the Collateral to Outstanding Loan Ratio to be less than (A) 1.10:1.00 at any time from the Closing Date through and including December 30, 2019, (B) 1.15:1.00 at any time from December 31, 2019 through and including December 30, 2020 and (C) 1.25:1.00 at any time on and after December 31, 2020. If the Collateral to Outstanding Loan Ratio falls below the required minimum for any Test Period, the Borrower shall as soon as reasonably practicable, but not in any event later than 45 days thereafter, cause one or more Qualified Aircraft to be admitted to the Collateral Pool such that the Collateral to Outstanding Loan Ratio will be in compliance with this Section 9.14 as of any such Test Period.

Section 9.15 Minimum Collateral. Holdings will not at any time permit the Collateral to Total Exposure Ratio to be less than 0.50 to 1.00; provided, however, that if Holdings shall fail to maintain the Collateral to Total Exposure Ratio as set forth in this Section 9.15, the Borrower shall as soon as reasonably practicable, but not in any event later than 45 days after the occurrence of such failure, cause one or more Qualified Aircraft to be admitted to the Collateral Pool in order to cause Holdings to be in compliance with this Section 9.15 (such compliance to be both at the time of the initial determination requiring curative action under this Section 9.15 and immediately after giving effect to the addition of such Qualified Aircraft).

Section 9.16 Government Regulation. Holdings will not, and will not permit any of its Subsidiaries to, (a) be or become subject at any time to any law, regulation or list of any Governmental Authority of the United States (including, without limitation, the OFAC list) that prohibits or limits the Lenders or the Administrative Agent from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Credit Parties, or (b) fail to provide documentary and other evidence of the identity of the Credit Parties as may be requested by the Lenders or the Administrative Agent at any time to enable the Lenders or the Administrative Agent to verify the identity of the Credit Parties or to comply with any applicable law or regulation, including, without limitation, Section 326 of the Patriot Act at 31 U.S.C. Section 5318.

Section 10 EVENTS OF DEFAULT.

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

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

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

- 97 -
Section 10.3  Covenants. Holdings or any of its Subsidiaries shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.1, the second sentence of Section 8.2, Section 8.3, Section 8.5 (solely with respect to the continued existence of a Credit Party), Section 8.9, Section 8.10, Section 8.12, Section 8.13 or Section 9, or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Section 10.1, Section 10.2 or clause (a) of this Section 10.3) contained in this Agreement or any other Credit Document and, in the case of this clause (b) only, such default shall continue unremedied for a period of at least 20 days after the earlier of: (i) notice to the defaulting party by the Administrative Agent or any Lender and (ii) any officer of Holdings or any of its Subsidiaries shall have become aware of any such default; or

Section 10.4  Default Under Other Agreements. Holdings or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations or any Hedging Obligations), (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist (except for an event of default relating to such Indebtedness or any instrument or agreement evidencing, securing or relating thereto to the extent such event of default is either based on an alleged material adverse event or other subjective criteria (a “Subjective Cross-Default”), but only so long as the Administrative Agent agrees in its reasonable discretion that such Subjective Cross-Default should be disregarded for purposes of this Section), the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, any such Indebtedness to become due prior to its stated maturity, or to require the obligor(s) of such Indebtedness to offer to prepay, repurchase or redeem any obligations under such Indebtedness provided, however, that notwithstanding anything to the contrary in the foregoing, the satisfaction of any condition or the occurrence of any event that would permit the holders of Permitted Convertible Indebtedness to convert or require the repurchase of such Permitted Convertible Indebtedness (it being understood that, in the case of any requirement to repurchase such Permitted Convertible Indebtedness, any default in the payment of the repurchase price when and as required shall, if the amount of such repurchase price exceeds the amount set forth in the proviso below in this Section 10.4 and the requirements of the proviso are otherwise satisfied, be a default under the immediately preceding clause (i) notwithstanding this proviso) shall not constitute an Event of Default under clause (ii); or (iii) breach, default under, fail to observe or perform, cancel or fail to renew any Contractual Obligation (other than Hedging Obligations) and such breach, default, cancellation or failure could (x) reasonably be expected to have a Material Adverse Effect or (y) result in liquidated damages owing by Holdings or its Subsidiaries in an aggregate amount of $20,000,000 or more; provided that it shall not constitute an Event of Default pursuant to this Section 10.4 unless at the time of such default, defaults, events or conditions of the type described in clauses (i) and (ii) of this Section 10.4 shall have occurred and be continuing with respect to Indebtedness the aggregate outstanding principal amount of which exceeds $20,000,000; or

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

Section 10.6 ERISA. (i) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with other ERISA Events that have occurred, could reasonably be expected to result in liability to Holdings and its Subsidiaries in an aggregate amount exceeding $15,000,000, (ii) there is or arises an Unfunded Pension Liability (not taking into account Plans with negative Unfunded Pension Liability) in an aggregate amount exceeding $15,000,000, or (iii) there is or arises any potential Withdrawal Liability in an aggregate amount exceeding $15,000,000; or

Section 10.7 Credit Documents. (a) Any Security Document shall be cancelled, terminated, revoked, rescinded or otherwise ceases to be in full force and effect (except to the extent resulting from a sale or liquidation of the applicable Credit Party (other than the Borrower) expressly permitted hereby), (b) any Security Document shall cease to give the Administrative Agent perfected Liens having the priority contemplated by the Security Documents, (c) any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any such Guaranty or Security Document (subject to any grace period provided therein) or (d) any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Credit Documents shall be commenced by or on behalf of a Credit Party thereto or any of their respective stockholders, or any court or any other Governmental Authority shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Credit Documents is illegal, invalid or unenforceable in accordance with the terms thereof, or any Credit Party denies that it has any further liability under any Credit Document to which it is party, or gives notice to such effect; or

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

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

Section 10.10 Hedging Obligations. There shall occur under any Hedging Transaction an Early Termination Date (as defined in such Hedging Transaction) resulting from (A) any “event of default” (as defined in the Master Agreement or related schedules or supplements governing such Hedging Transaction) under such Hedging Transaction as to which Holdings or any of its Subsidiaries is the Defaulting Party (as defined in such Hedging Transaction) and the Hedge Termination Value owed by Holdings or such Subsidiary as a result thereof is greater than $20,000,000 and such amount is not paid when due or (B) any Termination Event (as so defined) under such Hedging Transaction as to which Holdings or any Subsidiary is an Affected Party (as defined in such Hedging Transaction) and the Hedge Termination Value owed by Holdings or such Subsidiary as a result thereof is greater than $20,000,000 and is not paid; provided, however, that notwithstanding anything to the contrary in the foregoing, any Termination Event under any Permitted Warrant Transaction shall not constitute an Event of Default under clause (B). or

Section 10.11 Judgments. One or more judgments or decrees shall be entered against Holdings or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has confirmed coverage) of $15,000,000 or more and (i) such judgments or decrees shall not have been vacated, discharged, stayed or bond pending within 30 days from the entry thereof or (ii) enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or

Section 10.12 Certified Air Carrier Status. Any of ABX Air, Inc., Air Transport International, LLC or Capital Cargo International Airlines, Inc. shall cease to be classified a Certified Air Carrier, except pursuant to a merger or consolidation permitted by Section 9.2(a); or

Section 10.13 Change in Control. A Change in Control shall have occurred; then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for in this Agreement (provided that, if an Event of Default specified in Section 10.5 shall occur, the result which would occur upon the giving of written notice by the Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Revolving Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Commitment Fee shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all obligations owing hereunder (including Unpaid Drawings) and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; (iii) enforce, as Administrative Agent (or direct the Administrative Agent to enforce), any or all of the Liens and security interests created pursuant to the Security Documents; (iv) terminate any Letter of Credit which may be terminated in accordance with its terms; and (v) direct the Borrower to pay (and the Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in Section 10.5 in respect of the Borrower, it will pay) to the Administrative Agent at the Payment Office such additional amounts of cash, to be held as security for the Borrower’s Reimbursement Obligations then outstanding equal to the aggregate
Stated Amount of all Letters of Credit then outstanding. Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default is waived in writing in accordance with the terms of Section 12.12 notwithstanding (i) any attempted cure or other action taken by the Borrower or any other Person subsequent to the occurrence of such Event of Default or (ii) any action taken or omitted to be taken by the Administrative Agent or any Lender prior to or subsequent to the occurrence of such Event of Default (other than the granting of a waiver in writing in accordance with the terms of Section 12.12).

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

Section 10.14 Application of Proceeds from Collateral. All proceeds from each sale of, or other realization upon, all or any part of the Collateral by any Secured Party after an Event of Default arises, and all payments made hereunder subsequent to the acceleration of the Loans under Section 10 to the Administrative Agent and the Lenders (or otherwise received by such Persons), shall be applied as follows: first, to the Administrative Agent's reasonable costs and expenses, if any, incurred in connection with the collection of such payment, including, without limitation, any and all reasonable costs incurred by it in connection with the sale, disposition or other realization upon any Collateral and all amounts under Section 12.1, until the same shall have been paid in full; second, to the fees and other reimbursable expenses of the Administrative Agent, the Swingline Lender and the Letter of Credit Issuer then due and payable pursuant to any of the Credit Documents, until the same shall have been paid in full; third, to all reimbursable expenses, if any, of the Lenders then due and payable pursuant to any of the Credit Documents, until the same shall have been paid in full; fourth, to the fees and interest then due and payable under the terms of this Agreement, until the same shall have been paid in full; fifth, to the aggregate outstanding principal amount of the Loans, the Letter of Credit Exposure, any amounts owing in respect of the Bank Product Obligations and any amounts owing in respect of the Hedging Obligations that constitute Obligations, until the same shall have been paid in full, allocated pro rata among the Secured Parties based on their respective pro rata shares of the aggregate amount of such Loans, Letter of Credit Exposure and Bank Product Obligations and amounts owing in respect of any such Hedging Obligations; sixth, to additional Cash Collateral for the aggregate amount of all outstanding Letters of Credit until the aggregate amount of all Cash Collateral held by the Administrative Agent pursuant to this Agreement is at least 103% of the Letter of Credit Exposure after giving effect to the foregoing clause fifth; and seventh, to the extent any proceeds remain, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise provided by a court of competent jurisdiction.

All amounts allocated pursuant to the foregoing clauses third through fifth to the Lenders as a result of amounts owed to the Lenders under the Credit Documents shall be allocated among, and distributed to, the Lenders pro rata based on their respective Pro Rata Shares; provided that all amounts allocated to that portion of the Letter of Credit Exposure comprised of the aggregate undrawn amount of all outstanding Letters of Credit pursuant to clauses fifth and sixth shall be distributed to the Administrative Agent, rather than to the Lenders, and held by the Administrative Agent in an account in the name of the Administrative Agent for the benefit of the Letter of Credit Issuer and the Lenders as Cash Collateral for the Letter of Credit Exposure, such account to be administered in accordance with Section 3.7. All Cash Collateral for Letter of Credit Exposure shall be applied to satisfy drawings under the Letters of Credit as they occur; if any amount remains on
deposit on Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to other Obligations, if any, in the order set forth above.

Notwithstanding the foregoing, (a) no amount received from any Guarantor (including any proceeds of any sale of, or other realization upon, all or any part of the Collateral owned by such Guarantor) shall be applied to any Excluded Swap Obligation of such Guarantor and (b) Bank Product Obligations and Hedging Obligations shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the Lender-Related Bank Product Provider or the Lender-Related Hedge Provider, as the case may be. Each Lender-Related Bank Product Provider or Lender-Related Hedge Provider that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Section 11 for itself and its Affiliates as if a “Lender” party hereto.

Section 11   THE ADMINISTRATIVE AGENT.

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

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

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

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

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

Section 11.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers,
directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of Holdings or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of Holdings and its Subsidiaries and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of Holdings and its Subsidiaries. The Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other conditions, prospects or creditworthiness of Holdings or any of its Subsidiaries which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates. Each of the Lenders acknowledges and agrees that outside legal counsel to the Administrative Agent in connection with the preparation, negotiation, execution, delivery and administration (including any amendments, waivers and consents) of this Agreement and the other Credit Documents is acting solely as counsel to the Administrative Agent and is not acting as counsel to any Lender (other than the Administrative Agent and its Affiliates) in connection with this Agreement, the other Credit Documents or any of the transactions contemplated hereby or thereby.

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

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

Section 11.9  
**Successor Administrative Agent.** The Administrative Agent may resign as the Administrative Agent upon 20 days’ notice to the Borrower and the Lenders. The Required Lenders shall appoint a successor Administrative Agent for the Lenders (which may be an existing Lender) subject to prior approval, so long as no Default or Event of Default then exists, by the Borrower (such approval not to be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Administrative Agent” shall include such successor agent effective upon its appointment, and the resigning Administrative Agent’s rights, powers and duties as the Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the retiring Administrative Agent’s resignation hereunder as the Administrative Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

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

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

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

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

(c) Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender, the Swingline Lender or the Letter of Credit Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 11.12 Authorization to Execute Other Credit Documents. Each Lender hereby authorizes the Administrative Agent to execute on behalf of all Lenders all Credit Documents (including, without limitation, the Security Documents and any subordination agreements) other than this Agreement.

Section 11.13 Collateral and Guaranty Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion:

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Credit Document (i) upon the termination of all Revolving Commitments, the Cash Collateralization of all reimbursement obligations with respect to Letters of Credit in an amount equal to 103% of the aggregate Letter of Credit Exposure of all Lenders, and the payment in full of all Obligations (other than contingent indemnification obligations and such Cash Collateralized reimbursement obligations), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Credit Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 12.12; and

(b) to release any Credit Party from its obligations under the applicable Security Documents if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent’s authority to release its interest in particular types or items of property, or to release any Credit Party from its obligations under the applicable Security Documents pursuant to this Section. In each case as specified in this Section, the Administrative Agent is authorized, at the Borrower’s expense, to execute and deliver to the applicable Credit Party such documents as such Credit Party may reasonably request to evidence the release of such item of Collateral from the Liens granted under the applicable Security Documents, or to release such Credit Party from its obligations under the applicable Security Documents, in each case in accordance with the terms of the Credit Documents and this Section.
Section 11.14 **Right to Realize on Collateral and Enforce Guarantee.** Anything contained in any of the Credit Documents to the contrary notwithstanding, the Borrower, the Administrative Agent and each Lender hereby agree that (i) no Lender shall have any right individually to realize upon any of the Collateral or to enforce the Security Documents, it being understood and agreed that all powers, rights and remedies hereunder and under the Security Documents may be exercised solely by the Administrative Agent, and (ii) in the event of a foreclosure by the Administrative Agent on any of the Collateral pursuant to a public or private sale or other disposition, the Administrative Agent or any Lender may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and the Administrative Agent, as agent for and representative of the Lenders (but not any Lender or Lenders in its or their respective individual capacities unless the Required Lenders shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Administrative Agent at such sale or other disposition.

Section 11.15 **Secured Bank Product Obligations and Hedging Obligations.** No Lender-Related Bank Product Provider or Lender-Related Hedge Provider that obtains the benefits of Section 10.14, the Security Documents or any Collateral by virtue of the provisions hereof or of any other Credit Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Credit Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Credit Documents. Notwithstanding any other provision of this Article to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Bank Product Obligations and Hedging Obligations unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Lender-Related Bank Product Provider or Lender-Related Hedge Provider, as the case may be.

Section 12 **MISCELLANEOUS.**

Section 12.1 **Payment of Expenses, etc.** The Borrower agrees to: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Joint Lead Arrangers in connection with the syndication of the Facilities, the negotiation, preparation, execution, delivery and administration of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto (including, without limitation, the reasonable fees and disbursements of Alston & Bird LLP, counsel to the Administrative Agent and SunTrust Robinson Humphrey, Inc.) and the creation and perfection of the Liens created under the Security Documents; (ii) pay all out-of-pocket costs and expenses of the Administrative Agent, the Joint Lead Arrangers and each of the Lenders in connection with the enforcement (including pursuant to the administration of any bankruptcy proceeding relating to any Credit Party) or preservation of any rights under this Agreement and the other Credit Documents and the documents and instruments referred to therein (including, without limitation, the fees and disbursements of counsel for the Administrative Agent, the Letter of Credit Issuer and for each of the Lenders), including such out-of-pocket costs and expenses incurred during any refinancing, work-out or restructuring (pursuant to any insolvency or bankruptcy proceeding or otherwise) in respect of this Agreement, the Loans or Letters of Credit; (iii) 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 (iv) indemnify the Administrative Agent, the Letter of Credit Issuer and each Lender, and each of their respective officers, directors, employees, representatives, agents, affiliates, trustees and investment advisors from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys’ and consultants’ fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of, (x) any investigation, litigation or other proceeding (whether or not the Administrative Agent, the Letter of Credit Issuer or any Lender is a party thereto and whether or not such investigation, litigation or other proceeding is brought by or on behalf of any Credit Party) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of any Letter of Credit or the proceeds of any Loans hereunder or any other transactions contemplated herein or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (y) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property at any time owned, leased or operated by either of Holdings or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials by Holdings or any of its Subsidiaries at any location, whether or not owned, leased or operated by Holdings or any of its Subsidiaries, the non-compliance by Holdings or any of its Subsidiaries with any Environmental Law (including applicable permits thereunder) applicable to any Real Property, or any Environmental Claim asserted against Holdings or any of its Subsidiaries or any Real Property at any time owned, leased or operated by Holdings or any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses (x) to the extent incurred by reason of the gross negligence or willful misconduct of, or the breach in bad faith of its commitments by, the Person to be indemnified or (y) to the extent arising directly out of or resulting directly from claims of one or more Person to be indemnified hereunder or any other Person to be indemnified hereunder (other than claims of a Person to be indemnified hereunder against the Administrative Agent, the Letter of Credit Issuer, their Affiliates and their respective officers, directors, employees, attorneys, agents and representatives, in each case as finally determined by a court of competent jurisdiction in a final and non-appealable decision). To the extent that the undertaking to indemnify, pay or hold harmless the Administrative Agent, the Letter of Credit Issuer or any Lender set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law. To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Person to be indemnified hereunder, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or any Letter of Credit or the use of proceeds thereof.

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

Section 12.3 Notices.

(a) Written Notices.

(i) Except in the case of notices and other communications expressly permitted to be given by telephone or by electronic transmission in accordance with subsection (b) of this Section 12.3, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows (provided, that notices and other communications by any Lender to the Administrative Agent will be effective if made in writing and delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, to the Administrative Agent at the address set forth below with the asterisk notations (**) so long as the copies provided for below (i.e., those for informational purposes) are provided to such Persons by electronic transmission (including by e-mail to the e-mail addresses provided immediately below):

To the Borrower: Cargo Aircraft Management, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Quint O. Turner
Chief Financial Officer
Facsimile Number: (937) 382-2452
Email: quint.turner@atsginc.com

To Holdings: Air Transport Services Group, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Quint O. Turner
Chief Financial Officer
Facsimile Number: (937) 382-2452
Email: quint.turner@atsginc.com

With a copy to (for information purposes only): Air Transport Services Group, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Joseph E. Roux
    Director, Treasury
Facsimile Number: (937) 382-2452
Email: joe.roux@atsginc.com

and

Air Transport Services Group, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: W. Joseph Payne, Esq.
    Chief Legal Officer
Facsimile Number: (937) 382-2452
Email: joe.payne@atstinc.com

To the Administrative Agent: SunTrust Bank
3333 Peachtree Road N.E. / 8th Floor
Atlanta, Georgia 30326
Attention: Chris Hursey
Facsimile Number: (404) 439-7409
Email: chris.hursey@suntrust.com

With a copy to (for information purposes only): SunTrust Bank
Agency Services
303 Peachtree Street, N.E. / 25th Floor
Atlanta, Georgia 30308
Attention: Doug Weltz
Facsimile Number: (404) 495-2170
Email: agency.services@suntrust.com

and

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attention: Rick D. Blumen, Esq.
Facsimile Number: (404) 253-8366
Email: rick.blumen@alston.com

To the Letter of Credit Issuer: SunTrust Bank
245 Peachtree Center Ave., 17th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Dept. / Mary Psaila
Facsimile Number: (404) 658-4856
Email: mary.psaila@suntrust.com
To the Swingline Lender: SunTrust Bank
Agency Services
303 Peachtree Street, N.E. / 25th Floor
Atlanta, Georgia 30308
Attention: Doug Weltz
Facsimile Number: (404) 495-2170
Email: agency.services@suntrust.com

To any other Lender: the address set forth in the administrative questionnaire or the Assignment and Acceptance executed by such Lender

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall be effective upon actual receipt by the relevant Person or, if delivered by overnight courier service, upon the first Business Day after the date deposited with such courier service for overnight (next-day) delivery or, if sent by facsimile, upon transmittal in legible form by facsimile machine (except that, if not given during normal business hours for recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) or, if mailed, upon the third Business Day after the date deposited into the mail or, if delivered by hand, upon delivery; provided that notices delivered to the Administrative Agent, the Letter of Credit Issuer or the Swingline Lender shall not be effective until actually received by such Person at its address specified in this Section.

(ii) Any agreement of the Administrative Agent, the Letter of Credit Issuer or any Lender herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent, the Letter of Credit Issuer and each Lender shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent, the Letter of Credit Issuer and the Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent, the Letter of Credit Issuer or any Lender in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Administrative Agent, the Letter of Credit Issuer or any Lender to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent, the Letter of Credit Issuer or any Lender of a confirmation which is at variance with the terms understood by the Administrative Agent, the Letter of Credit Issuer and such Lender to be contained in any such telephonic or facsimile notice.

(b) Electronic Communications.

(i) Notices and other communications to the Lenders and the Letter of Credit Issuer hereunder may be delivered or furnished by electronic communication (including by e-mail to the e-mail addresses provided in subsection (a) of this Section 12.3 and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to
any Lender or the Letter of Credit Issuer pursuant to Section 2 or Section 3 unless such Lender, the Letter of Credit Issuer, as applicable, and the Administrative Agent have agreed to receive notices under any Section thereof by electronic communication and have agreed to the procedures governing such communications. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Administrative Agent otherwise prescribes, (x) notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (y) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (x) of notification that such notice or communication is available and identifying the website address therefor; provided that for both clauses (x) and (y) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(iii) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Letter of Credit Issuer and the other Lenders by posting the Communications on Debt Domain, Intralinks, SyndTrak, ClearPar or a substantially similar Electronic System.

(iv) Any Electronic System used by the Administrative Agent is provided “as is” and “as available.” The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the “Agent Parties”) have any liability to any Credit Party, any Lender, the Letter of Credit Issuer or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Credit Party’s or the Administrative Agent’s transmission of Communications through an Electronic System. “Communications” means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Credit Party pursuant to any Credit Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or the Letter of Credit Issuer by
means of electronic communications pursuant to this Section, including through an Electronic System.

Section 12.4  Successors and Assigns.

(a)  The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (g) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)  Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments, Loans and other Revolving Credit Exposure at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i)  Minimum Amounts.

(A)  in the case of an assignment of the entire remaining amount of the assigning Lender’s Commitments, Loans and other Revolving Credit Exposure at the time owing to it or in the case of an assignment to a Lender, an Affiliate of such Lender or an Approved Fund, no minimum amount need be assigned; and

(B)  in any case not described in Section 12.4(b)(i)(A), the aggregate amount of the Commitment (which for this purpose includes Loans and Revolving Credit Exposure outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans and Revolving Credit Exposure of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if “Trade Date” is specified in the Assignment and Acceptance, as of the Trade Date) shall not be less than $1,000,000 with respect to Term Loans and $5,000,000 with respect to Revolving Loans and in minimum increments of $1,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii)  Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender’s rights and obligations under this Agreement with respect to the Loans, other Revolving Credit Exposure or the Commitments assigned, except that this Section 12.4(b)(ii) shall not prohibit any
Lender from assigning all or a portion of its rights and obligations on a non-pro rata basis as between its Revolving Commitment and/or Revolving Loans, on the one hand, and any Term Loans, on the other hand.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by Section 12.4(b)(i)(B) and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of such Lender or an Approved Fund of such Lender;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required unless such assignment is of a Term Loan to a Lender, an Affiliate of such Lender or an Approved Fund of such Lender; and

(C) the consent of the Letter of Credit Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding), and the consent of the Swingline Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of the Revolving Commitments.

(iv) Assignment and Acceptance. The parties to each assignment shall deliver to the Administrative Agent (A) a duly executed Assignment and Acceptance, (B) a processing and recordation fee of $3,500, (C) an administrative questionnaire unless the assignee is already a Lender and (D) the documents required under Section 5.4(g).

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Borrower or any of the Borrower’s Affiliates or Subsidiaries, (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) or (C) to any Disqualified Institution so long as the list of Disqualified Institutions prepared and provided to the Administrative Agent has been made available to all Lenders.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro
rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swingline Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender’s rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.19, 5.4 and 12.1 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender’s having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section. If the consent of the Borrower to an assignment is required hereunder (including a consent to an assignment which does not meet the minimum assignment thresholds specified above), the Borrower shall be deemed to have given its consent unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after notice thereof has actually been delivered by the assigning Lender (through the Administrative Agent) to the Borrower.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Atlanta, Georgia a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and Revolving Credit Exposure owing to, each Lender pursuant to the terms hereof from time to time (the “Register”). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. Information contained in the Register with respect to any Lender shall be available for inspection by such Lender at any reasonable time and from time to time upon reasonable prior notice; information contained in the Register shall also be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice. In establishing and maintaining the Register, the Administrative Agent shall serve as the Borrower’s agent solely for tax purposes and solely with respect to the actions described in this Section.
(d) Any Lender may at any time, without the consent of, or notice to, the Borrower, the Administrative Agent, the Swingline Lender or the Letter of Credit Issuer, sell participations to any Person (other than a natural person, the Borrower or any of the Borrower’s Affiliates or Subsidiaries or any Disqualified Institutions so long as the list of Disqualified Institutions prepared and provided to the Administrative Agent has been made available to all Lenders) (each, a “Participant”) in all or a portion of such Lender’s rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Letter of Credit Issuer, the Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following to the extent affecting such Participant: (i) increase the Commitment of such Lender; (ii) reduce the principal amount of any Loan or Letter of Credit Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder; (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or Letter of Credit Disbursement or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment; (iv) change Section 12.6 in a manner that would alter the pro rata sharing of payments required thereby; (v) change any of the provisions of Section 12.12 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder; (vi) release all or substantially all of the Guarantors, or limit the liability of such Guarantors, under any guaranty agreement guaranteeing any of the Obligations; or (vii) release all or substantially all collateral (if any) securing any of the Obligations. Subject to subsection (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.11, 2.19, and 5.4 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section; provided that such Participant (A) shall be subject to the requirements of Sections 2.11, 2.19, and 5.4, including the requirements of Section 5.4(g) (it being understood that the documentation required under Section 5.4(g) shall be delivered by the Participant to the participating Lender) and (B) agrees to be subject to the provisions of Sections 2.12 and 2.13 as if it were an assignee under subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.2 as though it were a Lender.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register in the United States on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Credit Documents (the “Participant Register”). The entries in the Participant Register shall be conclusive, absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. The Borrower and the Administrative Agent shall have inspection rights to such Participant Register (upon reasonable prior notice to the applicable Lender) solely for purposes of demonstrating that
such Loans or other obligations under the Credit Documents are in “registered form” for purposes of the Code. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Sections 2.19 and 5.4 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower’s prior written consent (which consent, for this purpose, shall be in the sole discretion of the Borrower). A Participant shall not be entitled to the benefits of Section 5.4 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Sections 5.4(e) and 5.4(g) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) The parties to this Agreement hereby acknowledge and agree that the Administrative Agent shall be deemed not to have any duty or responsibility and not to incur any liabilities as a result of a breach of this Section 12.4 by any Lender with respect to the making or granting of any assignment or participation to a Disqualified Institution, nor shall the Administrative Agent have any duty, responsibility or liability to monitor or enforce assignments, participations or other actions in respect of Disqualified Institutions or otherwise take (or omit to take) any action with respect thereto. The Borrower shall, after the Closing Date, prepare a list of Disqualified Institutions (and the Borrower will update such list from time to time to add or subtract Disqualified Institutions from such list) and, in each case, will promptly provide such list to the Administrative Agent with instructions to the Administrative Agent to provide a copy of such list (with a reference to this Section 12.4(h) included in such instructions to the Administrative Agent) to the Lenders. Upon receipt of each such list and such instruction from the Borrower, the Administrative Agent will promptly provide each such list to the Lenders. Upon the request of any Lender to the Administrative Agent, the Administrative Agent will (and the Borrower hereby authorizes the Administrative Agent to) provide then current list of Disqualified Institutions to any Lender and/or potential assignee.

Section 12.5 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between any Credit Party and the Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.
Section 12.6 Payments Pro Rata. (a) Subject to Section 4.2 and Section 5.1 hereof, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party described in clause (a) of the definition of the term “Obligations”, it shall distribute such payment to the Lenders based upon their Pro Rata Shares, if any, of the Obligations with respect to which such payment was received. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Reimbursement Obligations, interest and Fees then due hereunder, such funds shall be applied as follows: first, to all Fees and reimbursable expenses of the Administrative Agent then due and payable pursuant to any of the Credit Documents; second, to all reimbursable expenses of the Lenders and all Fees and reimbursable expenses of the Letter of Credit Issuer then due and payable pursuant to any of the Credit Documents, pro rata to the Lenders and the Letter of Credit Issuer based on their respective pro rata shares of such Fees and expenses; third, to all interest and Fees then due and payable hereunder, pro rata to the Lenders based on their respective pro rata shares of such interest and Fees; and fourth, to all principal of the Loans and Reimbursement Obligations then due and payable hereunder, pro rata to the parties entitled thereto based on their respective pro rata shares of such principal and Reimbursement Obligations.

(a) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in Letter of Credit Disbursements or Swingline Loans that would result in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Credit Exposure, Term Loans and accrued interest and Fees thereon than the proportion received by any other Lender with respect to its Revolving Credit Exposure or Term Loans, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Credit Exposure and Term Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Credit Exposure and Term Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this subsection shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Credit Exposure or Term Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this subsection shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 12.7 Calculations; Computations. The financial statements to be furnished to the Administrative Agent and the Lenders pursuant hereto shall be made and prepared in accordance with GAAP as in effect from time to time during the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Holdings or the Borrower to the Administrative Agent). Any changes in GAAP after the Closing Date, as applied in the preparation of such financial statements, or changes in the presentation of such financial statements that are mandated or otherwise required by a Governmental Authority, will be incorporated in such calculations, computations and presentation unless Holdings, by written notice to the Administrative
Agent, or the Administrative Agent or the Required Lenders, by written notice to Holdings, objects to the inclusion of such changes in GAAP or presentation, whereupon such changes in GAAP or presentation shall be excluded from calculations and computations hereunder until such time as the parties hereto have amended this Agreement to reflect appropriately the effect of such change in GAAP or presentation, and, in any event, Holdings shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP or presentation. Interest and Fees shall be calculated on the basis of a 360-day year for the actual days elapsed. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change in the Base Rate is announced or such change in the Eurocurrency Reserve Requirements becomes effective, as the case may be. Notwithstanding any other provision contained herein, (a) all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification Section 825-10 (or any other Financial Accounting Standard having a similar result or effect including ASU 2015-03, 1 and any other related treatment for debt discounts and premiums, such as original issue discount) to value any Indebtedness or other liabilities of any Credit Party or any Subsidiary of any Credit Party at “fair value”, as defined therein and (b) the accounting for any lease (and whether such lease shall be treated as a Capital Lease) shall be based on GAAP as in effect on the Closing Date and without giving effect to any subsequent changes in GAAP (or required implementation of any previously promulgated changes in GAAP) relating to the treatment of a lease as an operating lease or capitalized lease.

Section 12.8  Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the Federal District Court of the Southern District of New York, and of any state court of the State of New York located in the Borough of Manhattan and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or , to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Administrative Agent, the Letter of Credit Issuer or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against Holdings or the Borrower or their properties in the courts of any jurisdiction. With respect to the choice of law provided for in this paragraph, the parties hereto expressly acknowledge that, given the large number of state jurisdictions which have relationships to one or more of the parties or to the transactions in question, thoughtful negotiations were had in respect to that issue and the parties ultimately selected the State of New York for a number of reasons, including that (i) the State of New York had direct relationships to certain of the parties and the related transactions (e.g., the transactional documents initially were being delivered by the Borrower and the Guarantors to the Administrative Agent’s counsel in the State of New York, and the Administrative Agent’s counsel
and certain of the Lenders maintain places of business in the State of New York) and (ii) the parties and their respective counsel uniformly were comfortable with the law of the State of New York based upon their prior experiences which involved application of that law in similarly sophisticated commercial transactions. In that regard, the parties hereto further expressly acknowledge and agree that a reasonable basis existed for their selection of the choice of law arrangement provided for in this paragraph.

(a) Each party hereto hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 12.3. Nothing in this Agreement or in any other Credit Document will affect the right of any party hereto to serve process in any other manner permitted by law.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 12.9 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, including by means of facsimile, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

Section 12.10 Effectiveness. This Agreement shall become effective on the date (the “Closing Date”) on which (a) Holdings, the Borrower, the Administrative Agent and each of the Lenders shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent or, in the case of the Lenders, shall have given to the Administrative Agent telephonic (confirmed in writing), written or facsimile transmission notice (actually received) at such office that the same has been signed and mailed to it and (b) each of the conditions precedent set forth in Section 6.1 shall have been satisfied.

Section 12.11 Headings. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 12.12 Amendment or Waiver. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by each applicable Credit Party and the Required Lenders, provided that no such change, waiver, discharge or termination shall:
(i) waive any Term Loan Scheduled Repayment with respect to the Term Loans of any Series, defer any Term Loan Scheduled Repayment with respect to the Term Loans of any Series or extend the Term Facility Final Maturity Date or the Revolving Facility Final Maturity Date or the date for any scheduled payment of principal (it being understood that any waiver of the application of any prepayment of, or the method of application of any prepayment to the amortization of, the Loans shall not constitute a waiver of any such Term Loan Scheduled Repayment or any such extension), or reduce the rate or extend the time of payment of any interest (except (x) as a result of waiving the applicability of any post-default increase in interest rates and (y) that any amendment or modification of defined terms used in the definition of “Secured Leverage Ratio” shall not constitute a reduction in interest rate for purposes of this clause (i)) or Fees payable hereunder, or forgive or reduce the principal of any amounts payable hereunder or under any other Credit Documents, or increase the Commitment of any Lender over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Revolving Commitment shall not constitute a change in the terms of any Commitment of any Lender), in each case without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby; provided that no increase of the Commitment of any Defaulting Lender will be effective without the consent of such Defaulting Lender;

(ii) release or subordinate all or any material portion of the Collateral (other than in connection with the sale of such Collateral to the extent permitted herein) or release all or substantially all of the Guarantors from their respective Guaranties (in each case except as expressly provided in the Credit Documents) without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(iii) amend, modify or waive any provision of this Section 12.12 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(iv) reduce the percentage specified in, or otherwise modify, the definition of Required Lenders without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(v) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under this Agreement without the written consent of each Lender (other than a Defaulting Lender) directly affected thereby;

(vi) alter any allocation or application of mandatory payments or prepayments under Section 5.2 as between the Term Loans of any Series or the Revolving Facility without the written consent of a majority in interest of the Lenders of the Term Loans of such Series or the Revolving Facility, as the case may be, adversely affected thereby (provided that, with the written consent of the Required Lenders, mandatory prepayments under clauses (iii), (iv) and (v) of Section 5.2 may be reduced or eliminated);
(vii) change Section 5.3 or Section 12.6, or change Section 6.5 of the Guarantee and Collateral Agreement, in each case, in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby;

(viii) change Section 12.4(b) in a manner that would place additional restrictions on a Lender’s ability to assign its Commitments or Loans without the written consent of each Lender directly affected thereby;

(ix) amend, modify or waive any provision of Section 2.14(f) or Section 11 without the written consent of the Letter of Credit Issuer or the Administrative Agent, respectively; or

(x) amend Section 2.9(a) to permit Interest Periods of greater than six months without the unanimous written consent of the Lenders under the applicable Facility.

In addition, (i) no amendment, waiver or consent shall, unless in writing and signed by the Letter of Credit Issuer in addition to the Lenders required above, affect the rights or duties of the Letter of Credit Issuer under this Agreement or any Letter of Credit Request relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; and (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Credit Document.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Credit Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Credit Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Credit Documents, and any Default or Event of Default waived in accordance with the terms of this Agreement shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding anything to the contrary herein or otherwise, (i) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended, and amounts payable to such Lender hereunder may not be permanently reduced, without the consent of such Lender (other than reductions in fees and interest in which such reduction does not disproportionately affect such Lender) and (ii) the Administrative Agent may, with the consent of the Borrower only, amend, modify or supplement any Credit Document to cure any ambiguity, omission, mistake, defect or inconsistency.

Notwithstanding the foregoing, this Agreement, including this Section 12.12, and the other Credit Documents may be amended (or amended and restated) pursuant to Section 2.14(a) in order to add new Term Loans and Additional Revolving Commitments to this Agreement and (a) to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement (including the rights of the
Incremental Lenders who have made new Term Loans pursuant to Section 2.14(a) to share ratably with the Term Facility in prepayments pursuant to Section 5.1 and Section 5.2) and the other Credit Documents with the Term Loans and Total Revolving Extensions of Credit and the accrued interest and fees in respect thereof, (b) to include appropriately the Lenders holding such credit facility in any determination of the Required Lenders and (c) to amend other provision of the Credit Documents so that the Lenders that made new Term Loans or that made Additional Revolving Commitments are appropriately incorporated (including this Section 12.12).

In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, Holdings, the Borrower and the Lenders (or new lenders) providing the relevant Replacement Term Loans (as defined below) to permit the refinancing or modification of all outstanding Term Loans ("Refinanced Term Loans") with a replacement term loan tranche hereunder ("Replacement Term Loans"), provided that (a) the aggregate principal amount of such Replacement Term Loans shall not exceed the aggregate principal amount of such Refinanced Term Loans plus the amount of any Incremental Commitments, (b) the Applicable Margin for such Replacement Term Loans shall not be higher than the Applicable Margin for such Refinanced Term Loans, (c) the weighted average life to maturity of such Replacement Term Loans shall not be shorter than the weighted average life to maturity of such Refinanced Term Loans at the time of such refinancing and (d) all other terms applicable to such Replacement Term Loans shall be agreed upon by the Borrower and the Administrative Agent.

Section 12.13 Survival. All indemnities set forth herein including, without limitation, in Section 2.11, Section 3, Section 5.4, Section 11.7, Section 11.10 or Section 12.1 shall survive the execution and delivery of this Agreement and the making and repayment or assignment of the Loans.

Section 12.14 Domicile of Loans. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender; provided that the Borrower shall not be responsible for costs resulting from such transfer (other than a transfer pursuant to Section 2.12 and any transfer required by applicable law) to the extent not otherwise applicable to such Lender prior to such transfer.

Section 12.15 USA Patriot Act. The Administrative Agent and each Lender hereby notifies Holdings and the Borrower that pursuant to (a) the requirements of the Patriot Act or any other Anti-Money Laundering Laws, each of them is required to obtain, verify and record information that identifies each Credit Party, which information includes the name and address of each Credit Party and other information that will allow such Lender to identify each Credit Party in accordance with the Patriot Act or such Anti-Money Laundering Laws and (b) the Beneficial Ownership Regulation, they are required to obtain a Beneficial Ownership Certification.

Section 12.16 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it hereunder with respect to any Credit Party pursuant to this Agreement that is designated by such Credit Party as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or, subject to an agreement to comply with the provisions of this Section, any Lender Affiliate, (b) subject to an agreement to comply with the provisions of this Section, to any assignee or participant or prospective assignee or participant or any actual or prospective direct or indirect counterparty to any Hedging Transaction (or any professional advisor to such counterparty), (c) on a need-to-know basis, to its employees.
involved in the administration of this Agreement or any other Credit Document, directors, agents, attorneys, accountants, consultants and other professional advisors or those of any of its Affiliates (each of whom shall be instructed to hold the same in confidence), (d) upon the request or demand of any Governmental Authority having supervisory authority over such Lender, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) that has been publicly disclosed other than in breach of this Agreement, (g) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender’s investment portfolio in connection with ratings issued with respect to such Lender, (h) in connection with the exercise of any remedy hereunder or under any other Credit Document, (i) with the consent of the Borrower or (j) that becomes available to the Administrative Agent or any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower or any of its Subsidiaries.

Section 12.17 Release of Liens and Guarantees. In the event that the Borrower or any Subsidiary conveys, sells, leases, assigns, transfers or otherwise disposes of all or any portion of any of the Capital Stock, assets or property of the Borrower or any of its Subsidiaries in a transaction expressly permitted by this Agreement or any other Credit Document, the Administrative Agent shall promptly (and the Lenders hereby authorize the Administrative Agent to) take such action and execute any such documents as may be reasonably requested by the Borrower and at the Borrower’s expense to release any Liens created by any Credit Document in respect of such Capital Stock, assets, property, including the release and satisfaction of record or partial release of record of any mortgage or deed of trust granted in connection therewith, and, in the case of a disposition of all or substantially all the Capital Stock or assets of any Subsidiary Guarantor, terminate such Subsidiary Guarantor’s obligations under the Guarantee and Collateral Agreement and release all Liens on the assets of such Subsidiary Guarantor. In addition, the Administrative Agent agrees to take such actions as are reasonably requested by the Borrower and at the Borrower’s expense to terminate the Liens and security interests created by the Credit Documents when all the Obligations are paid in full and all Letters of Credit and Commitments are terminated.

Section 12.18 Integration. This Agreement and the other Credit Documents represent the agreement of the Borrower, the other Credit Parties, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

Section 12.19 Acknowledgments. Holdings and the Borrower hereby acknowledge that:

(i) no amendment, modification or waiver of any provision of Section 2.14(f) or Section 11 shall be or become effective without the written consent of the Letter of Credit Issuer or the Administrative Agent, respectively; or

(ii) they have been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents; or

(iii) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship
between Administrative Agent and Lenders, on one hand, and Holdings and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(iv) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among Holdings, the Borrower and the Lenders.

(b) The parties hereto acknowledge and agree that the each of the “Joint Lead Arrangers”, the “Co-Syndication Agents” and the “Co-Documentation Agents” (in their respective capacities as such) shall have no obligations, duties or liabilities under this Agreement or the other Credit Documents.

Section 12.20 Interest Rate Limitation. Notwithstanding any terms or provisions contained herein or any of the other Credit Documents, in no event or contingency shall the aggregate amount of Interest (as defined below) contracted for, reserved, charged, collected, taken or received by any Lender pursuant to or in connection with the terms of any of the Credit Documents exceed the maximum amount permissible (the “Maximum Rate”) under the Usury Laws. No agreements, conditions, provisions or stipulations contained in any of the Credit Documents or the exercise by any Lender or the Administrative Agent of the rights to accelerate the payment or the maturity of all or any portion of the Obligations, or the exercise of any option whatsoever contained in any of the Credit Documents, or the prepayment by the Borrower of any of the Obligations, or the occurrence of any contingency whatsoever, shall entitle any Lender to charge, collect or receive Interest in excess of the Maximum Rate and in no event shall the Borrower be obligated to pay Interest exceeding the Maximum Rate. All agreements, conditions or stipulations, if any, which may in any event or contingency operate to bind, obligate or compel the Borrower to pay Interest exceeding the Maximum Rate shall be without binding force or effect, at law or in equity, but only to the extent of the excess of Interest over such Maximum Rate. If any Interest is contracted for, charged, collected, taken or received in excess of the Maximum Rate (“Excess”), the Borrower acknowledges and agrees that any such obligation, charge, collection or receipt shall be the result of a bona fide error, and such Excess, to the extent received, shall be applied first to reduce the principal amount of the Obligations and the balance, if any, returned to the Borrower; it being the intent of the parties hereto not to enter into a usurious or otherwise illegal relationship. All monies paid to any Lender under any of the Credit Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by the Usury Laws. By the execution of this Agreement, the Borrower covenants and agrees that (i) the credit or return of any Excess shall constitute the acceptance by the Borrower of such Excess, and (ii) the Borrower shall not seek or pursue any other remedy, legal or equitable, against any Lender, based in whole or in part upon contracting for, charging, collecting or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged, collected or received by any Lender, all Interest at any time contracted for, charged, collected or received from the Borrower in connection with any of the Credit Documents shall, to the extent permitted by the Usury Laws, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Obligations. The Borrower and each Lender shall, to the maximum extent permitted under the Usury Laws, (i) characterize any non-principal payment as an expense rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into every Credit Document (whether or not any provision of this Section is referred to therein). For purposes hereof, the term “Interest” shall mean any and all interest, fees, premiums and other charges for the use of money or the extension of credit and shall include any
“interest” (or any amount or sum deemed to be “interest”) under and as defined in the Usury Laws; and the term “Usury Laws” shall mean any applicable laws, statutes, rules, regulations or ordinances limiting, governing or otherwise regulating the rate or amount of Interest or the manner which Interest may be calculated, charged, collected, paid, contracted for or disclosed.

Section 12.21 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 12.22 No Advisory or Fiduciary Relationship. In connection with all aspects of the transactions contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Credit Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Lenders and the Joint Lead Arrangers are arm’s-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the Lenders and the Joint Lead Arrangers, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents; (ii) (A) each of the Administrative Agent, the Lenders and each Joint Lead Arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor any Lender or Joint Lead Arrangers has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents; and (iii) the Administrative Agent, each Lender and each Joint Lead Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Lender or Joint Lead Arrangers has any obligation to disclose any of such interests to the Borrower or any of its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent or any Lender or any Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 12.23 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:
(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

For purposes of this Agreement:

“Bail-In Action” shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“EEA Financial Institution” shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clause (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule” shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Write-Down and Conversion Powers” shall mean, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 12.24 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that at least one of the following is and will be true:

- 127 -
(i) Such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement;

(ii) The transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) (A) Such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 8414 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) Such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document or any documents related hereto or thereto).

[Signatures on Following Page]
IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

CARGO AIRCRAFT MANAGEMENT, INC.

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

AIR TRANSPORT SERVICES GROUP, INC.

By: /s/ Joseph C. Hete
   Name: Joseph C. Hete
   Title: President & Chief Executive Officer
SUNTRUST BANK, as Administrative Agent and as a Lender

By: /s/ R. David Dutton

Name: R. David Dutton
Title: Director

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
REGIONS BANK, as a Lender

By: /s/ Tim Blakley
Name: Tim Blakley
Title: Director

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ John B. Middelberg
Name: John B. Middelberg
Title: Authorized Officer
BANK OF AMERICA, N.A., as a Lender

By: /s/ Gregory J. Bosio
Name: Gregory J. Bosio
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ David C. Beckett
Name: David C. Beckett
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
BRANCH BANKING AND TRUST COMPANY,
as a Lender

By: /s/ David Miller
Name: David Miller
Title: Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
COMPASS BANK, as a Lender

By: /s/ Jeff Bork

Name: Jeff Bork
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ John DiLegge
Name: John DiLegge
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
CIBC BANK USA, as a Lender

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

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
UNION BANK & TRUST, as a Lender

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

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
ATLANTIC CAPITAL BANK, N.A., as a Lender

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

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
TRISTATE CAPITAL BANK, as a Lender

By: /s/ Ellen Frank
Name: Ellen Frank
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
BOKF, NA, as a Lender

By: /s/ Jane P. Faulkenberry
Name: Jane P. Faulkenberry
Title: Senior Vice President

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

[Signature Page to Second Amended and Restated Credit Agreement with Cargo Aircraft Management, Inc.]
## Annex 1.1A

<table>
<thead>
<tr>
<th>Lender</th>
<th>Revolving Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SunTrust Bank</td>
<td>$74,500,000</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>$72,400,000</td>
</tr>
<tr>
<td>PNC Bank, N.A.</td>
<td>$72,400,000</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>$63,800,000</td>
</tr>
<tr>
<td>Regions Bank</td>
<td>$63,800,000</td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td>$53,100,000</td>
</tr>
<tr>
<td>Compass Bank</td>
<td>$41,400,000</td>
</tr>
<tr>
<td>CIBC Bank USA</td>
<td>$21,300,000</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>$21,200,000</td>
</tr>
<tr>
<td>The Northern Trust Company</td>
<td>$17,000,000</td>
</tr>
<tr>
<td>Union Bank &amp; Trust</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Atlantic Capital Bank, N.A.</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>BOKF, NA</td>
<td>$10,700,000</td>
</tr>
<tr>
<td>TriState Capital Bank</td>
<td>$6,400,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$545,000,000</strong></td>
</tr>
</tbody>
</table>
Annex 1.1B

Existing Aircraft Liens

(a) Boeing model 767-232 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 22225 and U.S. Registration No. N762CX.

(b) General Electric model CF6-80A aircraft engine bearing manufacturer’s serial number 580245.

(c) General Electric model CF6-80A aircraft engine bearing manufacturer’s serial number 580140.

(d) General Electric model CF6-80C2B6 (shown on the International Registry as GE model CF6-80C2) aircraft engine bearing manufacturer’s serial number 690248.

(e) General Electric model CF6-80C2B6 (shown on the International Registry as GE model CF6-80C2) aircraft engine bearing manufacturer’s serial number 695240.

(f) Boeing model 767-232 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 22227 and U.S. Registration No. N750AX.

(g) Boeing model 767-232 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 22218 and U.S. Registration No. N743AX.

(h) Boeing model 767-232 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 22226 and U.S. Registration No. N749AX.

(i) Boeing model 767-200 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 23434 and U.S. Registration No. N752AX.

(j) Boeing model 767-323 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 27184 and U.S. Registration No. N378CX and one (1) General Electric model CF6-80C2B6 (shown on the International Registry as GE model CF6-80C2) aircraft engine bearing manufacturer’s serial number 695522.

(k) Boeing model 767-323 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 25201 and U.S. Registration No. N351CM.

(l) Boeing model 767-323 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 26995 and U.S. Registration No. N347CM.

(m) General Electric model CF6-80A (shown on the International Registry as GE model CF6-80A) aircraft engines bearing manufacturer’s serial numbers 580255 and 580271.

(n) General Electric model CF6-80A (shown on the International Registry as GE model CF6-80A) aircraft engine bearing manufacturer’s serial number 580219.

(o) General Electric model CF6-80C2B6 (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 690292 and 695515.

(p) Boeing model 767-224 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 30438 and U.S. Registration No. N207AX and two (2) General Electric model CF6-80C2B4F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 706415 and 706430.

(q) Boeing model 767-224 (shown on the International Registry as model 767-200) aircraft bearing manufacturer’s serial number 30434 and U.S. Registration No. N225AX and two (2) General Electric model CF6-80C2B4F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 706259 and 706245.
Boeing model 767-328 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 27136 and U.S. Registration No. N342AX and two (2) General Electric model CF6-80C2B6F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial number 702491 and 702838.

Boeing model 767-33A (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 27908 and U.S. Registration No. N351AX and two (2) General Electric model CF6-80C2B6F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 704372 and 704780.

Boeing model 767-33A (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 28147 and U.S. Registration No. N378AX and two (2) General Electric model CF6-80C2B6F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 704251 and 704250.

Boeing model 767-324 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 27569 and U.S. Registration No. N423AX and two (2) General Electric model CF6-80C2B7F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 704303 and 704304.

Boeing model 767-3Q8 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 29390 and U.S. Registration No. N477AX and two (2) General Electric model CF6-80C2B6F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 706429 and 706540.

Boeing model 767-316 (shown on the International Registry as model 767-300) aircraft bearing manufacturer’s serial number 27613 and U.S. Registration No. N495AX and two (2) General Electric model CF6-80C2B7F (shown on the International Registry as GE model CF6-80C2) aircraft engines bearing manufacturer’s serial numbers 704476 and 704477.

Boeing model 777-2U8 (shown on the International Registry as model 777-200) aircraft bearing manufacturer’s serial number 36124 and U.S. Registration No. N846AX and three (3) Rolls Royce model TRENT 892B-17 (shown on the International Registry as Rolls Royce model TRENT800) aircraft engines bearing manufacturer’s serial numbers 51451, 51472 and 51475.

Boeing model 777-2U8 (shown on the International Registry as model 777-200) aircraft bearing manufacturer’s serial number 33681 and U.S. Registration No. N819AX and two (2) Rolls Royce model TRENT 892B-17 (shown on the International Registry as Rolls Royce model TRENT800) aircraft engines bearing manufacturer’s serial numbers 51514 and 51515.

Boeing model 777-2U8 (shown on the International Registry as model 777-200) aircraft bearing manufacturer’s serial number 33682 and U.S. Registration No. N828AX and two (2) Rolls Royce model RB211-TRENT-892B-17 (shown on the International Registry as Rolls Royce model TRENT800) aircraft engines bearing manufacturer’s serial numbers 51452 and 51476.

General Electric model CF6-80C2B7F (shown on the International Registry as GE model CF6-80C2) aircraft engine bearing manufacturer’s serial number 704232.

General Electric model CF6-80C2B6F (shown on the International Registry as GE model CF6-80C2) aircraft engine bearing manufacturer’s serial number 704605.
## Annex 1.1C

<table>
<thead>
<tr>
<th>Lender</th>
<th>Principal Amount of Term Loan A-1 Outstanding Immediately Prior to Closing Date</th>
<th>Principal Amount of Term Loan A-1 Outstanding on Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SunTrust Bank</td>
<td>$10,043,099.02</td>
<td>$8,300,000</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>$6,395,020.00</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>PNC Bank, N.A.</td>
<td>$5,839,655.76</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>$9,241,018.78</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Regions Bank</td>
<td>$9,543,867.44</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td>$3,125,856.08</td>
<td>$5,900,000</td>
</tr>
<tr>
<td>Compass Bank</td>
<td>$2,954,155.05</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>CIBC Bank USA</td>
<td>$3,241,018.78</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>$0</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>The Northern Trust Company</td>
<td>$3,114,499.28</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Union Bank &amp; Trust</td>
<td>$2,461,809.84</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Atlantic Capital Bank, N.A.</td>
<td>$2,199,999.97</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>BOKF, NA</td>
<td>$0</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>TriState Capital Bank</td>
<td>$1,840,000.00</td>
<td>$700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$60,000,000</strong></td>
<td><strong>$60,000,000</strong></td>
</tr>
</tbody>
</table>
## Annex 1.1D

<table>
<thead>
<tr>
<th>Lender</th>
<th>Term Loan A-2 Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SunTrust Bank</td>
<td>$92,200,000</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>$89,600,000</td>
</tr>
<tr>
<td>PNC Bank, N.A.</td>
<td>$89,600,000</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>$79,200,000</td>
</tr>
<tr>
<td>Regions Bank</td>
<td>$79,200,000</td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td>$66,000,000</td>
</tr>
<tr>
<td>Compass Bank</td>
<td>$51,100,000</td>
</tr>
<tr>
<td>CIBC Bank USA</td>
<td>$26,400,000</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>$26,500,000</td>
</tr>
<tr>
<td>The Northern Trust Company</td>
<td>$21,100,000</td>
</tr>
<tr>
<td>Union Bank &amp; Trust</td>
<td>$18,400,000</td>
</tr>
<tr>
<td>Atlantic Capital Bank, N.A.</td>
<td>$14,700,000</td>
</tr>
<tr>
<td>BOKF, NA</td>
<td>$13,100,000</td>
</tr>
<tr>
<td>TriState Capital Bank</td>
<td>$7,900,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$675,000,000.00</td>
</tr>
</tbody>
</table>
SECOND AMENDED AND RESTATED GUARANTEE AND COLLATERAL AGREEMENT

made by

CARGO AIRCRAFT MANAGEMENT, INC.

and certain of its Affiliates

in favor of

SUNTRUST BANK,

as Administrative Agent

Dated as of November 9, 2018
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DEFINED TERMS</td>
<td></td>
</tr>
<tr>
<td>1.1. Definitions</td>
<td>4</td>
</tr>
<tr>
<td>1.2. Other Definitional Provisions</td>
<td>7</td>
</tr>
<tr>
<td>2. GUARANTEE</td>
<td></td>
</tr>
<tr>
<td>2.1. Guarantee</td>
<td>7</td>
</tr>
<tr>
<td>2.2. Right of Contribution</td>
<td>8</td>
</tr>
<tr>
<td>2.3. No Subrogation</td>
<td>8</td>
</tr>
<tr>
<td>2.4. Amendments, etc., with respect to the Borrower Obligations</td>
<td>8</td>
</tr>
<tr>
<td>2.5. Guarantee Absolute and Unconditional</td>
<td>9</td>
</tr>
<tr>
<td>2.6. Reinstatement</td>
<td>10</td>
</tr>
<tr>
<td>2.7. Payments</td>
<td>10</td>
</tr>
<tr>
<td>3. GRANT OF SECURITY INTEREST</td>
<td>10</td>
</tr>
<tr>
<td>4. REPRESENTATIONS AND WARRANTIES</td>
<td>10</td>
</tr>
<tr>
<td>4.1. Title; No Other Liens</td>
<td>10</td>
</tr>
<tr>
<td>4.2. Perfected First Priority Liens</td>
<td>11</td>
</tr>
<tr>
<td>4.3. Jurisdiction of Organization</td>
<td>11</td>
</tr>
<tr>
<td>4.4. Restricted Capital Stock and Restricted Accounts</td>
<td>11</td>
</tr>
<tr>
<td>4.5. Aircraft.</td>
<td>11</td>
</tr>
<tr>
<td>4.6. Cape Town Convention.</td>
<td>11</td>
</tr>
<tr>
<td>5. COVENANTS</td>
<td></td>
</tr>
<tr>
<td>5.1. Maintenance of Insurance</td>
<td>12</td>
</tr>
<tr>
<td>5.2. Maintenance of Perfected Security Interest; Further Documentation</td>
<td>12</td>
</tr>
<tr>
<td>5.3. Changes in Locations, Name, etc.</td>
<td>12</td>
</tr>
<tr>
<td>5.4. Notices</td>
<td>13</td>
</tr>
<tr>
<td>5.5. Restricted Capital Stock and Restricted Accounts</td>
<td>13</td>
</tr>
<tr>
<td>5.6. Aircraft</td>
<td>13</td>
</tr>
<tr>
<td>5.7. Further Assurances.</td>
<td>14</td>
</tr>
<tr>
<td>5.8. Cape Town Convention</td>
<td>15</td>
</tr>
<tr>
<td>5.9. Deregistration</td>
<td>15</td>
</tr>
<tr>
<td>6. REMEDIAL PROVISIONS</td>
<td>15</td>
</tr>
<tr>
<td>6.1. Proceeds to be Turned Over to Administrative Agent</td>
<td>15</td>
</tr>
<tr>
<td>6.2. Application of Proceeds</td>
<td>15</td>
</tr>
<tr>
<td>6.3. Code and Other Remedies</td>
<td>16</td>
</tr>
<tr>
<td>6.4. Deficiency</td>
<td>17</td>
</tr>
<tr>
<td>6.5. Maintenance of United States Citizenship of Grantors</td>
<td>17</td>
</tr>
<tr>
<td>7. THE ADMINISTRATIVE AGENT</td>
<td>17</td>
</tr>
<tr>
<td>7.1. Administrative Agent’s Appointment as Attorney-in-Fact, etc.</td>
<td>17</td>
</tr>
<tr>
<td>7.2. Duty of Administrative Agent</td>
<td>19</td>
</tr>
</tbody>
</table>
7.3. Filing of Financing Statements 19
7.4. Authority of Administrative Agent 19

Section 8. MISCELLANEOUS 20

8.1. Amendments in Writing 20
8.2. Notices 20
8.3. No Waiver by Course of Conduct; Cumulative Remedies 20
8.4. Enforcement Expenses; Indemnification 20
8.5. Successors and Assigns 21
8.6. Setoff 21
8.7. Counterparts 21
8.8. Severability 21
8.9. Section Headings 22
8.10. Integration 22
8.11. GOVERNING LAW 22
8.12. Submission To Jurisdiction; Waivers 22
8.13. Acknowledgments 23
8.15. Releases 23
8.16. Subordination 23
8.17. WAIVER OF JURY TRIAL 25
8.18. Cape Town Convention 25
8.19. Keepwell 25
8.20. Amendment and Restatement; No Novation 26

SCHEDULES
Schedule 1 Qualified Aircraft in Collateral Pool
Schedule 2 Jurisdictions of Organization
Schedule 3 Notice Addresses

ANNEX
Annex 1 Form of Assumption Agreement
THIS SECOND AMENDED AND RESTATED GUARANTEE AND COLLATERAL AGREEMENT (this “Agreement”) dated as of November 9, 2018, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the “Grantors”), in favor of SUNTRUST BANK, as administrative agent (in such capacity, the “Administrative Agent”) for the Secured Parties (as defined below).

WITNESSETH:

WHEREAS, Cargo Aircraft Management, Inc., a Florida corporation (the “Borrower”), Air Transport Services Group, Inc., a Delaware corporation (“Holdings”), the Lenders and the Administrative Agent have entered into that certain Second Amended and Restated Credit Agreement, dated as of the date hereof (as amended, restated, supplemented, replaced, increased, refinanced or otherwise modified from time to time, the “Credit Agreement”), pursuant to which the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, Holdings and the Borrower are members of an affiliated group of companies that includes each other Grantor;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement will be used in part to enable the Borrower to make valuable transfers to one or more of the other Grantors in connection with the operation of their respective businesses;

WHEREAS, Holdings, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Administrative Agent for the ratable benefit of the Secured Parties;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, and in order to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and in order to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Secured Parties, as follows:

Section 1. DEFINED TERMS

1.1. Definitions

(a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(b) The following terms shall have the following meanings:
“Agreement”: this Second Amended and Restated Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

“Aircraft Grantor”: any Grantor that has any right, title or interest in or to any Aircraft.

“Aircraft Object”: shall have the meaning assigned to the term “aircraft object” in the Cape Town Convention.

“Associated Rights”: shall have the meaning assigned to the term “associated rights” in the Cape Town Convention.

“Borrower Obligations”: the collective reference to (a) all amounts owing by the Borrower to the Administrative Agent, the Letter of Credit Issuer, any Lender (including the Swingline Lender) or the Joint Lead Arrangers pursuant to or in connection with this Agreement or any other Credit Document or otherwise with respect to any Loan or Letter of Credit including, without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all fees and expenses of counsel to the Administrative Agent, the Letter of Credit Issuer and any Lender (including the Swingline Lender) incurred pursuant to this Agreement, the Credit Agreement or any other Credit Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, (b) all Hedging Obligations owed by the Borrower to any Lender-Related Hedge Provider, and (c) all Bank Product Obligations of the Borrower, together with all renewals, extensions, modifications or refinancings of any of the foregoing.

“Citizenship Requirements”: as defined in Section 6.5.

“Collateral”: as defined in Section 3.

“Collateral Account”: any collateral account established by the Administrative Agent as provided in Section 6.1.

“Contract of Sale”: shall have the meaning assigned to the term “contract of sale” in the Cape Town Convention.

“Contracting State”: shall have the meaning assigned thereto in the Cape Town Convention.

“Existing Guarantee and Collateral Agreement”: that certain Guarantee and Collateral Agreement dated as of May 9, 2011, made by each of the signatories from time to time party thereto as “Grantors”, in favor of the Administrative Agent for the benefit of the Secured Parties (as defined therein), as amended and restated pursuant to that certain Amended and Restated Guarantee and Collateral Agreement dated as of May 31, 2016, made by each of the
signatories from time to time party thereto as “Grantors”, in favor of the Administrative Agent for the benefit of the Secured Parties (as defined therein).

“Guarantor Obligations”: with respect to any Guarantor, (a) all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Credit Document, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Credit Document), (b) all Hedging Obligations owed by such Guarantor to any Lender-Related Hedge Provider and (c) all Bank Product Obligations of such Guarantor, together with all renewals, extensions, modifications or refinancings of any of the foregoing.

“Guarantors”: the collective reference to each Grantor other than the Borrower.

“International Interest”: shall have the meaning assigned to the term “international interest” in the Cape Town Convention.

“International Registry”: shall have the meaning assigned thereto in the Cape Town Convention.

“New York UCC”: the Uniform Commercial Code as from time to time in effect in the State of New York.

“Obligations”: (i) in the case of the Borrower, the Borrower Obligations and (ii) in the case of each Guarantor, its Guarantor Obligations; provided, however, that “Obligations” shall not include any Excluded Swap Obligations.

“paid in full” and “payment in full”: paid in full in cash.

“Proceeds”: all “proceeds” as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

“Prospective International Interest”: shall have the meaning assigned to the term “prospective international interest” in the Cape Town Convention.


“Restricted Accounts”: the Accounts of Holdings or any of its Subsidiaries.

“Secured Parties”: the Administrative Agent, the Lenders, the Letter of Credit Issuer, the Lender-Related Hedge Providers and the Lender-Related Bank Product Providers.

“Securities Act”: the Securities Act of 1933, as amended.

“Transportation Code”: Title 49 of the United States Code, as the same may be amended, modified, restated or replaced from time to time.

1.2. Other Definitional Provisions

1.2. (a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1. Guarantee

2.1. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, as a primary obligor and not merely as a surety, guarantees to the Administrative Agent, for the ratable benefit of the Secured Parties and their respective successors and permitted indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(a) Anything herein or in any other Credit Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Credit Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(b) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(c) The guarantee contained in this Section 2 shall remain in full force and effect until all the Obligations shall have been satisfied by payment in full, no Letter of Credit shall be outstanding and the Commitments shall be terminated, notwithstanding that from time to
time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(d) Except as provided in Section 8.15, no payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any setoff, appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full, no Letter of Credit is outstanding and the Commitments are terminated.

2.2. **Right of Contribution**

Each Guarantor hereby agrees that to the extent that a Guarantor (other than Holdings) shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor’s right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

2.3. **No Subrogation**

Notwithstanding any payment made by any Guarantor hereunder or any setoff or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security, guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full, no Letter of Credit is outstanding and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the
Administrative Agent may determine. For the avoidance of doubt, nothing in the foregoing shall operate as a waiver of any subrogation rights.

2.4. Amendments, etc., with respect to the Borrower Obligations

(b) To the fullest extent permitted by applicable law, each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon them or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Credit Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may reasonably deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5. Guarantee Absolute and Unconditional

(b) To the fullest extent permitted by applicable law, each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2 (such acceptance on the part of the Administrative Agent and the other Secured Parties being conclusively presumed by their request for this Agreement and delivery of the same to the Administrative Agent); the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. To the fullest extent permitted by applicable law, each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2, to the fullest extent permitted by applicable law, shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Credit Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (b) any
defense, setoff or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Lender or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof “demand” shall include the commencement and continuance of any legal proceedings.

2.6. Reinstatement

. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any other Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7. Payments

. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without setoff or counterclaim in Dollars at the Payment Office.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired or created by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (wherever located, collectively, the “Collateral”), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor’s Obligations:
(a) all Aircraft listed on Schedule 1 (or on any additions or supplements to such schedule);

(b) all Aircraft at any time included in the Collateral Pool;

(c) all rights, powers and benefits under (i) the Closing Date Acquisition Agreement and (ii) the Guarantees (as defined in the Closing Date Acquisition Agreement); and

(d) to the extent not otherwise included, substitutions, replacements, accessions, products and other Proceeds (including, without limitation, insurance proceeds, licenses, royalties, income, payments, claims, damages and proceeds of suit) of any or all of the foregoing and all collateral security, guarantees and other supporting obligations given with respect to any of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each of the other Secured Parties that:

4.1. Title; No Other Liens

. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and the Permitted Liens, such Grantor owns each item of the Collateral free and clear of any and all Liens. No effective financing statement, security agreement or other public notice with respect to all or any part of the Collateral is on file, of record or registered in any public office or is of record under the Cape Town Convention, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are expressly permitted by the Credit Agreement or as to which documentation to terminate the same shall have been delivered to the Administrative Agent.

4.2. Perfected First Priority Liens

. The security interests granted pursuant to this Agreement (i) upon the filing of financing statements for the Grantors, the filing with the FAA of Aircraft Security Agreements (which may be amended and restated Aircraft Security Agreements) covering the Aircraft included in the Collateral, and the registration of such Liens with respect to each airframe of the Aircraft included in the Collateral and its Engines with the “International Registry” (as defined under the Cape Town Convention), will constitute valid perfected security interests in all of the Collateral in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, as collateral security for such Grantor’s Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor, to the extent the security interest therein may be perfected by filing, recording or registration in the United States pursuant to the New York UCC or the rules and regulations of the FAA and (ii) are prior to all other Liens on the Collateral in existence on
the date hereof except for Permitted Liens which have priority over the Liens on the Collateral by operation of law (including the priority rules under the New York UCC) or which are expressly permitted pursuant to Section 9.3 of the Credit Agreement to be prior to the security interests granted pursuant to this Agreement.

4.3. **Jurisdiction of Organization**

. On the date hereof, such Grantor’s jurisdiction of organization and identification number from the jurisdiction of organization (if any) are specified on Schedule 2. Such Grantor has furnished to the Administrative Agent a certified charter, certificate of incorporation or other organization document and a good standing certificate as of a date which is recent to the date hereof.

4.4. **Restricted Capital Stock and Restricted Accounts**

(a) . All Restricted Capital Stock and all Restricted Accounts are free of any and all Liens or options in favor of any other Person, except Permitted Liens.

4.5. **Aircraft**

As of the date hereof, Schedule 1 lists all Qualified Aircraft included in the Collateral Pool, including the following information for each such Aircraft: (a) the owner, (b) the make, model, serial number and registration number of each applicable airframe, and (c) the make, model, serial number, if less than 550 horsepower, the takeoff horsepower rating, of each Engine attached to each applicable airframe. Such schedule also includes the primary location and base of operations for each of the foregoing. Each Grantor that owns all such Qualified Aircraft are registered pursuant to the Cape Town Convention. The Borrower shall update Schedule 1 concurrently with any addition of any Qualified Aircraft to the Collateral Pool, and the above representations shall be deemed to be remade at such time with respect to all Qualified Aircraft included in the Collateral Pool.

4.6. **Cape Town Convention**

At the time of conclusion of this Agreement or any lease related to a Qualified Aircraft, each Aircraft Grantor is, or will be, "situated" (as the phrase is used in the Cape Town Convention) in the United States. The United States is a Contracting State to the Cape Town Convention. Each airframe relating to a Qualified Aircraft and each related Engine constitutes an Aircraft Object under the Cape Town Convention. Each Aircraft Grantor has the “power to dispose” (as the phrase is used in the Cape Town Convention) of each related airframe relating to a Qualified Aircraft and each related Engine. No Grantor has issued a de-registration power of attorney or an irrevocable de-registration and export request authorisation with respect to a Qualified Aircraft to any person other than the Administrative Agent.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the other Secured Parties that, from and after the date of this Agreement until the Obligations shall have
been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

5.1. **Maintenance of Insurance**

. Such Grantor will maintain or caused to be maintained the insurance required by Section 8.3 of the Credit Agreement.

5.2. **Maintenance of Perfected Security Interest; Further Documentation**

. (a) Such Grantor shall take all actions reasonably requested by the Administrative Agent to maintain the security interest created by this Agreement as a security interest having at least the perfection and priority described in Section 4.2 and shall take all actions reasonably requested by the Administrative Agent to defend such security interest against the claims and demands of all Persons whomsoever, subject in each case to Liens permitted by the Credit Agreement and to the rights of such Grantor under the Credit Documents to dispose of the Collateral.

(b) Such Grantor will furnish to the Administrative Agent from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby.

5.3. **Changes in Locations, Name, etc.**

Such Grantor will not, except upon 10 days’ prior written notice to the Administrative Agent (or such shorter notice as shall be reasonably satisfactory to the Administrative Agent) and delivery to the Administrative Agent of all additional financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization from that referred to in Section 4.3 or (ii) change its name.

5.4. **Notices**

. Such Grantor will advise the Administrative Agent promptly, in reasonable detail, of:
(a) any Lien (other than security interests created hereby or Permitted Liens) on any of the Collateral which could affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.5. Restricted Capital Stock and Restricted Accounts

Without the prior written consent of the Administrative Agent, such Grantor shall not (i) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, any Restricted Capital Stock or Restricted Accounts (except pursuant to a transaction expressly permitted by Section 9.2 of the Credit Agreement), or (ii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any Restricted Capital Stock or Restricted Accounts, or any interest therein, except for Permitted Liens.

5.6. Aircraft

(a) Except as expressly permitted by the terms of the Credit Documents or otherwise agreed by the Administrative Agent in its sole discretion, such Grantor shall cause all Qualified Aircraft to be duly registered in its name by the FAA, and such Aircraft shall at all times be subject to United States registration and bear United States registration markings, and shall take no action that shall cause or permit any Aircraft to fail to be so registered, and in the event any Aircraft is not so registered, take all necessary action to cause such Aircraft to be registered as provided above; provided, that the foregoing shall not apply to the extent the use or operation of such Aircraft does not require such registration. In addition, such Grantor that owns Qualified Aircraft shall at all times be registered pursuant to the Cape Town Convention.

(b) Such Grantor shall maintain, service, repair, overhaul and test, or shall cause to be maintained, serviced, repaired, overhauled or tested, all Qualified Aircraft in accordance with any Material Contracts applicable thereto and so as to keep such Aircraft in good operating condition, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of such Aircraft to be maintained in good standing at all times under the Transportation Code and all FAA regulations thereunder. Each Grantor shall maintain, or cause to be maintained, all records, logs and other materials required to be maintained in respect of all Qualified Aircraft by the Transportation Code, FAA regulations thereunder, the FAA or any other Governmental Authority, and shall promptly furnish to the Administrative Agent such information as the Administrative Agent may reasonably request with respect thereto.

(c) The Qualified Aircraft shall at all times be used solely for commercial or business purposes (including, without limitation, dry leases); provided, however, that such Aircraft may be used as part of Civilian Reserve Air Fleet. No Grantor will permit any Qualified Aircraft to be maintained, used or operated in violation of any insurance policy provisions, any Material Contract or any Requirement of Law of any Governmental Authority having jurisdiction (domestic or foreign), including without limitation the FAA, or in violation of any
airworthiness certificate, license, registration or operating certificate relating to such Aircraft and issued by any such Governmental Authority, nor will any Grantor suffer any such Aircraft to be so maintained, used or operated. No Grantor will operate or suffer any Qualified Aircraft to be operated except within the geographical limits set forth in applicable insurance policies or operating certificates, whichever may be the more restrictive. In the event that any Requirement of Law requires alteration or modification of any Aircraft, the Grantors will conform thereto or obtain conformance therewith at no expense to the Administrative Agent. The Grantors will permit or require each Qualified Aircraft to be operated only by (i) pilots, appropriately qualified and licensed, considering the particular authorized business or commercial purpose involved and (ii) appropriately qualified and licensed mechanics, but only in connection with taxi operations, and will permit each Qualified Aircraft to be maintained only by duly licensed and qualified mechanics or others as permitted by any Aviation Authority with jurisdiction over such maintenance. Without limiting the generality of the foregoing, Grantors will not operate or locate any Qualified Aircraft or suffer such Aircraft to be operated or located in any recognized or, in any Grantor’s reasonable judgment, threatened area of hostilities, unless such operation is within the scope of such Grantor’s insurance coverage or in connection with a contract with the government of the United States of America pursuant to which said government has assumed liability for all damage, loss, destruction or failure to return possession of such Aircraft at the expiration of the term of such contract as well as for any injury to person or damage to property of others.

(d) Grantsors shall not change the primary location or primary base of operations of any Qualified Aircraft included in the Collateral Pool from the locations set forth on Schedule 1 other than with at least 10 Business Days’ prior written notice to the Administrative Agent.

(e) Such Grantor will not permit the Qualified Aircraft owned or leased by it to be landed except at established and properly maintained airports and runways except when reasonably necessary as a precautionary measure or in an emergency in order to prevent the probable occurrence of damage to such Aircraft or injury to persons.

5.7. Further Assurances.

Each Grantor shall furnish to the Administrative Agent from time to time upon request statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail and in form and substance reasonably satisfactory to the Administrative Agent. Further, at any time and from time to time, at the request of the Administrative Agent, and at the sole expense of such Grantor, each Grantor shall promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further action as the Secured Parties may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, but not limited to, (i) the filing of any financing or continuation statement under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and/or (ii) the registration of any interest, assignment or subordination with the International Registry to preserve, protect, perfect or establish priority in respect of any Aircraft Object or Associated
Right covered by or related to this Agreement, the Administrative Agent may from time to time reasonably deem necessary.

5.8. Cape Town Convention

. Each Aircraft Grantor hereby covenants to establish and maintain a valid and existing account with the International Registry. Each Aircraft Grantor further covenants to maintain its location in a Contracting State absent the written consent of the Administrative Agent and such Aircraft Grantor agrees that an International Interest shall be registered on the International Registry with respect to each Engine, regardless of whether it is installed on a Qualified Aircraft. Each Aircraft Grantor further covenants not to register any other International Interest, Prospective International Interest or Contract of Sale relating to a Qualified Aircraft or related Engine (other than Permitted Liens) absent the written consent of the Administrative Agent.

5.9. Deregistration

. Each Aircraft Grantor hereby covenants that immediately upon the Administrative Agent’s request (which request may only follow the occurrence and continuation of an Event of Default), it will immediately (i) if the related Qualified Aircraft is registered with the FAA, send a written request to the FAA to cancel the registration of such Qualified Aircraft and will further provide any and all evidence and documentation required by the FAA to effect such cancellation, or (ii) if the related Qualified Aircraft is registered with any Aviation Authority other than the FAA, if applicable under the Cape Town Convention, lodge an irrevocable de-registration and export request authorisation with such Aviation Authority appointing the Administrative Agent as “authorised party” therein and will further cooperate with the Administrative Agent to effect deregistration and export of such Qualified Aircraft upon request.

SECTION 6. REMEDIAL PROVISIONS

If any Event of Default shall have occurred and be continuing under Section 10 of the Credit Agreement, the Administrative Agent may exercise in respect of the Collateral any of the following rights and remedies:

6.1. Proceeds to be Turned Over to Administrative Agent

. If the Administrative Agent so requests, all Proceeds received by any Grantor consisting of cash, checks and Cash Equivalents shall be held by such Grantor in trust for the Administrative Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Secured Parties) shall continue to be
held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.2.

6.2. Application of Proceeds

If an Event of Default shall have occurred or be continuing, the Administrative Agent may (and shall at the request of the Required Lenders) apply any payments received by it under any of the Credit Documents and all or any part of Proceeds required to be included in Collateral held in any Collateral Account in payment of the Obligations as set forth in Section 10.14 of the Credit Agreement.

6.3. Code and Other Remedies

The Administrative Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC, the Cape Town Convention (including, but not limited to, all rights and remedies under Chapter III of the Cape Town Convention and Chapter II of the Protocol) or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker’s board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may reasonably deem advisable and at such prices as it may reasonably deem best, for cash or on credit or for future delivery without assumption of any credit risk; provided that the Administrative Agent shall notify the relevant Grantor at least ten (10) Business Days prior to the date of such sale or disposition (which each Grantor agrees is commercially reasonable and for the purposes of the Cape Town Convention shall be deemed to satisfy the requirement of "reasonable prior notice" specified in Article 8(4) of the Cape Town Convention). The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released.

Each Grantor further agrees, at the Administrative Agent’s request, to assemble the Collateral and make it available to the Administrative Agent at places that the Administrative Agent shall reasonably select at the sole cost and expense of the relevant Grantor, whether at such Grantor’s premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.3, after deducting all reasonable out-of-pocket costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys’ fees and disbursements, to the payment in whole or in part of the Obligations in accordance with Section 6.2 hereof; and only after such application and
after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. To the extent permitted by applicable law, each Grantor and the Administrative Agent agree that the Administrative Agent shall not be required to provide notice to any Grantor as set forth in Article IX(6) of the Protocol in connection with a proposal to procure the de-registration and export of a Qualified Aircraft without court order. Each Aircraft Grantor expressly agrees to permit the Administrative Agent to obtain from any applicable court, pending final determination of any claim resulting from an Event of Default, speedy relief in the form of any of the orders specified in Article 13 of the Cape Town Convention and Article X of the Protocol as the Administrative Agent shall determine in its sole and absolute discretion, subject to any procedural requirements prescribed by applicable law. Each Grantor hereby consents to the exercise by the Administrative Agent of the remedies granted herein and the Cape Town Convention. Each Grantor acknowledges and agrees that the Administrative Agent may exercise such of the foregoing remedies as it shall determine in its sole discretion and none of the foregoing remedies is manifestly unreasonable. To the extent permitted by applicable law, each Grantor and the Administrative Agent agree that paragraph 2 of Article 13 of the Cape Town Convention shall not apply to this Agreement or to the exercise of any remedy by the Administrative Agent under this Agreement or the Cape Town Convention. Following an occurrence of an Event of Default, the relevant Aircraft Grantor agrees to immediately discharge, upon demand by the Administrative Agent, any registrations made with the International Registry in its favor.

6.4. **Deficiency**

Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the reasonable fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

6.5. **Maintenance of United States Citizenship of Grantors**

The parties hereto acknowledge that each Grantor that is granting a security interest in Aircraft is a citizen of the United States as defined under the United States Code, Title 49 (Transportation), Section 40102(a)(15). Notwithstanding any other provision of this Agreement, the Administrative Agent agrees to exercise its rights and remedies under this Agreement in a manner that complies in all material respects at all times, and each Grantor hereby agrees that it will comply at all times, with the United States citizenship requirements of the above-mentioned laws and regulations and any successor provisions thereto (the “Citizenship Requirements”). Any exercise by the Administrative Agent of such rights shall be void ab initio and unenforceable to the extent that such exercise would result in contravention of or failure to meet the Citizenship Requirements. Nothing in this Section shall in any way affect or impair the Lien of the Administrative Agent, for the benefit of the Lenders, in the Collateral or the exercise by the Administrative Agent of its rights and remedies under this Agreement, any Aircraft Security Agreement filed with the FAA, so long as such exercise is in compliance with the
Citizenship Requirements, or any other security agreement or document required in connection with an Aircraft registered with any other Aviation Authority. Further, nothing in this Section shall give rise to any claims, causes of action or other rights in favor of any Grantor against the Administrative Agent or any Lender.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1. Administrative Agent’s Appointment as Attorney-in-Fact, etc.

(a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, subject to the last sentence of this clause (a), as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Proceeds and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due with respect to any Proceeds whenever payable;

(ii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iii) execute, in connection with any sale provided for in Section 6.3, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iv) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; and (6) settle, compromise or adjust any such suit, action or
proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may reasonably deem appropriate; and (7) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent’s option and such Grantor’s expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent’s and the Secured Parties’ security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless a Default or an Event of Default shall have occurred.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The reasonable out-of-pocket expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2. Duty of Administrative Agent

The Administrative Agent’s sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Secured Parties hereunder are solely to protect the Administrative Agent’s and the Secured Parties’ interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross
negligence or willful misconduct as determined by a court of competent jurisdiction in a final non-appealable judgment.

7.3. **Filing of Financing Statements**

. Pursuant to any applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

7.4. **Authority of Administrative Agent**

. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1. **Amendments in Writing**

. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 12.12 of the Credit Agreement.

8.2. **Notices**

. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 12.3 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 3.

8.3. **No Waiver by Course of Conduct; Cumulative Remedies**

. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof.
No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4. **Enforcement Expenses; Indemnification**

(a) Each Guarantor agrees to pay or reimburse each Lender and the Administrative Agent for all its out-of-pocket costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Credit Documents to which such Guarantor is a party, including, without limitation, the fees and disbursements of counsel to the Administrative Agent.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 12.1 of the Credit Agreement.

(d) The agreements in this Section 8.4 shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Credit Documents.

8.5. **Successors and Assigns**

This Agreement shall be binding upon the permitted successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent, the Letter of Credit Issuer and the Secured Parties and their permitted successors and assigns; provided that no Grantor may, except pursuant to a merger or consolidation expressly permitted by Section 9.2 of the Credit Agreement, assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6. **Setoff**

In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, during the continuance of an Event of
Default, the Administrative Agent and each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Grantor, any such notice being hereby expressly waived by each Grantor to the fullest extent permitted by applicable law, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by the Administrative Agent or such Lender (including, without limitation, by branches and agencies of the Administrative Agent or such Lender wherever located) to or for the credit or the account of any Grantor against and on account of the Obligations of such Grantor then due and payable to the Administrative Agent or such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of the Borrower purchased by such Lender pursuant to Section 12.4(b) of the Credit Agreement, and all other claims of any nature or description then due and payable arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not the Administrative Agent or such Lender shall have made any demand hereunder and although said deposits or Indebtedness owing by the Administrative Agent or such Lender, or any of them, shall be contingent or unmatured. The Administrative Agent and each Lender shall notify such Grantor promptly of any such setoff and the application made by the Administrative Agent or such Lender of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent and each Lender under this Section 8.6 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Administrative Agent or such Lender may have.

8.7. Counterparts

. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8. Severability

. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9. Section Headings

. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10. Integration

. This Agreement and the other Credit Documents represent the agreement of the Grantors, the Administrative Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the
Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Credit Documents.

8.11. GOVERNING LAW

. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12. Submission To Jurisdiction; Waivers

. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Credit Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and of any state court of the State of New York located in the Borough of New York and any appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.12 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages; and

(f) agrees that the Supreme Court of the State of New York, County of New York and/or the United States District Court for the Southern District of New York shall have exclusive jurisdiction in respect of any claim, action or suit arising under or in connection with the Cape Town Convention, subject in all respects to the terms of Article 43 of the Cape Town Convention granting jurisdiction for certain matters to the courts of a Contracting State on the territory of which the airframe relating to any Qualified Aircraft or any related Engine is located and subject to the terms of Article 44 of the Cape Town Convention with respect to jurisdiction over the International Registry. Each Grantor further agrees that, without the prior written consent of the Administrative Agent, it will not initiate any suit, action or proceeding arising under or relating to the Cape Town Convention, in respect of (x) the airframe relating to any
Qualified Aircraft or its related Engines or (y) any of the transactions contemplated under the Credit Documents, in any court other than the courts referred to in this Section 8.12(f).

8.13. Acknowledgments

. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents to which it is a party;

(b) neither the Administrative Agent, the Letter of Credit Issuer nor any Lender, in such capacity, has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and the Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties.


. Each Subsidiary of Holdings that is required to become a party to this Agreement pursuant to Section 8.10 of the Credit Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15. Releases

. (a) At such time as the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be released as expressly permitted by Section 8.10(c) of the Credit Agreement, then (i) the Liens created hereby on such Collateral shall automatically be released and (ii) the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

8.16. Subordination
. (a) As used herein, the term “Guarantor Claims” shall mean all debts and obligations of the Borrower or any other Grantor to any Grantor, whether such debts and obligations now exist or are hereafter incurred or arise, or whether the obligation of the debtor thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or obligations be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or obligations may, at their inception, have been or may hereafter be created, or the manner in which they have been or may hereafter be acquired. After the occurrence and during the continuation of an Event of Default, no Grantor shall receive or collect, directly or indirectly, from any obligor in respect thereof any amount upon the Guarantor Claims.

(b) In the event of receivership, bankruptcy, reorganization, arrangement, debtor’s relief or other insolvency proceedings involving any Grantor, the Administrative Agent on behalf of the Secured Parties shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian dividends and payments which would otherwise be payable upon Guarantor Claims. Each Grantor hereby assigns such dividends and payments to the Administrative Agent for the benefit of the Secured Parties for application against the Obligations as provided under Section 10.14 of the Credit Agreement. Should the Administrative Agent or any other Secured Party receive, for application upon the Obligations, any such dividend or payment which is otherwise payable to any Grantor, and which, as between such Grantor, shall constitute a credit upon the Guarantor Claims, then upon payment in full of the Obligations and termination of all Commitments, the intended recipient shall become subrogated to the rights of the Administrative Agent and the other Secured Parties to the extent that such payments to the Administrative Agent and the other Secured Parties on the Guarantor Claims have contributed toward the liquidation of the Obligations, and such subrogation shall be with respect to that proportion of the Obligations which would have been unpaid if the Administrative Agent and the other Secured Parties had not received dividends or payments upon the Guarantor Claims.

(c) In the event that, notwithstanding Section 8.16(a) and Section 8.16(b), any Grantor should receive any funds, payments, claims or distributions which are prohibited by such Sections, then it agrees (i) to hold in trust for the Administrative Agent and the other Secured Parties an amount equal to the amount of all funds, payments, claims or distributions so received, and (ii) that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, for the benefit of the Secured Parties; and each Grantor covenants promptly to pay the same to the Administrative Agent.

(d) Each Grantor agrees that, until the Obligations are paid in full and all Commitments have terminated, any Liens securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any Liens securing payment of the Obligations, regardless of whether such encumbrances in favor of such Grantor, the Administrative Agent or any other Secured Party presently exist or are hereafter created or attach. Without the prior written consent of the Administrative Agent, no Grantor, during the period in which any of the Obligations are outstanding and all Commitments have terminated, shall (i) exercise or enforce any creditor’s right it may have against any debtor in respect of the Guarantor Claims, or (ii) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or
otherwise, including, without limitation, the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor’s relief or insolvency proceeding) to enforce any Lien held by it.

(e) Upon the request of the Administrative Agent, all promissory notes and all accounts receivable ledgers or other evidence of the Guarantor Claims accepted by or held by any Grantor shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Agreement.

8.17. **WAIVER OF JURY TRIAL**

. **EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

8.18. **Cape Town Convention**

. The parties hereto agree that for all purposes of the Cape Town Convention, (i) this Agreement creates and constitutes a separate International Interest with respect to each airframe relating to each Qualified Aircraft and each related Engine listed on Schedule 1 hereto, (ii) each airframe relating to a Qualified Aircraft and each related Engine listed on Schedule 1 hereto constitutes an Aircraft Object, (iii) this Agreement constitutes an agreement for registration with respect to each airframe relating to a Qualified Aircraft listed on Schedule 1 hereto and (iv) this Agreement constitutes an assignment of Associated Rights secured by or associated with the each airframe relating to a Qualified Aircraft and each related Engine listed on Schedule 1 hereto, and each Grantor and the Administrative Agent hereby acknowledge and agree that such assignment shall be effective to assign any related International Interest for all purposes of the Cape Town Convention. Except to the extent expressly provided otherwise herein, any terms of this Agreement which expressly incorporate any provisions of the Cape Town Convention shall prevail in the case of any conflict with any other provision contained herein. Each of the parties hereto acknowledges and agrees that for purposes of the Cape Town Convention (to the extent applicable hereto) separate rights may exist with respect to the airframe relating to an Aircraft and its Engines. The parties hereto further agree that the choice of the law of the State of New York as the governing law as set forth in Section 8.11 and the submission to the jurisdictions as set forth in Section 8.12 have been made in accordance with Article VIII of the Protocol and Article 42 of the Cape Town Convention, respectively.

8.19. **Keepwell**

. (a) Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Credit Party to honor all of its obligations under this Agreement in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section, or otherwise under
this Agreement, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until this Agreement has been terminated pursuant to Section 2.1(d). Each Qualified ECP Guarantor intends that this Section constitute, and this Section shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Credit Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

(b) For purposes of this Section 8.19, “Qualified ECP Guarantor” means, in respect of any Swap Obligation, each Credit Party that has total assets exceeding $10,000,000 at the time the relevant Guaranty or grant of the relevant security interest becomes effective with respect to such Swap Obligation or such other person as constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another Person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

8.20. Amendment and Restatement; No Novation

THE PARTIES HERETO EXPRESSLY ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT AMENDS AND RESTATES IN ITS ENTIRETY THE EXISTING GUARANTEE AND COLLATERAL AGREEMENT. THE PARTIES HERETO DO NOT INTEND THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY TO BE, AND THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING BY ANY GRANTOR UNDER OR IN CONNECTION WITH THE EXISTING GUARANTEE AND COLLATERAL AGREEMENT, THE EXISTING CREDIT AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS.

Binding Upon Targets and Their Subsidiaries Only Upon Consummation of the Closing Date Acquisition. The parties hereto expressly acknowledge and agree that this Agreement shall not become binding on any of the Targets or any of their respective Subsidiaries until such time as the Closing Date Acquisition shall have been consummated in accordance with the terms of the Closing Date Acquisition Documents.

[Signatures Appear on Following Page]
IN WITNESS WHEREOF, each of the undersigned has caused this Second Amended and Restated Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

CARGO AIRCRAFT MANAGEMENT, INC.

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

ABX AIR, INC.

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

LGSTX DISTRIBUTION SERVICES, INC.

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

AIRBORNE GLOBAL SOLUTIONS, INC.

By: /s/ W. Joseph Payne
    Name: W. Joseph Payne
    Title: Vice President & Secretary
AIRBORNE MAINTENANCE AND ENGINEERING SERVICES, INC.

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

AIR TRANSPORT INTERNATIONAL LIMITED LIABILITY COMPANY

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

AMES MATERIAL SERVICES INC.

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

AIR TRANSPORT INTERNATIONAL, INC.

By: /s/ James F. O'Grady
Name: James F. O'Grady
Title: President

CARGO AVIATION, INC.

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

Annex 1-2
CARGO HOLDINGS INTERNATIONAL, INC.

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

LGSTX FUEL MANAGEMENT, INC.

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

LGSTX SERVICES, INC.

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

AIR TRANSPORT SERVICES GROUP, INC.

By: /s/ W. Joseph Payne
    Name: W. Joseph Payne
    Title: Chief Legal Officer & Secretary

GLOBAL FLIGHT SOURCE, INC.

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

Annex 1-3
LGSTX CARGO SERVICES, INC.

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

PEMCO WORLD AIR SERVICES, INC.

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

OMNI AIR INTERNATIONAL, LLC

By: /s/ Richard F. Corrado
Name: Richard F. Corrado
Title: Vice President, Secretary

OMNI AVIATION LEASING, LLC

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: Vice President, Secretary
T7 AVIATION LEASING, LLC

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

ADVANCED FLIGHT SERVICES, LLC

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

ATSG ACQUISITION I, INC.

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

CAM ACQUISITION I, INC.

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

CAM ACQUISITION II, INC.

By: /s/ W. Joseph Payne
Name: W. Joseph Payne
Title: Vice President, Secretary
Annex 1-5
Annex 1 to
Second Amended and Restated Guarantee and Collateral Agreement

ASSUMPTION AGREEMENT, dated as of ______________, 20__, made by [__________________________, a __________________ corporation (the “Additional Grantor”), in favor of SUNTRUST BANK, as administrative agent (in such capacity, the “Administrative Agent”), for the lending and other financial institutions (the “Lenders”) parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

WITNESSETH:

WHEREAS, CARGO AIRCRAFT MANAGEMENT, INC., a Florida corporation (the “Borrower”), the Lenders and the Administrative Agent have entered into a Second Amended and Restated Credit Agreement, dated as of November 9, 2018 (as amended, modified, supplemented or restated from time to time, the “Credit Agreement”);

WHEREAS, in connection with the Credit Agreement, the Borrower, Holdings and certain of its Affiliates (other than the Additional Grantor) have entered into the Second Amended and Restated Guarantee and Collateral Agreement, dated as of November 9, 2018 (as amended, supplemented or otherwise modified from time to time, the “Guarantee and Collateral Agreement”) in favor of the Administrative Agent for the benefit of the Secured Parties;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.10 of the Credit Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder (including the guaranty obligations in Section 2 of the Guaranty and Collateral Agreement) and further grants to the Administrative Agent on behalf of the Secured Parties a security interest in the Collateral, pursuant to Section 3 of the Guaranty and Collateral Agreement. The information set forth in Annex 1-A hereto is hereby added to the information set forth in the Schedules to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

Annex 1-6
2. **GOVERNING LAW.** THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: __________________________

Name:

Title:
Annex 1-A to Assumption Agreement

Supplement to Schedule 1

Supplement to Schedule 2

Supplement to Schedule 3
PURCHASE AND SALE AGREEMENT

BY AND AMONG

AIR TRANSPORT SERVICES GROUP, INC.

AND THE

SELLERS

AND THE

SELLERS’ REPRESENTATIVE

NAMED HEREIN

Dated as of October 1, 2018
TABLE OF CONTENTS

ARTICLE I DEFINITIONS..................................................................................................................1
  1.1 DEFINED TERMS......................................................................................................................1
  1.2 INTERPRETATION....................................................................................................................15

ARTICLE II PURCHASE AND SALE OF EQUITY INTERESTS.........................................................15
  2.1 PURCHASE AND SALE OF EQUITY INTERESTS..................................................................15
  2.2 ESTIMATED PURCHASE PRICE CALCULATION STATEMENT..............................................15
  2.3 TAX CHARACTERIZATION; PURCHASE PRICE ALLOCATION..............................................16

ARTICLE III CLOSING; POST CLOSING PURCHASE PRICE TRUE UP..........................................17
  3.1 CLOSING................................................................................................................................17
  3.2 PAYMENT OF CLOSING INDEBTEDNESS, COMPANY TRANSACTION EXPENSES AND CLOSING BONUS PAYMENTS..........................................................17
  3.3 CLOSING TRANSACTIONS....................................................................................................17
  3.4 POST-CLOSING PURCHASE PRICE TRUE-UP........................................................................19
  3.5 ESCROW AMOUNT; ESCROW FEES......................................................................................21

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PURCHASER.........................................21
  4.1 ORGANIZATION; STANDING; CITIZENSHIP........................................................................21
  4.2 AUTHORITY; AUTHORIZATION; ENFORCEABILITY..............................................................22
  4.3 NONCONTRAVENTION..........................................................................................................22
  4.4 APPROVALS; CLAIMS OR LEGAL PROCEEDINGS................................................................22
  4.5 BROKERS...............................................................................................................................22
  4.6 SECURITIES ACT....................................................................................................................23
  4.7 AVAILABILITY OF FUNDS.......................................................................................................23

ARTICLE V REPRESENTATIONS AND WARRANTIES OF EACH SELLER.........................................23
  5.1 EXECUTION AND DELIVERY; VALID AND BINDING AGREEMENTS....................................23
  5.2 AUTHORITY; ORGANIZATION..............................................................................................24
  5.3 NONCONTRAVENTION..........................................................................................................24
  5.4 APPROVALS............................................................................................................................24
  5.5 OWNERSHIP OF THE EQUITY INTERESTS............................................................................24
  5.6 LITIGATION.............................................................................................................................24
  5.7 BROKERS...............................................................................................................................24
  5.8 MEMBER AGREEMENTS.........................................................................................................24

ARTICLE VI REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANIES AND THE COMPANY SUBSIDIARY............................................................25
  6.1 ORGANIZATION; STANDING; CITIZENSHIP........................................................................25
  6.2 AUTHORITY TO CONDUCT BUSINESS................................................................................25
  6.3 ORGANIZATIONAL DOCUMENTS..........................................................................................25
  6.4 NONCONTRAVENTION..........................................................................................................25
  6.5 APPROVALS............................................................................................................................26
  6.6 BROKERS...............................................................................................................................26
  6.7 CAPITALIZATION OF THE COMPANIES AND THE COMPANY SUBSIDIARY........................26
  6.8 RIGHTS; WARRANTS OR OPTIONS......................................................................................26
  6.9 FINANCIAL STATEMENTS.......................................................................................................27
  6.10 INDEBTEDNESS; UNDISCLOSED LIABILITIES....................................................................27
  6.11 TANGIBLE PERSONAL PROPERTY......................................................................................27
  6.12 REAL PROPERTY....................................................................................................................28
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.4</td>
<td>COOPERATION</td>
<td>59</td>
</tr>
<tr>
<td>11.5</td>
<td>TAX CONTESTS</td>
<td>59</td>
</tr>
<tr>
<td>11.6</td>
<td>AMENDED RETURNS</td>
<td>60</td>
</tr>
<tr>
<td>11.7</td>
<td>TAX REFUNDS</td>
<td>60</td>
</tr>
<tr>
<td>11.8</td>
<td>OTHER TAXES</td>
<td>61</td>
</tr>
<tr>
<td><strong>ARTICLE XII</strong></td>
<td>TERMINATION</td>
<td>61</td>
</tr>
<tr>
<td>12.1</td>
<td>TERMINATION</td>
<td>61</td>
</tr>
<tr>
<td>12.2</td>
<td>EFFECT OF TERMINATION</td>
<td>61</td>
</tr>
<tr>
<td><strong>ARTICLE XIII</strong></td>
<td>MISCELLANEOUS</td>
<td>61</td>
</tr>
<tr>
<td>13.1</td>
<td>NOTICES</td>
<td>61</td>
</tr>
<tr>
<td>13.2</td>
<td>ENTIRE AGREEMENT</td>
<td>62</td>
</tr>
<tr>
<td>13.3</td>
<td>AMENDMENT AND WAIVER</td>
<td>63</td>
</tr>
<tr>
<td>13.4</td>
<td>BENEFITS; BINDING EFFECT; ASSIGNMENT</td>
<td>63</td>
</tr>
<tr>
<td>13.5</td>
<td>NO THIRD PARTY BENEFICIARY; NO BENEFIT PLAN AMENDMENT</td>
<td>63</td>
</tr>
<tr>
<td>13.6</td>
<td>NO RECOURSE TO DEBT FINANCING SOURCES; WAIVER OF CERTAIN CLAIMS</td>
<td>63</td>
</tr>
<tr>
<td>13.7</td>
<td>SEVERABILITY</td>
<td>64</td>
</tr>
<tr>
<td>13.8</td>
<td>EXPENSES</td>
<td>64</td>
</tr>
<tr>
<td>13.9</td>
<td>COUNTERPARTS AND DELIVERY</td>
<td>64</td>
</tr>
<tr>
<td>13.10</td>
<td>GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL</td>
<td>65</td>
</tr>
<tr>
<td>13.11</td>
<td>DISCLOSURE SCHEDULES</td>
<td>65</td>
</tr>
<tr>
<td><strong>ARTICLE XIV</strong></td>
<td>SELLERS’ REPRESENTATIVE</td>
<td>66</td>
</tr>
<tr>
<td>14.1</td>
<td>DESIGNATION</td>
<td>66</td>
</tr>
<tr>
<td>14.2</td>
<td>AUTHORITY</td>
<td>66</td>
</tr>
<tr>
<td>14.3</td>
<td>EXCULPATION</td>
<td>66</td>
</tr>
</tbody>
</table>
SCHEDULES

Sellers’ Schedule

Schedule 2.2 - Estimated Purchase Price Calculation Statement
Schedule 2.3 - Aggregate Purchase Price Allocation
Schedule 3.2 - Indebtedness to Remain Outstanding
Schedule 4.4 - Approvals; Claims or Legal Proceedings
Schedule 5.3 - Noncontravention
Schedule 5.4 - Approvals
Schedule 5.8 - Member Agreements
Schedule 6.4 - Noncontravention
Schedule 6.5 - Approvals
Schedule 6.9 - Financial Statements
Schedule 6.10 - Indebtedness; Undisclosed Liabilities
Schedule 6.11 - Tangible Personal Property
Schedule 6.12 - Leased Real Property
Schedule 6.13 - Intellectual Property
Schedule 6.14 - Insurance
Schedule 6.15 - Labor Matters
Schedule 6.16 - Permits; Compliance with Law
Schedule 6.17 - Litigation
Schedule 6.18 - Employee Benefit Plans; ERISA
Schedule 6.19 - Tax Matters
Schedule 6.20 - Environmental, Health and Safety Matters
Schedule 6.21 - Material Contracts
Schedule 6.22 - Transactions with Affiliates
Schedule 6.23 - Absence of Changes
Schedule 6.25 - Accounts Receivable; Accounts Payable
Schedule 6.26 - Aircraft
Schedule 7.1 - Key Customers
Schedule 7.2 - Pre-Closing Activities

EXHIBITS

Exhibit A-1 - Accounting Principles
Exhibit A-2 - Net Working Capital Calculation
Exhibit B - Form of Escrow Agreement
Exhibit C - Form of Guarantee (Omni Air International Holdings, Inc.)
Exhibit D - Form of Guarantee (Omni Aviation Leasing Holdings, LLC)
Exhibit E - Form of Guarantee (T7 Aviation Leasing Holdings, LLC)
PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”) is made and entered into as of October 1, 2018, by and among the Persons listed on the Sellers’ Schedule attached hereto (the “Sellers’ Schedule”) (collectively referred to herein as “Sellers” and individually as a “Seller”), the Sellers’ Representative (as defined herein), solely in his capacity as the Sellers’ Representative, and Air Transport Services Group, Inc., a Delaware corporation (“Purchaser”).

RECITALS

A. Omni Air International, LLC, a Nevada limited liability company (“Omni”), Omni Aviation Leasing, LLC, a Nevada limited liability company (“OAL”), and T7 Aviation Leasing, LLC, a Nevada limited liability company (“T7”), are engaged in the businesses of owning and leasing aircraft and, in Omni’s case, providing passenger airlift services to the U.S. Department of Defense and other U.S. and foreign government agencies, and worldwide full service commercial passenger charter, wet lease and ACMI (as defined below) services and other air transportation services to commercial customers. Omni, OAL and T7 are sometimes referred to herein individually as a “Company” and collectively as the “Companies.”

B. Sellers own the entire membership interest of Omni, OAL and T7, as those interests are more fully defined in the Organizational Documents of Omni, OAL and T7 (collectively, the “Equity Interests”).

C. Sellers desire to sell the Equity Interests to Purchaser, and Purchaser desires to purchase the Equity Interests from Sellers, upon the terms and subject to the conditions contained in this Agreement.

AGreement

In consideration of the premises and the respective mutual agreements, covenants, representations and warranties contained herein, the parties to this Agreement hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. In addition to terms defined elsewhere in this Agreement, the following terms, when utilized in this Agreement, unless the context otherwise requires, shall have the meanings indicated, which meanings shall be equally applicable to both the singular and plural forms of such terms:

“Accounting Fees” is defined in Section 3.4(b).

“Accounting Principles” means GAAP, and to the extent consistent with GAAP, the accounting principles, policies, practices, procedures and methods and estimation methodology that were used in preparation of the audited balance sheet of the Companies as at December 31,
2017, and, with respect to the calculation of Closing Net Working Capital, the specific policies and rules set forth in Exhibit A-1.

“ACMI” means aircraft, crew, maintenance and insurance.

“Adjustment Time” means 11:59 pm (Central time) on the day immediately prior to the Closing.

“Affiliate” means, with respect to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of stock or other equity interests, by contract, credit arrangement or otherwise. An Immediate Family Member of a natural Person, or the settlor or a beneficiary of a trust, shall be deemed an Affiliate of such natural Person or such trust for purposes of this Agreement.

“Aggregate Deductible” is defined in Section 10.4(a)(ii).

“Aggregate Purchase Price” means an amount equal to the (a) Enterprise Value, plus (b) the Closing Cash, minus (c) the Closing Indebtedness, minus (d) the amount of all Company Transaction Expenses, plus or minus (e) the amount of the Net Working Capital Adjustment, and minus (f) the Closing Bonus Payments.

“Agreement” is defined in the preamble of this Agreement.

“Aircraft” is defined in Section 6.26(a).

“Aircraft Acquisition Contracts” is defined in Section 6.26(c).

“Allocable Portion” means a percentage based upon the portion of ownership interest in the Companies allocable to each Seller as set forth on the Sellers’ Schedule.

“Authority” means any governmental authority, self-regulatory organization, agency, commission, board, bureau, authority, official, court, arbitrator, mediator, tribunal or other instrumentality of the United States or of any foreign, domestic, federal, state, county, city, local or other political subdivision.

“BDT” means BDT & Company, LLC, financial advisor to Sellers and the Companies.

“Benefit Plans” is defined in Section 6.18(a).

“Business Day” means any day except Saturday, Sunday and any other day on which commercial banks located in Tulsa, Oklahoma or Atlanta, Georgia are authorized or required by Law to be closed for business.

“Cap” is defined in Section 10.4(b).
“Cash” means the cash and cash equivalents of the Companies and the Company Subsidiary (including marketable securities and short term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements. The term “cash” does not include customer deposits and other restricted cash.


“Citizen of the United States” is defined in Section 4.1.

“Closing” and “Closing Date” are defined in Section 3.1.

“Closing Bonus Payments” means any bonus or change of control payments triggered by the consummation of the transactions contemplated by this Agreement to the extent that such payments are not paid by or on behalf of the Companies and/or the Company Subsidiary on or before the Closing Date, including all Taxes required to be paid in connection with such payments.

“Closing Cash” means the combined Cash balances of the Companies and the Company Subsidiary, as of the Adjustment Time, calculated in accordance with the Accounting Principles, plus an amount equal to inbound wires in transit and checks presented by any of the Companies or the Company Subsidiary for deposit but not yet credited to deposit accounts and customer deposits and minus an amount equal to outbound wires in transit and checks written by any of the Companies or the Company Subsidiary that have not yet been presented for deposit; provided, that Closing Cash shall exclude (i) any Cash not freely usable because such amounts are subject to restrictions, limitations or taxes on use or distribution by Law, Contract or otherwise, including restrictions on dividends and repatriations or any other form of restriction, and (ii) any amounts collateralizing outstanding letters of credit or performance under contracts of the Companies or Company Subsidiary.

“Closing Indebtedness” means the combined amount of Indebtedness of the Companies and the Company Subsidiary as of the Adjustment Time (other than Indebtedness of any of the Companies or the Company Subsidiary with respect to which the obligee is any of the Companies or the Company Subsidiary) that is funded and outstanding and not paid as of the Closing and not accrued in the calculation of Net Working Capital, calculated in accordance with the Accounting Principles, and, for the avoidance of doubt, without giving effect to the transactions contemplated by this Agreement or any purchase accounting arising from the consummation of the transactions contemplated by this Agreement.

“Closing Net Working Capital” means the amount of the Net Working Capital as of the Adjustment Time.

“Closing Time” means 11:59 p.m., Central Time, on the Closing Date.

“COBRA” means Part 6 of Subtitle B of Title I of ERISA, section 4980B of the Code and any similar state Law.

“Companies” and “Company” are defined in the Recitals to this Agreement.

“Company Subsidiary” means Advanced Flight Services, LLC, a Nevada limited liability company and wholly-owned Subsidiary of Omni.

“Company Transaction Expenses” means all expenses of the Companies, the Company Subsidiary and Sellers incurred or to be incurred prior to the Closing in connection with the preparation, execution and consummation of this Agreement, the transactions contemplated hereby to be consummated on or before the Closing Date, and the Closing, including fees and disbursements of attorneys, investment bankers, accountants and other advisors and service providers, payable by the Companies or the Company Subsidiary or Sellers pursuant to Section 13.8 and which, in each case, have not been paid as of the Adjustment Time and are not accrued in the calculation of Net Working Capital. Without limitation as to the foregoing, all investment banking fees, commissions and expenses payable or reimbursable to BDT shall be deemed to be Company Transaction Expenses.

“Confidentiality Agreement” means the Confidentiality Agreement, dated as of April 9, 2018, between Purchaser and BDT (on behalf of the Companies).

“Continuing Employee” is defined in Section 9.9(a).

“Contract” means any contract, lease, license, commitment, undertaking (to the extent such undertaking is enforceable by a third party) or other agreement (whether written or oral).

“Damages” means all damages, costs, losses, expenses, awards, judgments, liabilities, obligations, fines, sanctions, penalties and interest, assessments and fees (including court costs and reasonable attorneys’ fees and expenses).

“Debt Financing” is defined in Section 13.6(a).

“Debt Financing Provisions” means, collectively, Section 13.3 (Amendment and Waiver), Section 13.4 (Benefits; Binding Effect; Assignment), Section 13.5 (No Third Party Beneficiary; No Benefit Plan Amendment), and Section 13.6 (No Recourse to Debt Financing Sources; Waiver of Certain Claims).

“Debt Financing Sources” means the Persons that have committed to provide or arrange or otherwise entered into agreements in connection with the debt financing or other financing provided to Purchaser or its Affiliates in connection with the transactions contemplated hereby, including the parties to any debt commitment letters, engagement letters, joinder agreements, indentures or credit agreements entered pursuant thereto or relating thereto, together with their respective Affiliates, and their respective Affiliates’ officers, directors, employees, agents and representatives and their respective successors and assigns.

“DOT” means the United States Department of Transportation, an agency of the United States Government.

“DOT Conditional Approvals” means (a) an approval letter, also known as a “comfort letter,” issued by DOT at any time prior to the Closing, tentatively affirming the post-Closing
continuing fitness (under 49 U.S.C. § 41110(e)(1)) and U.S. citizenship (under 49 U.S.C. § 40102(a) (15)) of Omni, and (b) a DOT order issued under 49 U.S.C. § 40109 and exempting from 49 U.S.C. § 41105 the de facto transfer to Purchaser of the DOT-issued international operating authority of Omni or, alternatively, an order issued under 49 U.S.C. § 41105 approving the de facto transfer to Purchaser of the DOT-issued international operating authority of Omni; provided, the approval prescribed by clause (b) of this definition shall apply only to the extent DOT determines such approval is required with respect to the transactions contemplated by this Agreement.

“Engines” is defined in Section 6.26(a).

“Enterprise Value” means $845,000,000.

“Environmental, Health and Safety Laws” means all applicable Laws of any Authority concerning pollution or protection of the environment, public health and safety or employee health and safety, including Laws relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern into ambient air (including indoor air), surface water, ground water or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern.

“Equity Interests” is defined in the Recitals to this Agreement.


“ERISA Plan” is defined in Section 6.18(a).

“Escrow Agent” means Regions Bank.

“Escrow Agreement” means the Escrow Agreement, dated as of the Closing Date, by and among Purchaser, the Sellers’ Representative and the Escrow Agent, substantially in the form attached hereto as Exhibit B.

“Escrow Amount” means the Working Capital Escrow plus the Indemnification Escrow.

“Estimated Purchase Price Calculation Statement” is defined in Section 2.2.

“FAA” means the Federal Aviation Administration, an operating administration of DOT.

“Final Purchase Price Calculation Statement” is defined in Section 3.4(a).

“Financial Statements” is defined in Section 6.9.

“Forward-Looking Statements” is defined in Section 9.4(a).

“Fraud” means, with respect to any party hereto, an actual fraud by such party, which involves a knowing and intentional misrepresentation of a material fact, with the express intent of inducing any other party hereto to enter into this Agreement and upon which such party has
relied to its detriment (as opposed to any fraud claim based on constructive knowledge, negligent misrepresentation or similar theory) under applicable Law.

“GAAP” means generally accepted accounting principles as in effect in the United States of America from time to time consistently applied throughout the specified period and in the immediately prior comparable period.

“Government Contracts” is defined in Section 6.21(b).

“Guarantees” means the Guarantees, dated as of the Closing Date, substantially in the forms attached hereto as Exhibits C, D and E.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, or any successor statute, rules and regulations thereto.

“Immediate Family Member” means with respect to a Person who is a natural person, (a) his or her spouse or domestic partner and lineal descendants (whether or not adopted) and (b) any entity in which the legal and beneficial owners include only such Person and any other Person or Persons listed in clause (a).

“Indebtedness” as applied to any Person means (without duplication) (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments or debt securities, (c) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (d) all indebtedness of such Person secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of the property subject to such Lien, (e) all obligations under leases which have been or must be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable as lessee, (f) any liability of such Person in respect of bankers’ acceptances or letters of credit (to the extent drawn), (g) customer deposits and cash received for future services not yet performed that are recorded as a liability, (h) all interest, fees, prepayment premiums and other expenses owed with respect to any indebtedness, liabilities and/or obligations of any of the types referred to above, and (i) all indebtedness, liabilities and/or obligations of any of the types referred to above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss; provided, however, that Indebtedness does not include any letter of credit, corporate guarantee, pledge, bond or similar arrangement running solely to the account of or for the benefit of the Companies or the Company Subsidiary.

“Indemnification Escrow” means $15,000,000.

“Indemnified Person” is defined in Section 10.3(a).

“Indemnifying Party” is defined in Section 10.3(a)
“Independent Accounting Firm” is defined in Section 3.4(b).


“Intellectual Property” means any and all of the following in any jurisdiction throughout the world, registered or unregistered: (a) trademarks and service marks, including all applications and registrations and the goodwill connected with the use of and symbolized by the foregoing; (b) copyrights, including all applications and registrations related to the foregoing; (c) trade secrets and confidential know-how; (d) patents and patent applications; (e) internet domain name registrations; (f) supplemental type certificates; and (g) other intellectual property and related proprietary rights, interests, inventions, non-confidential know-how and protections.

“Interim Financial Statements” is defined in Section 6.9.

“IRS” means the Internal Revenue Service.

“Key Customers” is defined in Section 7.1.

“Knowledge” means: (a) with respect to Purchaser, the knowledge of Joseph C. Hete, Quint O. Turner and W. Joseph Payne, and (b) with respect to Sellers, the knowledge of Jeffrey C. Crippen, Patricia Frank, Daniel Orcutt, Robert D. Rose, David Ferrell and Shonda C. Fisher. Each such individual will be deemed to have knowledge of a particular fact or other matter if such individual is actually aware of the fact or matter or would have become actually aware of such fact or matter through reasonable inquiry.

“Law” means any constitution, treaty, law, statute, code, rule, regulation, ordinance, common law and any other pronouncement having the effect of Law of any Authority, including any Order, or any license, franchise, consent, approval, permit or similar right granted under any of the foregoing.

“Leased Real Property” is defined in Section 6.12.

“Legal Proceeding(s)” means any judicial, administrative or arbitral action (at law or in equity), suit, claim, hearing, inquiry, investigation, charge, complaint, audit, notice, demand or proceeding by or before an Authority.

“Liability” or “Liabilities” means any debt, liability, claim, loss, damage, fine, penalty, expense, deficiency, commitment or obligation of whatever kind or nature (whether known or unknown, whether fixed or unfixed, whether liquidated or unliquidated, whether secured or unsecured, whether accrued or unaccrued, whether absolute or contingent, whether due or to become due or otherwise), including any liabilities for Taxes.

“Lien” means any mortgage, deed of trust, security interest, lien, pledge, charge, encumbrance, license, claim, lease, restraint on title, spousal interest, transfer restriction, voting trust agreement, right of first refusal, easement or other claim.

“Material Adverse Effect” means any event, circumstance, effect, state of facts or change that, individually or in the aggregate with all other events, circumstances, effects, states
of fact or changes, has or is reasonably likely to (i) have a materially adverse effect on the business, condition (financial or otherwise), results of operations, business or assets of the Companies and the Company Subsidiary (taken as a whole) (ii) materially impair the ability of the Companies and the Company Subsidiary (taken as a whole) to own, hold and/or operate their assets or (iii) materially impair the ability of Sellers or any of them to timely consummate the transactions contemplated hereby; provided, however, that none of the following shall be deemed to constitute, and none of the following (or the effects thereof) shall be taken into account in determining whether there has been, a Material Adverse Effect: (a) any adverse change, event, development, or effect arising from or relating to (i) general business or economic conditions not peculiar to the Companies or the Company Subsidiary, (ii) national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack, including any such attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (iii) changes in, or circumstances or effects arising from or relating to financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) changes in GAAP, (v) changes in Laws, (vi) the announcement of the execution of this Agreement or the consummation of the transactions contemplated hereby, including any impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees, or (vii) the taking of any action contemplated by this Agreement or any of the other Transaction Documents; and (b) any adverse change in or effect on the business of any of the Companies or the Company Subsidiary that is timely cured by the Companies, the Company Subsidiary or Sellers prior to the Closing Date.

“Material Contract” means any Contract or group of related Contracts (including any amendments thereto), for which the underlying term (if any) has not expired, and which is not terminable by the Companies or the Company Subsidiary on 90 days’ notice or less without expense or penalty, to which any of the Companies or the Company Subsidiary is a party (other than those which are solely between or among the Companies and/or the Company Subsidiary) and which:

(a) relates to Indebtedness or is a letter of credit or similar arrangement running to the account of or for the benefit of any of the Companies or the Company Subsidiary;

(b) relates to the purchase or sale of materials, supplies, merchandise, machinery, equipment or parts (excluding contracts made in the Ordinary Course of Business or that do not require expenditures or result in sales in excess of $25,000 annually);

(c) is an employment, severance or consulting agreement between any of the Companies or the Company Subsidiary and any of its respective officers, managers, or other employees or consultants of such Company or such Subsidiary who are entitled to compensation thereunder in excess of $100,000 per year;
(d) is a contract for capital expenditures or the acquisition or construction of fixed assets for or in respect of any real property, in each case requiring aggregate payments in excess of $250,000;

(e) is a collective bargaining agreement with any labor organization, union or association to which any of the Companies or the Company Subsidiary is a party;

(f) is an agreement with any Seller or any of his, her or its Affiliates (other than any of the Companies or the Company Subsidiary).

(g) is a Contract with any officer, manager, director or Affiliate of any of the Companies or the Company Subsidiary;

(h) is a Contract that requires any of the Companies or the Company Subsidiary to make any payment to any Person or to extend any benefits to any Person as a result of the transactions contemplated by this Agreement;

(i) is a Contract that grants any Person a power of attorney or similar grant of agency executed by any of the Companies or the Company Subsidiary (other than any Contract executed by any of the Companies or the Company Subsidiary that grants such power of attorney or agency to another of the Companies or the Company Subsidiary);

(j) is a Contract that is reasonably expected to call for any payments by or on behalf of any of the Companies or the Company Subsidiary, individually or in the aggregate, in excess of $500,000 after the date of this Agreement;

(k) is a Contract that grants any Person a right of first refusal, first offer or similar preferential right to purchase or acquire any right, assets, property or service of any of the Companies or the Company Subsidiary;

(l) is a Contract pursuant to which any of the Companies or the Company Subsidiary grants a license to any third party to use any material Intellectual Property of any of the Companies or the Company Subsidiary;

(m) is a Contract that involves any exchange traded, over-the-counter or other swap, cap, floor, collar, futures contract, forward contract, option or any other derivative financial instrument or contract, based on any commodity, security, instrument, asset, rate or index of any kind or nature whatsoever, including commodities, currencies, interest rates, foreign currency and other indices;

(n) is a Contract that includes or provides for “most favored nation” terms (whether in terms of pricing or otherwise) for the benefit of any other Person;

(o) is a Contract with “take or pay” provisions or “requirements” provisions committing a Person to provide the quantity of goods or services required by another Person or requiring a Person to purchase all or a given portion of its requirements from another Person;
(p) is a Contract that grants a Lien or restricts the granting of Liens on any material property or asset of any of the Companies or the Company Subsidiary;

(q) is a Contract relating to the lease, rental or use of real property, aircraft, equipment, vehicles, other personal property or fixtures, except for any Contract individually involving payment of aggregate annual rentals or sums of less than $100,000;

(r) is a Contract (A) restricting any of the Companies or the Company Subsidiary from engaging in any line of business or competing with any Person or in any geographical area; (B) restricting any of the Companies or the Company Subsidiary from soliciting any Person to be an employee of such company; or (C) that imposes any confidentiality requirements on any of the Companies other than any such Contract that was executed in the Ordinary Course of Business;

(s) is a Contract with any of the three largest customers of the Companies and the Company Subsidiary (taken as a whole) as of the date hereof, based on revenues over the 12-month period ended on August 31, 2018;

(t) is a Contract relating to any joint venture or partnership or any Contract involving the sharing of profits, losses, costs or liabilities, or any Contract concerning the ownership of or investments in any Person;

(u) is a Contract involving the settlement, release, compromise or waiver of any material rights, duties or Liabilities outside the Ordinary Course of Business pursuant to which any of the Companies or the Company Subsidiary has material ongoing obligations or liabilities;

(v) is a Contract with any Authority;

(w) is a Contract that, outside the Ordinary Course of Business, contains or provides for an undertaking to (A) indemnify or hold harmless another Person or (B) pay any material penalty in the event of any failure to perform or late performance of such Contract;

(x) is a Contract under which any of the Companies or the Company Subsidiary is required to pay royalties or similar payments to any third-party Person;

(y) is a Contract that requires a letter of credit, performance bond or payment bond outside of the Ordinary Course of Business; or

(z) is a Contract under which, as a result of the execution and performance of this Agreement (i) a payment (including a Closing Bonus Payment) (whether of severance pay or otherwise) will become due from any of the Companies or the Company Subsidiary to any Seller or any of its Affiliates or any current or former officer, employee, manager, director or consultant (or dependents of such Person) of any of the Companies or the Company Subsidiary or (ii) the time of payment or vesting of any amount of compensation due to any Seller or any such current or former officer,
employee, manager, director or consultant (or dependents of such Person) will be increased or accelerated.

“Materials of Environmental Concern” means any hazardous waste, as defined by 42 U.S.C. section 6903(5), any hazardous substance as defined by 42 U.S.C. section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. section 9601(33), any toxic substance, oil or hazardous material, or any other chemical or substance regulated by any Environmental, Health and Safety Laws.

“Most Recent Balance Sheet” is defined in Section 6.9.

“Multiemployer Plan” has the meaning set forth in ERISA section 3(37).

“Net Working Capital” means the difference between (a) all current assets of the Companies and the Company Subsidiary and (b) all current liabilities of the Companies and the Company Subsidiary, in each case, calculated in accordance with the Accounting Principles, as of the Adjustment Time. Attached hereto as Exhibit A-2, for illustrative purposes only, is the calculation of Net Working Capital as if Closing had occurred on July 31, 2018. For the avoidance of doubt, Net Working Capital shall not include any amounts included in Closing Cash, Closing Indebtedness or Company Transaction Expenses.

“Net Working Capital Adjustment” means (a) if the amount of the Closing Net Working Capital is less than the Target Net Working Capital, a reduction to the Aggregate Purchase Price equal to the amount of such deficiency; and (b) if the amount of the Closing Net Working Capital is greater than the Target Net Working Capital, an increase to the Aggregate Purchase Price equal to the amount of such excess.

“Non-ERISA Plan” is defined in Section 6.18(a).

“OAL” is defined in the Recitals to this Agreement.

“OAL Interest” is defined in Section 6.7(b).

“Omni” is defined in the Recitals to this Agreement.

“Omni Interest” is defined in Section 6.7(a).

“Order” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of any Authority.

“Ordinary Course of Business” means the ordinary course of business of the Companies and the Company Subsidiary consistent with the past custom and practice of the Companies and the Company Subsidiary in the operation of their respective businesses through the date hereof and in a manner, amount and frequency consistent with past practice and experience.

“Organizational Documents” means (a) the articles or certificate of incorporation and the bylaws of a corporation, (b) the certificate of formation or articles of organization and the
operating or limited liability company agreement of a limited liability company, (c) the agreement of general or limited partnership of a partnership, (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person, and (e) any amendment to or restatement of any of the foregoing. For purposes of this Agreement: the Organizational Documents of Omni include the Articles of Organization of Omni, dated as of July 22, 2016, and the Operating Agreement of Omni, dated as of July 22, 2016; the Organizational Documents of OAL include the Articles of Organization of OAL, dated as of November 15, 2005, and the Amended and Restated Operating Agreement of OAL, dated as of September 5, 2018; the Organizational Documents of T7 include the Articles of Organization of T7, dated as of January 11, 2011, and the Amended and Restated Operating Agreement of T7, dated as of September 5, 2018; and the Organizational Documents of the Company Subsidiary include the Articles of Organization of Company Subsidiary, dated as of June 5, 2015 and the Operating Agreement of the Company Subsidiary, dated as of December 1, 2015.

“Permits” means all governmental licenses, permits, approvals, registrations, certificates, exemptions, operations specifications, deviations, consents, bonds, authorizations and qualification filings with all Authorities in connection with the operation of the business or ownership of the assets of any of the Companies or the Company Subsidiary, including those required by DOT, FAA, the Transportation Security Administration, the Federal Communications Commission, the Department of Agriculture, Customs and Border Protection, any foreign civil aviation authority and any other U.S. (federal, state or local) or foreign Authority with jurisdiction over the Companies or the Company Subsidiary.

“Permitted Liens” means (a) the Liens set forth on Schedule 6.11 or Schedule 6.12 or those specifically identified in the Financial Statements, (b) statutory Liens for Taxes, assessments and other governmental charges that are not yet due and payable, (c) Liens arising under original purchase price conditional sales contracts and equipment leases (other than capital leases) with third parties to which a Company or the Company Subsidiary is a party and which have been identified as Material Contracts, (d) easements, covenants, conditions and restrictions of record, as to which no material violation or encroachment exists or, if such violation or encroachment exists, as to which the cure of such violation or encroachment would not materially interfere with the current use or occupancy of the affected property, (e) any zoning or other governmentally established restrictions or encumbrances that are not violated by the current use or occupancy of the affected property and that do not materially interfere with the use of the affected property, (f) pledges or deposits to secure obligations under workers’ or unemployment compensation Laws or similar legislation or to secure public or statutory obligations, (g) mechanic’s, materialman’s, supplier’s, vendor’s or similar Liens arising or incurred in the Ordinary Course of Business securing amounts which are not overdue for a period of more than 30 days, (h) railroad trackage agreements, utility, slope and drainage easements, right-of-way easements and leases regarding signs, and (i) other imperfections of title, licenses or encumbrances, if any, which do not, individually or in the aggregate, materially impair the value or the continued use and operation of the assets to which they relate in the conduct of the business of the Companies or the Company Subsidiary as presently conducted.

“Person” means any natural person, corporation, limited liability company, unincorporated organization, partnership, association, joint-stock company, joint venture, other entity, trust or government, or any agency or political subdivision of any government.
“Post-Closing Tax Period” means any Tax Period (or portion thereof) beginning after the Closing Date.

“Pre-Closing Straddle Period” is defined in Section 11.3(b).

“Pre-Closing Tax Period” means any Tax Period (or portion thereof) ending on or before the Closing Date.

“Purchase Price Allocation” is defined in Section 2.3(b).

“Purchaser” is defined in the preamble of this Agreement.

“Purchaser Benefit Plans” is defined in Section 9.9(b).

“Purchaser’s Calculations” is defined in Section 3.4(a).

“Realty Lease” is defined in Section 6.12(a).

“Remaining Disputed Items” is defined in Section 3.4(b).

“Representative(s)” of any Seller, any Company, the Company Subsidiary or Purchaser shall mean such Person’s respective officers, directors, managers, employees, partners, trustees, lenders, investment bankers, consultants, attorneys, accountants, agents and other representatives.

“Required Consents” is defined in Section 6.5.

“Return(s)” means any return, declaration (including any declaration of estimated Taxes), report, claim for refund, or information return or statement relating to Taxes with respect to any income, assets or properties of any of the Companies or the Company Subsidiary, including any schedule or attachment thereto.

“Securities Act” means the Securities Act of 1933, as amended.


“Seller(s)” is defined in the preamble of this Agreement.

“Seller Affiliates” is defined in Section 6.22.

“Seller Indemnitee(s)” means Sellers and their respective directors, stockholders, members, managers, officers, Affiliates (other than the Companies and the Company Subsidiary after the Closing), equity owners (including any such equity owners’ trustees and trust
beneficiaries, as applicable), and their respective successors and permitted assigns, as the case may be.

“Sellers’ Calculations” is defined in Section 3.4(b).

“Sellers’ Representative” is defined in Section 14.1.

“Sellers’ Schedule” is defined in the preamble of this Agreement.

“Straddle Period” is defined in Section 11.2.

“Subsidiary” means, with respect to any Person, each other Person (other than a natural person) of which the Person owns, beneficially and of record, securities or interests representing 50 percent or more of the aggregate ordinary voting power (without regard to the occurrence of any contingencies affecting voting power).

“Subsidiary Units” is defined in Section 6.7(d).

“Survival Date” shall mean the dates on which the representations, warranties, covenants and agreements of the parties hereto set forth in this Agreement expire as specified in Section 10.1.

“T7” is defined in the Recitals to this Agreement.

“T7 Interest” is defined in Section 6.7(c).

“Target Net Working Capital” means the amount of $4,000,000.

“Tax(es)” means (a) any and all federal, state, local and foreign taxes (including income or profits taxes, premium taxes, excise taxes, sales taxes, use taxes, gross receipts taxes, franchise taxes, ad valorem taxes, severance taxes, capital levy taxes, transfer taxes, value added taxes, employment and payroll-related taxes, property taxes, business license taxes, occupation taxes, import duties and other governmental charges and assessments), of any kind whatsoever, including interest, additions to tax and penalties with respect thereto, (b) liability for any such item described in clause (a) that is imposed by reason of U.S. Treasury Regulation section 1.1502-6 or similar provisions of Law, and (c) liability for any such item described in clause (a) imposed on any transferee or indemnitor, by contract or otherwise.

“Tax Authority” means any federal, state, local, or foreign Tax service, agency, office, commission, department, bureau or similar organization, including any court, tribunal, or similar judicial agency, with regulatory authority to assess, assert or otherwise impose Tax adjustments or collect unpaid Taxes of any Person.

“Tax Claim” is defined in Section 11.5(a).

“Tax Contest” is defined in Section 11.5(b).
“Tax Period” means any taxable year or any other period that is treated as a taxable year (or other period, or portion thereof, in the case of a Tax imposed with respect to such other period, e.g., a quarter) with respect to which any Tax may be imposed under any applicable Law.

“Termination Date” is defined in Section 12.1(b).

“Third Party Claim” is defined in Section 10.3(a).

“Transaction Documents” means this Agreement, the Escrow Agreement and the Guarantees.

“VAT” means any value added or similar Tax.

“Working Capital Escrow” means $3,000,000.

1.2 Interpretation. As used in this Agreement, the word “including” means including without limitation, the word “or” is not exclusive and the words “herein,” “hereof,” “hereby,” “hereto,” “hereunder” and the like refer to this Agreement as a whole. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. Unless the context otherwise requires, references herein to: (a) Articles, Sections, Schedules and Exhibits mean the Articles and Sections of and the Schedules and Exhibits to this Agreement, (b) an agreement, instrument or document means such agreement, instrument or document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement, and (c) a statute means such statute as amended from time to time and includes any successor legislation thereto. The headings and captions used in this Agreement, in any Schedule or Exhibit hereto, in the table of contents or in any index hereto are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement or any Schedule or Exhibit hereto, and all provisions of this Agreement and the Schedules and Exhibits hereto shall be enforced and construed as if no caption or heading had been used herein or therein. Any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement (or, in the absence of any ascribed meaning, the meaning customarily ascribed to any such term in the Companies’ or the Company Subsidiary’s industry or in general commercial usage). The Schedules and Exhibits referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any of the provisions of this Agreement. All references to dollars (or the symbol “$”) contained herein shall be deemed to refer to United States dollars.
ARTICLE II
PURCHASE AND SALE OF EQUITY INTERESTS

2.1 Purchase and Sale of Equity Interests. At the Closing, upon the terms and subject to the conditions set forth in this Agreement, Sellers shall sell to Purchaser, and Purchaser shall purchase from Sellers, the Equity Interests.

2.2 Estimated Purchase Price Calculation Statement. Not later than two Business Days prior to the Closing, the Sellers’ Representative shall deliver to Purchaser a written statement (the “Estimated Purchase Price Calculation Statement”) setting forth (a) Sellers’ good faith estimate (as of the Closing Date) of (i) the amount of the Closing Cash, (ii) the amount of the Closing Indebtedness, (iii) the amount of the Company Transaction Expenses, (iv) the amount of the Closing Net Working Capital and the Net Working Capital Adjustment calculated by reference thereto; and (v) the amount of the Closing Bonus Payments; and (b) the calculation of the estimated Aggregate Purchase Price based thereon. Schedule 2.2 sets forth the format for the calculation of the amounts described in this Section 2.2 and the payments to be made pursuant to Section 3.3(b). The Estimated Purchase Price Calculation Statement shall be prepared in accordance with the terms of (including definitions contained in) this Agreement and the Accounting Principles. The Seller’s Representative shall provide Purchaser with a draft of the Estimated Purchase Price Calculation Statement at least five Business Days prior to the Closing and shall give Purchaser an opportunity to discuss it with the Sellers’ Representative before it is finalized.

2.3 Tax Characterization; Purchase Price Allocation.

(a) The parties hereto acknowledge and agree that, pursuant to IRS Revenue Ruling 99-6, 1999-1 C.B. 432, Situation 2, the purchase of the Equity Interests with respect to OAL and T7 pursuant hereto will be treated for federal income tax purposes (i) with respect to Sellers, as a sale of such Equity Interests by Sellers in exchange for the portion of the Aggregate Purchase Price allocated to OAL and T7 (and the relief of related partnership liabilities), and (ii) with respect to Purchaser, as a liquidating distribution of partnership assets and liabilities to Sellers, immediately followed by Purchaser’s purchase of former partnership assets from Sellers in exchange for the portion of the Aggregate Purchase Price allocated to OAL and T7 (and the assumption of former related partnership liabilities). As a result of such purchase and sale, the status of OAL and T7 as partnerships for federal income tax purposes will terminate under section 708(b)(1)(A) of the Code. The parties further acknowledge and agree that the purchase of the Equity Interests with respect to Omni will be treated for federal income tax purposes as a purchase and sale of the assets of Omni and of the assets of the Company Subsidiary, subject to the liabilities of Omni and the Company Subsidiary. None of the Parties shall take any position for income tax purposes that is inconsistent with the tax treatment described in this Section 2.3(a).

(b) The Aggregate Purchase Price shall be allocated among Sellers as set forth on Schedule 2.3. The Aggregate Purchase Price shall be allocated among the Companies’ assets, for purposes of section 1060 of the Code (and any similar provision of Law, as applicable), as determined collaboratively by the parties hereto (the
“Purchase Price Allocation”). Any Net Working Capital Adjustment pursuant to Section 3.4 shall be allocated in a manner consistent with the Purchase Price Allocation. The Purchase Price Allocation shall be binding on Purchaser and Sellers, and Purchaser and Sellers shall report, act and file Returns (including IRS Form 8594) in all respects and for all purposes consistent with such allocation. Neither Purchaser nor any Seller shall take any position in any Return (including any amendment thereto) that is inconsistent with the Purchase Price Allocation; provided, however, that with respect to each disbursement from the Escrow Amount to the Sellers’ Representative, interest shall be imputed on such amount, as required by section 483 or 1274 of the Code.

ARTICLE III
CLOSING; POST-CLOSING PURCHASE PRICE TRUE-UP

3.1 Closing. Subject to the fulfillment or waiver of the conditions precedent set forth in Article VIII, the closing of the transactions contemplated by this Agreement (the “Closing”) shall take place on a date to be mutually agreed upon by Purchaser and the Sellers’ Representative (the “Closing Date”), which date shall be no later than the third Business Day after all of the conditions set forth in Article VIII have been satisfied or waived (other than those conditions which by their terms are intended to be satisfied at the Closing). Except as otherwise provided in this Agreement, all proceedings to be taken and all documents to be executed at the Closing shall be deemed to have been taken, delivered and executed simultaneously, and no proceeding shall be deemed taken nor documents deemed executed or delivered until all have been taken, delivered and executed.

3.2 Payment of Closing Indebtedness, Company Transaction Expenses and Closing Bonus Payments. At the Closing, Purchaser shall pay and discharge (or cause to be paid and discharged), on behalf of the Companies and the Company Subsidiary, (i) all Closing Indebtedness (other than any Indebtedness to remain outstanding as set forth on Schedule 3.2, any of which the Sellers’ Representative may designate as Indebtedness that will instead be paid and discharged by Purchaser on behalf of the Companies and the Company Subsidiary at the Closing by including such amount on the Estimated Purchase Price Calculation Statement), (ii) all Company Transaction Expenses evidenced on the Estimated Purchase Price Calculation Statement and (iii) all Closing Bonus Payments evidenced on the Estimated Purchase Price Calculation Statement (to the extent not already paid) by wire transfer of immediately available funds pursuant to written instructions provided to Purchaser by the Sellers’ Representative concurrently with the delivery of the Estimated Purchase Price Calculation Statement. On or before the Closing Date, the Sellers’ Representative will provide Purchaser with customary pay-off letters from all holders of Closing Indebtedness to be so paid, and will make arrangements reasonably satisfactory to Purchaser for such holders to provide to Purchaser recordable form Lien releases and other documents reasonably requested by Purchaser simultaneously with or promptly following the Closing. The parties hereto acknowledge that the Company Transaction Expenses are obligations of the Companies or the Company Subsidiary, as the case may be, incurred on or before the Closing Date, and nothing in this Agreement shall be deemed to make them obligations of Purchaser. Payment of such Company Transaction Expenses by Purchaser on behalf of the Companies and the Company Subsidiary on the Closing Date is being made for convenience only.
3.3 Closing Transactions.

(a) Delivery of Equity Interests. At the Closing, Sellers shall deliver to Purchaser, free and clear of any Lien, duly executed assignments of the Equity Interests (none of which are certificated) in forms reasonably satisfactory to Purchaser.

(b) Aggregate Purchase Price Funds Flow. At the Closing, Purchaser shall pay or cause to be paid:

(i) the amount of the estimated Aggregate Purchase Price, as set forth on the Estimated Purchase Price Calculation Statement, less the Escrow Amount, to Sellers, in the amounts set forth on Schedule 2.3, by wire transfer of immediately available funds to the accounts designated by the Sellers' Representative;

(ii) the Escrow Amount, into an escrow account established pursuant to the terms of the Escrow Agreement, by wire transfer of immediately available funds, pursuant to wire transfer instructions delivered to Purchaser by the Escrow Agent, for the purpose of securing the obligations of Sellers pursuant to Section 3.4 and Article X;

(iii) the Closing Indebtedness, pursuant to Section 3.2;

(iv) the Company Transaction Expenses, pursuant to Section 3.2.

(v) the Closing Bonus Payments, pursuant to Section 3.2.

(c) Other Closing Deliveries.

(i) By Sellers.

(A) Sellers shall deliver to Purchaser recordable Lien releases with respect to any outstanding Liens or UCC filings against or relating to (i) the Equity Interests, or (ii) any assets of the Companies or the Company Subsidiary (other than any Permitted Liens).

(B) the Sellers’ Representative shall execute and deliver to Purchaser and the Escrow Agent the Escrow Agreement.

(C) Sellers or the Sellers’ Representative shall deliver to Purchaser the certificate referred to in Section 8.2(d).

(D) Sellers shall deliver to Purchaser a non-foreign affidavit of each Seller dated as of the Closing Date and in form and substance required under the U.S. Treasury Regulations issued pursuant to section 1445 of the Code to exempt Purchaser from withholding with respect to any amount paid by Purchaser at the Closing.
(E) Sellers or the Sellers’ Representative shall deliver to Purchaser such other documents as Purchaser may reasonably request for the purpose of facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

(ii) **By Purchaser.**

(A) Purchaser shall execute and deliver to the Sellers’ Representative and the Escrow Agent the Escrow Agreement.

(B) Purchaser shall deliver to Sellers or the Sellers’ Representative the certificate referred to in Section 8.3(c).

(C) Purchaser shall deliver to Sellers or the Sellers’ Representative such other documents as the Sellers’ Representative may reasonably request for the purpose of facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

### 3.4 Post-Closing Purchase Price True-Up.

(a) **Final Purchase Price Calculation Statement.** Within 60 days after the Closing Date, Purchaser shall prepare, at Purchaser’s expense, and deliver to the Sellers’ Representative, a written statement setting forth Purchaser’s calculations of the amount of the Closing Net Working Capital and the Net Working Capital Adjustment calculated by reference thereto (the “**Final Purchase Price Calculation Statement**”), which calculations shall be made in accordance with GAAP applied on a basis consistent with the Most Recent Balance Sheet and the Accounting Principles ("**Purchaser’s Calculations**"). The Final Purchase Price Calculation Statement shall contain a recalculation of the Aggregate Purchase Price based on the amount of the Net Working Capital Adjustment and using only information known or knowable as of the Closing Date and not taking into account events occurring after the Closing Date. The parties hereto acknowledge and agree that no adjustments shall be made to the Target Net Working Capital.

(b) **Disputes as to Purchase Price Calculations.** Within 30 days after his receipt of the Final Purchase Price Calculation Statement, the Sellers’ Representative shall notify Purchaser in writing of his agreement or disagreement with the Final Purchase Price Calculation Statement and any of Purchaser’s Calculations (and, during such 30-day period, Purchaser shall grant to the Sellers’ Representative and his accountants reasonable access to all work papers, facilities, schedules and calculations used in the preparation of the Final Purchase Price Calculation Statement and/or Purchaser’s Calculations). If the Sellers’ Representative disputes any aspect of the Final Purchase Price Calculation Statement or any of Purchaser’s Calculations, the Sellers’ Representative shall so notify Purchaser within such 30-day period, and the Sellers’ Representative shall have the right, and shall have the right to direct his accountants, to review and verify the accuracy of the Final Purchase Price Calculation Statement. If the Sellers’ Representative does not dispute any aspect of the Final Purchase Price
Calculation Statement or any of Purchaser’s Calculations within such 30-day period, then the Final Purchase Price Calculation Statement and Purchaser’s Calculations set forth therein shall be conclusive and binding upon Purchaser and Sellers. In the event of a dispute, the Sellers’ Representative and, at his option, his accountants shall complete their review and verification of the Final Purchase Price Calculation Statement within 60 days after the Sellers’ Representative’s receipt thereof and, if the Sellers’ Representative or his accountants, after such review and verification, still disagree with Purchaser’s Calculations, the Sellers’ Representative shall submit his proposed alternative calculations (“Sellers’ Calculations”) of the amount of the Closing Net Working Capital and the Net Working Capital Adjustment calculated by reference thereto to Purchaser in writing within 65 days after the Sellers’ Representative’s receipt of the Final Purchase Price Calculation Statement. If Purchaser does not reject Sellers’ Calculations by written notice given to the Sellers’ Representative within 30 days after Purchaser’s receipt of Sellers’ Calculations, then the Final Purchase Price Calculation Statement and Purchaser’s Calculations contained therein, as modified by Sellers’ Calculations, shall be conclusive and binding upon Purchaser and Sellers. If Purchaser rejects Sellers’ Calculations by written notice given to the Sellers’ Representative within 30 days after Purchaser’s receipt of Sellers’ Calculations, then, at the request of either Purchaser or the Sellers’ Representative, the Sellers’ Representative and Purchaser shall engage PricewaterhouseCoopers (the “Independent Accounting Firm”) to resolve the remaining disputed items (the “Remaining Disputed Items”) by conducting the Independent Accounting Firm’s own review and verification of the Final Purchase Price Calculation Statement, and thereafter selecting either Sellers’ Calculations of the Remaining Disputed Items or Purchaser’s Calculations of the Remaining Disputed Items or an amount in between the two. For purposes of the review by the Independent Accounting Firm, the Independent Accounting Firm shall make its determination based solely on presentations and supporting material provided by Purchaser and the Sellers’ Representative and not pursuant to any independent review. Sellers and Purchaser shall be bound by the determination of the Remaining Disputed Items by the Independent Accounting Firm. Purchaser and the Sellers’ Representative shall execute, if requested by the Independent Accounting Firm, an engagement letter containing reasonable and customary terms. Sellers (in accordance with their respective Allocable Portions) and Purchaser shall each pay their own costs and expenses incurred under this Section 3.4(b). The costs and expenses of the Independent Accounting Firm (the “Accounting Fees”) shall be allocated between Purchaser, on the one hand, and the Sellers’ Representative, on the other hand, as follows: a portion of the Accounting Fees equal to the product of the Accounting Fees and a fraction, the numerator of which is the aggregate dollar amount of the Remaining Disputed Items resolved by the Independent Accounting Firm in favor of Purchaser and the denominator of which is the aggregate dollar amount of all Remaining Disputed Items submitted to the Independent Accounting Firm for resolution, shall be allocated to the Sellers’ Representative, and the remainder shall be allocated to Purchaser (in each case as finally determined by the Independent Accounting Firm).

(c) Payment After Recalculation. Upon the final determination, in accordance with Section 3.4(b), of the Final Purchase Price Calculation Statement and the final calculations of the amounts of the Closing Net Working Capital and the Net Working Capital Adjustment calculated by reference thereto, the Aggregate Purchase Price shall be
recounted using such finally determined amounts in lieu of the estimates of such amounts used in the calculation of the estimated Aggregate Purchase Price paid at the Closing.

(i) If the Aggregate Purchase Price, as recalculated pursuant to this Section 3.4(c), is greater than such estimated Aggregate Purchase Price, then Purchaser shall pay or cause to be paid to the Sellers’ Representative the amount of any such excess, for distribution to Sellers in accordance with their respective Allocable Portions thereof.

(ii) If the Aggregate Purchase Price, as recalculated pursuant to this Section 3.4(c), is equal to such estimated Aggregate Purchase Price, then no further payment shall be payable by Purchaser or any Seller under this Section 3.4(c).

(iii) If the Aggregate Purchase Price, as recalculated pursuant to this Section 3.4(c), is less than such estimated Aggregate Purchase Price, then Sellers shall, in accordance with their respective Allocable Portions, pay or cause to be paid to Purchaser the amount of such deficiency; provided, that, to the extent of available funds in the Working Capital Escrow, the Sellers’ Representative shall direct the Escrow Agent to pay the amount of any such deficiency from the Working Capital Escrow in accordance with Sellers’ respective Allocable Portions, the terms of this Agreement and the Escrow Agreement.

(iv) Any payment made pursuant to this Section 3.4(c) shall be made by wire transfer of immediately available funds no later than three Business Days after the final determination referred to in the first sentence of this Section 3.4(c) and shall be deemed to be adjustments to the Aggregate Purchase Price for all purposes, including Tax purposes.

3.5 Escrow Amount; Escrow Fees.

(a) The Working Capital Escrow shall be available for any Net Working Capital Adjustment required to be paid by Sellers pursuant to Section 3.4(c)(iii) and any expenses to be paid by Sellers as contemplated by Section 13.8. After any such amounts have been paid from the Working Capital Escrow, the remainder of the Working Capital Escrow shall be distributed to the Sellers’ Representative as soon as reasonably practicable for distribution to Sellers in accordance with their respective Allocable Portions.

(b) The Indemnification Escrow shall be available for any obligation owed by Sellers to Purchaser Indemnitees pursuant to Article X. After any such amounts have been paid from the Indemnification Escrow, the remainder of the Escrow Amount shall be distributed to the Sellers’ Representative as soon as reasonably practicable for distribution to Sellers in accordance with their respective Allocable Portions.

(c) Each disbursement from the Escrow Amount to the Sellers’ Representative shall include all interest accrued on the entire balance of the Escrow.

21
Amount through the close of business on the second Business Day preceding the date of such disbursement. All income on the Escrow Amount shall be treated as earned by Sellers and shall be so reported for all Tax purposes.

(d) The Escrow Amount shall be invested, maintained and disbursed in accordance with the terms and conditions of the Escrow Agreement and this Agreement. One-half of the fees and expenses of the Escrow Agent with respect to the Escrow Agreement shall be paid by Purchaser and one-half of such fees and expenses shall be paid out of the Escrow Amount in accordance with Sellers’ respective Allocable Portions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

To induce Sellers to enter into this Agreement and to consummate the transactions contemplated hereby, Purchaser hereby represents and warrants to Sellers as follows:

4.1 **Organization; Standing; Citizenship.** Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Purchaser is not in default under or in violation of its Organizational Documents. Purchaser is a Citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as interpreted by DOT (“Citizen of the United States”).

4.2 **Authority; Authorization; Enforceability.** Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, to perform its obligations hereunder and under each such other Transaction Document, and to consummate the transactions contemplated by this Agreement and each such other Transaction Document. The execution, delivery and performance by Purchaser of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement and each other Transaction Document to which Purchaser is a party are, or upon their execution and delivery will be, valid and binding obligations of Purchaser enforceable against it in accordance with the terms hereof and thereof, except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity.

4.3 **Noncontravention.** Neither the execution, delivery or performance by Purchaser of this Agreement or any other Transaction Document to which it is a party, nor the consummation by Purchaser of the transactions contemplated hereby or thereby, nor compliance by Purchaser with any of the provisions hereof or thereof will (a) violate, or result in the violation of, the Organizational Documents of Purchaser or any resolutions adopted by board of directors of Purchaser, (b) violate any Law, order, judgment, injunction, stipulation, award or decree of any Authority, in each case applicable to Purchaser or its assets or properties, or (c) with or without the passage of time or the giving of notice or both, result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any property or assets of Purchaser pursuant to, any instrument or agreement to which Purchaser is a party or by which Purchaser or its properties may be bound or affected, except, in each case,
where the violation, conflict, breach, default or failure to obtain consent would not reasonably be expected to have a material adverse effect on the ability of Purchaser to consummate the transactions contemplated by this Agreement.

4.4 Approvals; Claims or Legal Proceedings. Except for such filings as may be required under the HSR Act or to obtain the DOT Conditional Approvals and except as set forth on Schedule 4.4: (a) no filing with, and no permit, authorization, consent or approval of, any Authority or other Person is necessary for the consummation by Purchaser of the transactions contemplated hereby; and (b) there are no actions, suits, claims or proceedings which are pending or, to the Knowledge of Purchaser, threatened against Purchaser, and there are no outstanding Orders, judgments, injunctions, stipulations, awards or decrees of any Authority against Purchaser, or any of its assets or properties, which prohibit or enjoin the consummation of, or adversely affect Purchaser’s ability to timely consummate, the transactions contemplated hereby.

4.5 Brokers. Purchaser has not retained, utilized or been represented by any broker or finder in connection with the transactions contemplated by this Agreement.

4.6 Securities Act. Purchaser is acquiring the Equity Interests hereunder solely for the purpose of investment and not with a view to, or in connection with, any distribution thereof in violation of the Securities Act or any applicable state securities Law. Purchaser acknowledges that the Equity Interests are not registered under the Securities Act or any applicable state securities Law, and that the Equity Interests may not be sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to state securities Laws, as applicable.

4.7 Availability of Funds. Purchaser and its Affiliates will have sufficient cash, available lines of credit or other sources of immediately available funds to enable Purchaser to pay the full Aggregate Purchase Price at the Closing and to make the other payments payable at the Closing hereunder, and to make all other necessary payments by it in connection with the transactions contemplated hereby.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF EACH SELLER

Each Seller, solely for itself, represents and warrants to Purchaser as follows:

5.1 Execution and Delivery; Valid and Binding Agreements. This Agreement has been duly executed and delivered by such Seller, and, assuming that this Agreement is the valid and binding agreement of Purchaser and each other Seller, this Agreement constitutes the valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity. Upon execution and delivery thereof by other parties thereto, assuming that such other Transaction Documents are the valid and binding agreement of each of the other parties thereto, each of the other Transaction Documents to which such Seller is a party will constitute the valid and binding obligation of such Seller, enforceable against such Seller in
accompany with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity.

5.2 **Authority; Organization.** Such Seller has all requisite corporate or limited liability company power and authority, as applicable, to execute and deliver this Agreement and the other Transaction Documents to which such Seller is or will be a party, to perform such Seller’s obligations hereunder and thereunder (including all right, power, capacity and authority to sell, transfer and convey the Equity Interests held by such Seller, as provided by this Agreement, subject only to applicable federal and state securities Laws) and to consummate the transactions contemplated by this Agreement and each such Transaction Document. The execution and delivery of this Agreement and each of the other Transaction Documents to which such Seller is or will be a party, and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or limited liability company action, as the case may be, on the part of such Seller and no other action or proceedings, including, as applicable, any corporate or limited liability company action or proceedings, on the part of such Seller are necessary to approve this Agreement or any of the other Transaction Documents to which such Seller is a party or to consummate the transactions contemplated hereby and thereby.

5.3 **Noncontravention.** Except as set forth on Schedule 5.3, neither the execution, delivery or performance by such Seller of this Agreement or any other Transaction Document to which such Seller is or will be a party, nor the consummation by such Seller of the transactions contemplated hereby or thereby, nor compliance by such Seller with any of the provisions hereof or thereof, will (a) violate, or result in the violation of, the Organizational Documents of such Seller or any resolutions adopted by the stockholders, members, board of directors, board of managers or other governing body of such Seller, as applicable; (b) violate any Law, Order, judgment, injunction, stipulation, award or decree of any Authority, in each case applicable to such Seller or such Seller’s assets or properties; or (c) with or without the passage of time or the giving of notice or both, result in the breach of, or constitute a default or require any consent under any agreement or instrument to which such Seller is bound or is a party, or by which any of such Seller’s properties or assets (including the Equity Interests) may be bound or affected, or which would adversely affect the Equity Interests or the ability of such Seller to consummate the transactions contemplated hereunder.

5.4 **Approvals.** Except for such filings as may be required under the HSR Act or to obtain the DOT Conditional Approvals and except as set forth on Schedule 5.4, no filing with or notice to, and no permit, authorization, consent, exemption, order or approval of, any Authority or other Person is necessary for execution and delivery by such Seller of this Agreement and any of the other Transaction Documents to which such Seller is or will be a party or the consummation by such Seller of the transactions contemplated hereby and thereby.

5.5 **Ownership of the Equity Interests.** Such Seller is the sole record and beneficial owner of the Equity Interests as set forth opposite such Seller’s name on the Sellers’ Schedule, free and clear of all Liens, and such Seller has not assigned, transferred or conveyed any interest therein to any third Person. At the Closing, such Seller shall transfer to Purchaser good title to the Equity Interests as set forth opposite such Seller’s name on the Sellers’ Schedule, free and
clear of any Liens, other than applicable federal and state securities Laws. The Equity Interests set forth opposite such Seller’s name on the Sellers’ Schedule constitute all of the securities and interests of any nature in each of the Companies or the Company Subsidiary that are owned by such Seller.

5.6 **Litigation.** There are no actions, suits or proceedings pending or threatened in writing against such Seller, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, or other Authority. Such Seller is not subject to any outstanding judgment, Order or decree of any court or other Authority that could adversely affect the Equity Interest of such Seller or Seller’s ownership interest in such Equity Interest or that could reasonably be expected to prevent or interfere with or delay such Seller’s ability to perform such Seller’s obligations hereunder.

5.7 **Brokers.** There are no claims by or obligations to any Person for brokerage commissions, finder’s fees, agent’s commissions or like payments for which such Seller is obligated or liable in connection with this Agreement or the transactions contemplated thereby.

5.8 **Member Agreements.** Except as set forth on Schedule 5.8, there are no commitments, undertakings, understandings, proxies or other restrictions to which such Seller is a party or to which the Equity Interests owned by such Seller are subject which directly or indirectly restrict or limit in any manner, or otherwise relate to, the voting, sale or other disposition of such Equity Interests by such Seller or any other Person.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANIES AND THE COMPANY SUBSIDIARY

To induce Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, Sellers (on a several and not on a joint and several basis, based upon each Seller’s Allocable Portion as set forth on the Sellers’ Schedule) hereby represent and warrant to Purchaser as of the date hereof as follows:

6.1 **Organization; Standing; Citizenship.** Each of the Companies and the Company Subsidiary is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Nevada. Omni is a Citizen of the United States within the meaning of 49 U.S.C. § 40102(a)(15), as interpreted by the DOT and is fully authorized and qualified to operate as an “air carrier” within the meaning of 49 U.S.C. § 40102(a)(2) and, as such, is eligible to hold its DOT Certificates of Public Convenience and Necessity and its FAA Air Carrier Certificate.

6.2 **Authority to Conduct Business.** Each of the Companies and the Company Subsidiary has the requisite limited liability company power and authority to own, lease and operate its property and to conduct its business in the manner in which it is now conducted. Each of the Companies and the Company Subsidiary is duly licensed or qualified to do business as a foreign limited liability company in each jurisdiction in which the nature of its properties and assets or the conduct of its business requires it to be so licensed or qualified, except where
the failure to be duly licensed or qualified to do business would not reasonably be expected to have a Material Adverse Effect.

6.3 Organizational Documents. Copies of the Organizational Documents of the Companies and the Company Subsidiary and all amendments thereto as in effect on the date hereof have been delivered to Purchaser and are complete and correct as of the date hereof. None of the Companies or the Company Subsidiary is in default under or in violation of its Organizational Documents.

6.4 Noncontravention. Except as set forth on Schedule 6.4, neither the execution, delivery or performance by Sellers of this Agreement or any other Transaction Document to which they are a party, nor the consummation by Sellers of the transactions contemplated hereby or thereby, nor compliance by Sellers with any of the provisions hereof or thereof, will (a) violate, or result in the violation of, the Organizational Documents of the Companies or the Company Subsidiary or any resolutions adopted by the members, board of managers or other governing body of any of the Companies or the Company Subsidiary, as applicable; (b) violate any Law, order, judgment, injunction, stipulation, award or decree of any Authority, in each case applicable to any of the Companies or the Company Subsidiary or their respective assets or properties; or (c) with or without the passage of time or the giving of notice or both, result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any property or asset of any of the Companies or the Company Subsidiary pursuant to any agreement or instrument to which any of the Companies or the Company Subsidiary is bound or is a party, or by which any of their respective properties or assets (including the Equity Interests) may be bound or affected, or which would adversely affect the Equity Interests or the ability of Sellers to consummate the transactions contemplated hereunder, except, in each case, where the violation, conflict, breach, default, failure to obtain consent or Lien would not reasonably be expected to be material to the Companies and the Company Subsidiary, taken as a whole.

6.5 Approvals. Except for such filings as may be required under the HSR Act or to obtain the DOT Conditional Approvals and except as set forth on Schedule 6.5 (the “Required Consents”), no filing or notice with, and no permit, authorization, consent, exemption, order or approval of, any Authority or other Person is necessary with respect to any of the Companies or the Company Subsidiary for the consummation by Sellers of the transactions contemplated hereby and the other Transaction Documents to which they are or will be parties.

6.6 Brokers. Except for BDT, which has been retained by the Companies, none of the Companies, the Company Subsidiary nor any Seller has retained, utilized or been represented by or has any obligation to any broker or finder in connection with the transactions contemplated by this Agreement.

6.7 Capitalization of the Companies and the Company Subsidiary.

(a) The authorized and issued equity securities of Omni consist solely of the membership interests in Omni (such membership interests, the “Omni Interest”). All of the Omni Interest is duly authorized, validly issued, fully paid and nonassessable and is
held beneficially and of record by Omni Air International Holdings, Inc., as set forth on the Sellers’ Schedule free and clear of all Liens.

(b) The authorized and issued equity securities of OAL consist solely of the membership interest in OAL (such membership interest, the “OAL Interest”). The OAL Interest is duly authorized, validly issued, fully paid and nonassessable and is held beneficially and of record by Omni Aviation Leasing Holdings, LLC, as set forth on the Sellers’ Schedule free and clear of all Liens.

(c) The authorized and issued equity securities of T7 consist solely of the membership interest in T7 (such membership interest, the “T7 Interest”). The T7 Interest is duly authorized, validly issued, fully paid and nonassessable and is held beneficially and of record by T7 Aviation Leasing Holdings, LLC, as set forth on the Sellers’ Schedule free and clear of all Liens.

(d) The authorized and issued equity securities of the Company Subsidiary consist solely of units of interest representing ownership interests in the Company Subsidiary (the “Subsidiary Units”). All of the issued and outstanding Subsidiary Units are duly authorized, validly issued, fully paid and nonassessable and are held beneficially and of record by Omni. Omni has good title to the Subsidiary Units, free and clear of all Liens.

6.8 Rights; Warrants or Options. Except for this Agreement, there are no outstanding subscriptions, warrants, options or other agreements or rights of any kind to purchase or otherwise receive or be issued, or securities or obligations of any kind convertible into, any equity security of any of the Companies or the Company Subsidiary. There is no outstanding contract or other agreement of any of Sellers, any of the Companies, the Company Subsidiary or any other Person to purchase, redeem or otherwise acquire any outstanding equity security of any of the Companies or the Company Subsidiary, or securities or obligations of any kind convertible into any equity security of the Companies or the Company Subsidiary. There are no outstanding or authorized equity appreciation rights, options, warrants, equity plans or similar rights with respect to the equity securities of the Companies or the Company Subsidiary.

6.9 Financial Statements. Sellers have caused to be delivered the following financial statements to Purchaser (the “Financial Statements”): (a) the audited combined balance sheets of the Companies (including the Company Subsidiary) as of December 31, 2017, and the related audited combined statements of income of the Companies (including the Company Subsidiary) for the year then ended; and (b) the unaudited combined balance sheets of the Companies (including the Company Subsidiary) as of August 31, 2018 (the “Most Recent Balance Sheet”), and the related unaudited combined statements of income of the Companies (including the Company Subsidiary) for the eight months then ended (such unaudited statements of income, together with the Most Recent Balance Sheet, the “Interim Financial Statements”). Except as set forth on Schedule 6.9: (x) each of the Financial Statements has been prepared in accordance with GAAP applied on a basis consistent with prior periods (except as may be indicated in any notes thereto); (y) each of the balance sheets included in the Financial Statements fairly presents in all material respects the combined financial condition of the Companies as of its respective date in accordance with GAAP; and (z) each of the statements of
income included in the Financial Statements fairly presents in all material respects the combined results of operations of the Companies for the period covered thereby in accordance with GAAP; provided, however, that the Interim Financial Statements do not have notes and are subject to normal year-end adjustments.

6.10 **Indebtedness; Undisclosed Liabilities.** Except as set forth on Schedule 6.10, neither the Companies nor the Company Subsidiary have any Indebtedness. The Companies and the Company Subsidiary, taken as a whole, do not have any Liabilities except for (a) Liabilities in the aggregate adequately disclosed, provided for, reflected in, reserved against or otherwise described in the Financial Statements (or in any notes thereto) or included as a current Liability in the calculation of the Closing Net Working Capital, (b) Liabilities under contracts, leases, licenses and other arrangements, including the Benefit Plans, to which the Companies or the Company Subsidiary or any of their respective assets may be bound, to the extent not required to be reflected in the Financial Statements or described in the notes thereto under GAAP, (c) Liabilities referred to on any Schedule to this Agreement (including Schedule 6.10), (d) Liabilities which have arisen in the Ordinary Course of Business since the date of the Most Recent Balance Sheet, and (e) other Liabilities which would not have been required to be disclosed, provided for, reflected in, reserved against or otherwise described in the Financial Statements or in any notes thereto in accordance with GAAP, none of which is material to the Companies and the Company Subsidiary taken as a whole.

6.11 **Tangible Personal Property.** Except as set forth on Schedule 6.11, all of the tangible personal property included on the Most Recent Balance Sheet and which is used in the operation of the business of any of the Companies or the Company Subsidiary is either (a) owned by one of the Companies or the Company Subsidiary, or (b) leased pursuant to valid leasehold interests, in each case free and clear of any Liens, other than Permitted Liens. To the Knowledge of Sellers, and except as otherwise described in Schedule 6.11, the tangible personal property owned or leased by the Companies and the Company Subsidiary and used in connection with their respective businesses (i) is in good operating condition and repair as is consistent for their age, (ii) is appropriate for the uses to which they are being put by the Companies and the Company Subsidiary or (iii) has been maintained in accordance with normal industry practice.

6.12 **Real Property.** None of the Companies or the Company Subsidiary owns any real property. Schedule 6.12 sets forth a list of all real property and interests in real property that are leased or subleased to the Companies or the Company Subsidiary pursuant to a written lease (the “**Leased Real Property**”). Except as otherwise set forth on Schedule 6.12, with respect to the Leased Real Property:

(a) each lease or sublease of Leased Real Property and any assignment thereof pursuant to which any of the Companies or the Company Subsidiary leases any Leased Real Property (each, a “**Realty Lease**”) (i) is in full force and effect, (ii) is a valid and binding obligation of the Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, the counterparty(ies) thereto and (iii) is enforceable against such Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, against all third parties, in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity). True,
correct and complete copies of each Realty Lease have been made available to Purchaser, including all amendments, extensions, renewals, guaranties and other agreements with respect thereto;

(b) none of the Companies, the Company Subsidiary nor, to the Knowledge of Sellers, any other party to any Realty Lease, is in breach or default under such Realty Lease, nor has any event or circumstance occurred or exist which, with the delivery of notice, passage of time or both, would constitute a default, except for (i) such defaults and events as to which requisite waivers or consents have been obtained, and (ii) breaches or defaults which, in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(c) no Realty Lease requires the consent of any landlord or sublandlord as a result of the transactions contemplated by this Agreement;

(d) None of the Companies nor the Company Subsidiary has entered into any lease of any of the Leased Real Property where any Company or the Company Subsidiary is the lessor or sublessor or is otherwise similarly situated, and there are no other contracts granting to any Person other than a Company or the Company Subsidiary the right to use or occupy any Leased Real Property;

(e) The activities carried on by any Company or the Company Subsidiary as tenant under any of the Realty Leases in all buildings, plants, facilities, installations and other structures or improvements included as a part of, or located on or at, the Leased Real Property are not in material violation of, or in material conflict with, any applicable Law (including zoning ordinances and regulations) or the terms of any of the Realty Leases;

(f) Neither the Company nor any Company Subsidiary has received a copy of an affidavit of a mechanic’s or similar Lien which may be filed against the Leased Real Property;

(g) To the Knowledge of Sellers, there is no condemnation, expropriation or other proceeding in eminent domain, pending or threatened, affecting any Leased Real Property or any portion thereof or interest therein;

(h) All utilities required for the normal, customary and efficient operation of the respective businesses of any Company or the Company Subsidiary are currently available at the Leased Real Property in a quality and quantity sufficient for operation of the business of any Company or the Company Subsidiary conducted thereat; to the Knowledge of Sellers there are no facts relating to any utility arrangements or moratoriums which would adversely impact the Leased Real Property or the operation of the respective businesses of any Company or the Company Subsidiary conducted thereat. Any so-called tap fees, hook-up fees or other associated charges accrued to date have been fully paid when due in the ordinary course of the businesses of any Company or the Company Subsidiary with respect to all potable and industrial water and all gas,
electrical, steam, compressed air, telecommunication, sanitary and storm sewage lines and systems and other similar systems serving the Leased Real Property;

6.13 **Intellectual Property.**

(a) Schedule 6.13(a) lists all supplemental type certificates, patents, patent applications, trademark registrations and pending applications for registration, tradename registrations with the DOT, copyright registrations and pending applications for registration, and internet domain name registrations owned by the Companies or the Company Subsidiary.

(b) Schedule 6.13(b) lists licenses, sublicenses, agreements or instruments involving the Intellectual Property of any of the Companies or the Company Subsidiary which are material to the business of the Companies and the Company Subsidiary taken as a whole, including (i) licenses by any of the Companies or the Company Subsidiary to any Person of any Intellectual Property other than licenses granted in the Ordinary Course of Business, and (ii) all licenses by any other Person to any of the Companies or the Company Subsidiary of any Intellectual Property (except shrink wrap, click wrap and other licenses to software and other packaged media) which are necessary for the conduct of the business of the Companies and the Company Subsidiary (each, a “License”). Except as set forth on Schedule 6.13(b), each License (i) is in full force and effect, (ii) is a valid and binding obligation of the Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, the counterparty(ies) thereto and (iii) is enforceable against such Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, against all third parties, in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity). None of the Companies, the Company Subsidiary or, to the Knowledge of Sellers, any other party to any License is in breach or default under any License in any material respect. With respect to each License, there is no material default (or event that with the giving of notice or passage of time would constitute a material default) by the Companies or the Company Subsidiary or, to the Knowledge of Sellers, any other Person party thereto. There are no pending or, to the Knowledge of Sellers, threatened claims with respect to any License.

(c) Each of the Companies and the Company Subsidiary has good and valid title to, or otherwise possesses the rights to use in all material respects, all Intellectual Property necessary for the conduct of its business. Each of the Companies and the Company Subsidiary has taken commercially reasonable measures, taken as a whole, designed to protect the proprietary nature of its Intellectual Property and to maintain in confidence all trade secrets and other material confidential Intellectual Property and other material information owned or used by it in connection with its business.

(d) None of the Companies or the Company Subsidiary has received written notice that it has infringed upon, misappropriated or misused, any Intellectual Property or proprietary information of another Person. There are no pending or, to the Knowledge of Sellers, threatened claims or proceedings contesting or challenging the Intellectual
Property of the Companies or the Company Subsidiary or their use of any Intellectual Property owned by another Person. To the Knowledge of Sellers, no Person is infringing upon, misappropriating, or otherwise violating the rights of any of the Companies or the Company Subsidiary to any Intellectual Property.

(e) All registered trademarks of the Companies and the Company Subsidiary and any pending applications by any of the Companies or the Company Subsidiary for trademarks with the United States Patent and Trademark Office or any other trademark office are currently in all material respects in compliance with all applicable Laws (including the filing of affidavits of use and renewal applications as applicable), and are not subject to any maintenance fees or taxes or actions falling due within 90 days after the date hereof. No such trademark has been or is now involved in any opposition, infringement, dilution, unfair competition or cancellation proceeding and, to the Knowledge of Sellers, no such action is threatened with respect to any such trademark. To the Knowledge of Sellers, no trademark of the Companies or the Company Subsidiary is alleged to infringe any trade name, trademark or service mark of any other Person and no trademark of the Companies or the Company Subsidiary is infringed.

6.14 Insurance. Schedule 6.14 sets forth a list of all policies of fire, liability, workers’ compensation, property and casualty, aircraft accident liability insurance (in amounts not less than that required under 14 C.F.R. Part 205) and other insurance, including fidelity bonds, owned or held by or on behalf of the Companies or the Company Subsidiary for the current period that includes the date hereof under which any of the Companies or the Company Subsidiary is the primary insured, other than policies and/or insurance related to the Benefit Plans (the “Insurance Policies”). All of the Insurance Policies are in full force and effect and, since the respective dates of the Insurance Policies, no written notice of cancellation or non-renewal with respect to any such policy has been received by any of the Companies or the Company Subsidiary. Schedule 6.14 lists all insurance claims (including major workers’ compensation claims but excluding automobile insurance claims) made under any of the Insurance Policies during the three years prior to and including the date of this Agreement. All premiums with respect to the Insurance Policies up to and including the date of the Closing have been or will be paid as of the Closing Date. Except as set forth on Schedule 6.14 and other than related to the Benefit Plans, none of the Companies or the Company Subsidiary has any self-insurance or co-insurance programs.

6.15 Labor Matters.

(a) Except as set forth on Schedule 6.15, the Companies and the Company Subsidiary are in compliance, in all material respects, with all Laws pertaining to employees or employment matters, including all such Laws relating to wages, hours, discrimination, sexual harassment, civil rights, safety and health, workers’ compensation and the collection and payment or withholding of Social Security Taxes and similar Taxes.

(b) Except as set forth on Schedule 6.15, none of the Companies or the Company Subsidiary is party to any collective bargaining agreement or other labor union contract applicable to any of its employees. Except as described on Schedule 6.15, none
of the Companies or the Company Subsidiary has any pending union organization efforts or requests for representation, strikes, grievances, claims of unfair labor practices, work stoppages, work slow-downs, picketing, any legal proceeding which involves labor or employment relations with any of the Companies or the Company Subsidiary, or other pending labor disputes. To the Knowledge of Sellers, there is no threatened labor dispute, strike, slowdown, work stoppage, lockout, request for representation, union organizational effort, picket or legal proceeding which involves labor or employment relations with any of the Companies or the Company Subsidiary.

(c) Each of the Companies and the Company Subsidiary is complying, and has complied, in all material respects, with all Laws relating to the hiring and the employment of labor, including provisions thereof relating to immigration and citizenship, wages, hours, pay equity, equal opportunity, employment discrimination and practices, retaliation, “whistleblower” rights, civil rights, collective bargaining, the Fair Labor Standards Act, the WARN Act and any similar state, local or foreign “mass layoff” or “plant closing” law, and the payment of social security and other Taxes. With respect to the operations of the Companies and the Company Subsidiary, I-9 Forms for all employees of the Companies and the Company Subsidiary have been lawfully retained, and I-9 Forms have been retained for the required length of time for all former employees. There is no claim, Legal Proceeding, governmental investigation or inquiry pending or, to the Knowledge of the Sellers, threatened against any of the Companies or the Company Subsidiary relating to compliance with any immigration Laws. There has been no letter, correspondence or other written communication received by any of the Companies or the Company Subsidiary from the United States Department of Homeland Security, the United States Social Security Administration, or any other Governmental Body regarding the legal residency, employment or work authorization, or any discrepancy with the social security numbers of any employee.

(d) Except as set forth on Schedule 6.15, there is no charge, complaint or petition against any of the Companies or the Company Subsidiary pending before the National Labor Relations Board, the Equal Employment Opportunity Commission, the United States Department of Labor, the Occupational Safety and Health Administration or any other similar Governmental Body for which any of the Companies or the Company Subsidiary has received any written notice, or, to the Knowledge of Sellers, which has been threatened against any of the Companies or the Company Subsidiary.

(e) Except as set forth on Schedule 6.15, none of the Companies or the Company Subsidiary has laid off any employee since January 1, 2018, intends to lay off any employee during the period from the date of this Agreement through the Closing Date, or has issued a notice concerning a “mass layoff” or “plant closing” pursuant to the WARN Act or any similar Law.

(f) Purchaser has been provided with a list as of the date of this Agreement of (i) all employees of the Companies and the Company Subsidiary, (ii) their annual compensation (including base salary or hourly wage, bonuses and commissions) as of such date, (iii) their vacation, sick and other paid time off allowances, and (iv) their benefits or perquisites. Except as set forth on Schedule 6.15, to the Knowledge of
Sellers, no key employee of the Companies or the Company Subsidiary has any plans to terminate employment during the next 12 months.

6.16 Permits; Compliance With Law.

(a) Except as set forth on Schedule 6.16, the Companies and the Company Subsidiary hold and are in compliance in all material respects with all Permits required for the Companies and the Company Subsidiary to conduct their businesses in the manner in which they are presently conducted, including all applicable operating certificates. Each of such Permits is valid and in full force and effect and any required renewal of such Permit has been timely sought. Since January 1, 2016, none of the Companies or the Company Subsidiary has been, and none of the Companies or the Company Subsidiary is, in default or violation (and no event has occurred that, with notice or the lapse of time or both, would constitute a default or violation) of any term, condition or provision of any Permit. Except as set forth on Schedule 6.16, since January 1, 2016, to the Knowledge of Sellers, none of the Companies or the Company Subsidiary has received written notice from any Authority or other Person regarding (i) any actual, alleged or potential violation of, or failure to comply with, any Permit or (ii) any actual, threatened or potential revocation, suspension, cancellation, termination or modification of any Permit.

(b) Except as set forth on Schedule 6.16, as of the date of this Agreement and since January 1, 2016, the Companies and the Company Subsidiary are and have been in compliance in all material respects with all Laws of any Authority applicable to their businesses, properties, assets or operations. Except as set forth on Schedule 6.16, since January 1, 2016, to the Knowledge of Sellers, none of the Companies or the Company Subsidiary has received any written notice regarding any actual, alleged or potential violation of, or failure to comply with any Law including federal aviation regulations and all rules, regulations, directives and policies of the FAA, the DOT, the United States Department of Defense, the United States Department of Homeland Security, the Federal Transportation Security Administration and the Federal Communications Commission. The representations and warranties set forth in this Section 6.16 do not apply to compliance with Environmental, Health and Safety Laws (including holding of or compliance with any Permits required under such Laws), which matters are covered under Section 6.20, or compliance with ERISA or other Laws related to employment or labor matters, which matters are covered by Sections 6.15 and 6.18.

6.17 Litigation. Schedule 6.17 sets forth a list of (a) all Legal Proceedings which are pending or, to the Knowledge of Sellers, threatened against any of the Companies or the Company Subsidiary, by or before any Authority, and (b) all outstanding Orders, judgments, injunctions, stipulations, awards or decrees of any Authority naming any of the Companies or the Company Subsidiary or directed to any of their assets. There are no Legal Proceedings which are pending or, to the Knowledge of Sellers, threatened against any of the Companies or the Company Subsidiary, by or before any Authority, and there are no outstanding Orders, judgments, injunctions, stipulations, awards or decrees of any Authority against any of the Sellers or any of the Companies or the Company Subsidiary, or any of their respective assets or properties, in any such case which prohibit or enjoin the consummation of the transactions.
contemplated hereby or which would prohibit the Companies or Company Subsidiary from lawfully conducting their businesses in the manner in which they are presently conducted. No material change is required in the Companies’ or the Company Subsidiary’s processes, properties or procedures to comply with any Laws, nor, to the Knowledge of Sellers, have the Companies or the Company Subsidiary received any notice or communication from any Authority of any material non-compliance with any rules, regulations, statutes, operating certificates, certificates of airworthiness, airworthiness directives or any other Law or required Permit. The representations and warranties set forth in this Section 6.17 do not apply to intellectual property matters, which matters are covered by Section 6.13, employee benefits matters, which matters are covered by Section 6.18, or Tax matters, which matters are covered by Section 6.19.

6.18 Employee Benefit Plans; ERISA.

(a) Except as set forth on Schedule 6.18, none of the Companies nor the Company Subsidiary maintains, contributes to or has any obligation to make contributions to, any employee benefit plan within the meaning of section 3(3) of ERISA (an “ERISA Plan”), or any other retirement, welfare, fringe benefit, bonus, profit sharing, equity option, equity bonus or deferred compensation, vacation benefit, service award, severance, sick leave or other material plan, policy, program, agreement or arrangement providing benefits to current or former employees, officers or managers of the Companies or the Company Subsidiary (a “Non-ERISA Plan”). All ERISA Plans and Non-ERISA Plans (collectively “Benefit Plans”) are listed on Schedule 6.18 and, except as set forth on Schedule 6.18, to the Knowledge of Sellers, are being maintained and operated in accordance with all Laws applicable to such plans and the terms and conditions of the respective plan documents. Copies of all applicable current plan documents, amendments and summary plan descriptions have been provided for all Benefit Plans. The IRS has issued, or is deemed to have issued, a favorable determination letter or opinion letter with respect to each ERISA Plan that is intended to be a “qualified plan” within the meaning of section 401(a) of the Code. To the Knowledge of Sellers, no event has occurred that has or will adversely affect the qualification of any ERISA Plan that is intended to be a “qualified plan” within the meaning of Section 401(a) of the Code. No ERISA Plan is subject to Title IV or section 302 of ERISA or section 412 of the Code. No ERISA Plan is a Multiemployer Plan or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of section 4063 of ERISA. No ERISA Plan is a multiple employer plan within the meaning of section 210(a) of ERISA or section 413(c) of the Code. Except for continuation coverage as required by COBRA or by applicable state insurance Laws, no Benefit Plan provides life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof.

(b) Except as set forth on Schedule 6.18, all contributions (including all employer contributions and employee salary reduction contributions, if any) which are due have been made or will be made within the time period prescribed by ERISA to each ERISA Plan which is an employee pension benefit plan (within the meaning of section 3(2) of ERISA).
(c) No actions, suits, claims or proceedings with respect to the assets of any ERISA Plan (other than routine claims for benefits) are pending or, to the Knowledge of Sellers, threatened by or before any Authority.

(d) With respect to the ERISA Plans, no breach of fiduciary duty or non-exempt “prohibited transactions” as that term is defined in ERISA or the Code have occurred which could subject the Companies or the Company Subsidiary to any Tax or Damages.

(e) Except as set forth on Schedule 6.18, the execution and performance of this Agreement will not constitute a triggering event under any Benefit Plan or otherwise result in any payment being due, accelerate the time of payment or vesting, or increase the amount of compensation due to any current or former employee, officer, director or consultant (or dependents of such individuals).

(f) To the extent that any Benefit Plan constitutes a non-qualified deferred compensation plan within the meaning of section 409A of the Code, to the Knowledge of Sellers, such Benefit Plan complies in both form and operation with the requirements of Section 409A of the Code, and no individual has a right to any gross-up or indemnification from any of the Companies or the Company Subsidiary for any Taxes imposed under section 409A or section 4999 of the Code.

(g) No Benefit Plan is maintained outside the jurisdiction of the United States, or covers any employee residing or working outside the United States.

(h) Since January 1, 2015, the Companies and the Company Subsidiary have offered each of their full-time employees and their dependents the opportunity to enroll in affordable health insurance coverage that provides minimum value, have maintained adequate records evidencing the offers of such coverage and have timely complied with information reporting requirements under the Code with respect to such offers of coverage. The Companies and the Company Subsidiary shall provide Purchaser with sufficient information regarding such offers of coverage prior to the Closing Date to enable Purchaser to comply with the applicable reporting requirements.

This Section 6.18, together with Section 6.15 (Labor Matters), contains the sole and exclusive representations and warranties of Sellers with respect to any employment or labor matters with respect to the Companies and the Company Subsidiary, including any arising under ERISA.

6.19 **Tax Matters.** Except as set forth on Schedule 6.19:

(a) All material Returns required to be filed with respect to the business and assets of the Companies and the Company Subsidiary for all Tax Periods ending prior to the date hereof have been or will be duly and timely (within any applicable extension periods) filed with the appropriate Authorities in all jurisdictions in which such Returns are required to be filed. All such Returns were true, correct and complete in all material respects. All Taxes that are due and payable for which any of the Companies or the Company Subsidiary is liable have been timely paid. The Companies and the Company Subsidiary have set up adequate reserves for the payment of all Taxes not yet due and
payable that adequately cover the Tax liabilities of the Companies and the Company Subsidiary for all Tax Periods ending on or prior to the date hereof. There are no Liens for Taxes (other than Permitted Liens) on any of the assets of any of the Companies or the Company Subsidiary or on the Equity Interests that arose in connection with any failure (or alleged failure) to pay any Tax. All Taxes that any of the Companies or the Company Subsidiary is required by Law to withhold or collect have been duly and timely withheld or collected and have been timely paid over to the appropriate Tax Authority to the extent due and payable.

(b) There is no material dispute or claim pending or, to the Knowledge of Sellers, threatened against any Company or the Company Subsidiary by any Tax Authority for any alleged deficiency in Taxes. No claim has ever been made by a Tax Authority in a jurisdiction where any Company or the Company Subsidiary does not file Returns that it is or may be subject to taxation by that jurisdiction.

(c) None of the Companies or the Company Subsidiary has (i) executed a waiver or consent extending any statute of limitations for the assessment or collection of any Taxes which remains outstanding, (ii) applied for a ruling relative to Taxes, or (iii) entered into a closing agreement with any Tax Authority.

(d) Schedule 6.19(d) lists all federal, state, local, and foreign Returns filed with respect to any of the Companies or the Company Subsidiary for Tax Periods ended on or after December 31, 2015 and indicates those Returns that have been audited. To the Knowledge of Sellers, none of the Returns of any of the Companies or the Company Subsidiary is currently being examined by the IRS or relevant Tax Authorities. There are no examinations or other administrative or court proceedings relating to Taxes in progress or pending with respect to which any of the Companies or the Company Subsidiary has received written notice.

(e) None of the Companies or the Company Subsidiary is a party to any written agreement providing for the allocation or sharing of Taxes. None of the Companies or the Company Subsidiary is liable for the Taxes of any other Person.

(f) No payment made or to be made to any current or former employee or manager of any of the Companies or the Company Subsidiary by reason of the transactions contemplated hereby will constitute an “excess parachute payment” within the meaning of section 280G of the Code.

(g) None of the Companies or the Company Subsidiary is or has been a United States real property holding corporation within the meaning of section 897(c)(2) of the Code during the period specified in section 897(c)(1)(A)(ii) of the Code.

(h) None of the Companies or the Company Subsidiary is a member of a group or consolidation with any other Person for purposes of VAT. None of the Companies or the Company Subsidiary is subject to adjustment under section 482 of the Code or similar provision of Law relating to Taxes. None of the Companies or the Company Subsidiary has, or has ever had, a “permanent establishment” in any foreign
country, as such term is defined in any applicable Tax treaty or convention between the United States and such foreign country, nor has it otherwise taken steps that have exposed, or will expose, it to the taxing jurisdiction of a foreign country.

(i) OAL and T7 is each a limited liability company that is treated as a partnership for federal income tax purposes. Omni is a disregarded entity (single member limited liability company) and is not a “qualified subchapter S subsidiary” within the meaning of section 1361(b)(3)(B) of the Code. The Company Subsidiary is a disregarded entity for federal income tax purposes. No election has been made by any Person to treat any of the Companies as a corporation for federal or state Tax purposes.

(j) None of the Companies or the Company Subsidiary will be required to include any item of income in, or exclude any item of deduction from, taxable income for any Tax Period ending after the Closing Date as a result of any: (A) change in method of accounting for a Pre-Closing Tax Period under section 481(c) of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law); (B) installment sale or open transaction disposition made on or prior to the Closing Date; or (C) prepaid amount received on or prior to the Closing Date.

(k) Each federal income Return relating to operations of any of the Companies or the Company Subsidiary has disclosed all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of section 6662 of the Code. None of the Companies or the Company Subsidiary has engaged in any transaction that, as of the date hereof, is a “listed transaction” under U.S. Treasury Regulation section 1.6011-4(b)(2).

6.20 **Environmental, Health and Safety Matters.** Except as set forth on Schedule 6.20:

(a) The Companies and the Company Subsidiary are (i) in compliance in all material respects with all Environmental, Health and Safety Laws, which material compliance includes possessing all Permits required under all Environmental, Health and Safety Laws necessary for the operation of Companies and the Company Subsidiary; (ii) are complying in all material respects with such Permits; (iii) have timely requested renewal of such Permits, where necessary and as appropriate; and (iv) have no unresolved liabilities or obligations for any past noncompliance with such Permits or Environmental, Health and Safety Laws.

(b) None of the Companies or the Company Subsidiary has received any written notice, report or other information regarding any actual or alleged violation of Environmental, Health and Safety Law, any investigations, or any liabilities or potential liabilities, including any claims for liability under CERCLA or similar state statutes, relating to such Companies or the Company Subsidiary, their business, or their past or current facilities, in each case, arising under Environmental, Health and Safety Laws, other than for matters that are not material or that have undergone remedial action and will not result in any additional liability to any Company or the Company Subsidiary. None of the Companies or the Company Subsidiary has treated, stored, disposed of,
arranged for or permitted the disposal or transportation of, any Materials of Environmental Concern, that will give rise to any liabilities for any of the Companies or the Company Subsidiary pursuant to any Environmental, Health and Safety Laws.

(c) None of the Companies or the Company Subsidiary has released any Materials of Environmental Concern at or from any Leased Real Property, except for de minimis releases that would not require remedial action or releases that have already undergone remedial action and that will not result in any additional liability to any Company or the Company Subsidiary.

(d) To the Knowledge of Sellers, no Materials of Environmental Concern are present at or were released from, onto or under, any Leased Real Property (including soil, groundwater, surface water, buildings or other structures) currently leased or operated by the Companies or Company Subsidiary except for de minimis releases that would not require remedial action or releases that have already undergone remedial action and that will not result in any additional liability to any Company or Company Subsidiary.

(e) Sellers have provided to Purchaser true and correct copies of all material environmental site assessment reports and other material documents prepared in the last five years relating to Environmental, Health and Safety Laws or the condition or status of any past or current Leased Real Property.

(f) No underground storage tanks are located on the Leased Real Property that (i) are owned or operated by any of the Companies or the Company Subsidiary or (ii) to the Knowledge of Sellers, contain or previously contained any Materials of Environmental Concern.

This Section 6.20 contains the sole and exclusive representations and warranties of Sellers with respect to any environmental, health and safety matters with respect to the Companies and the Company Subsidiary, including any arising under any Environmental, Health and Safety Laws.

6.21 Material Contracts.

(a) Schedule 6.21 sets forth a list of all Material Contracts. Except as set forth on Schedule 6.21: (a) each Material Contract (i) is a valid and binding obligation of the Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, the counterparty(ies) thereto and (ii) is enforceable against such Company or the Company Subsidiary party thereto and, to the Knowledge of Sellers, against such counterparty(ies) thereto, in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar Laws affecting creditors’ rights generally and by general principles of equity), and (b) none of the Companies, the Company Subsidiary or, to the Knowledge of Sellers, any other party to any Material Contract is in breach or default under any Material Contract in any material respect.

(b) With respect to the Material Contracts to which an Authority is a party (the “Government Contracts”):
(i) None of the Companies or the Company Subsidiary is a party to any current material dispute relating to such Government Contracts, and none of the Companies or the Company Subsidiary has received written notice that it or any of its Representatives has breached or violated any Law, certification, representation, clause, provision, or requirement with respect to such Government Contracts.

(ii) There are no current or, to the Knowledge of Sellers, threatened Legal Proceedings arising out of or relating to such Government Contracts.

(iii) None of the Companies or the Company Subsidiary has received a cure notice, a show cause notice, a suspension of work notice, or a stop work order with respect to such Government Contracts.

(iv) None of the Companies or the Company Subsidiary has been challenged by any Authority that is a party to any of the Government Contracts as to any cost incurred by it nor has any such cost been the subject of any audit or investigation by any such Authority, or disallowed by any such Authority. No payment due to any of the Companies or the Company Subsidiary relating to such Government Contracts has been withheld (except to the extent such withholding is in the Ordinary Course of Business) or set off, nor has any claim been made by any Authority that is a party to any of the Government Contracts to withhold (except to the extent such withholding is in the Ordinary Course of Business) or set off money due to any of the Companies or the Company Subsidiary under any such Government Contract.

(v) Each of the Companies and the Company Subsidiary has complied in all material respects with the terms and conditions of each of the Government Contracts. Each of the Companies and the Company Subsidiary has, with respect to the Government Contracts: (x) complied in all material respects with all certifications and representations it has executed, acknowledged or set forth with respect to each such Government Contract; and (y) submitted certifications and representations with respect to each such Government Contract that were in all material respects accurate, current and complete when submitted, and were properly updated in all material respects to the extent required by applicable Laws or the Government Contract.

(vi) To the Knowledge of Sellers, except as set forth on Schedule 6.21, none of the Companies or the Company Subsidiary has received written notice of any material unfavorable past performance assessment, evaluation or rating relating to any Government Contract since January 1, 2017.

6.22 Transactions With Affiliates. Except (i) as set forth on Schedule 6.22, (ii) the payment of compensation for employment or the reimbursement of expenses to employees consistent with past practice, (iii) participation in Benefit Plans as employees and (iv) normal advances to employees consistent with past practice, none of the Companies or the Company Subsidiary has engaged in any transaction during the past five years preceding this Agreement.
with any Seller, any Affiliate of any Seller or any officer, director, manager, trustee or equity owner of any Seller (collectively, the “Seller Affiliates”) or is or has been a party to any Contract with any Seller Affiliate. Except as set forth on Schedule 6.22, none of the Seller Affiliates has any interest, other than as an equity holder in one or more of the Companies, in any of the property or assets used or held for use in the business of any of the Companies or the Company Subsidiary.

6.23 Absence of Changes. Except as otherwise contemplated by this Agreement or set forth on Schedule 6.23, since the date of the Most Recent Balance Sheet, the Companies and the Company Subsidiary have conducted their businesses and operations only in the Ordinary Course of Business and the Companies and the Company Subsidiary have not taken any action that would be prohibited (without the consent of Purchaser) under Section 7.2 if such action had been undertaken after the date of this Agreement.

6.24 Anti-Corruption Matters. Since January 1, 2013, none of the Companies or the Company Subsidiary or any manager, officer, employee or agent of any of the Companies or the Company Subsidiary acting on behalf of any of the Companies or the Company Subsidiary has: (a) used any funds for unlawful contributions, gifts, entertainment, or other unlawful payments relating to an act by any Authority; (b) made any unlawful payment to any foreign or domestic government official or employee or to any foreign or domestic political party or campaign or otherwise violated any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (c) made any other unlawful payment under any applicable Law relating to anti-corruption, bribery, or similar matters. Since January 1, 2013, none of the Companies or the Company Subsidiary has disclosed to any Authority that it violated or may have violated any Law relating to anti-corruption, bribery, or similar matters. To the Knowledge of Sellers, no Authority is investigating, examining, or reviewing any of the Companies’ or the Company Subsidiary’s compliance with any applicable provisions of any Law relating to anti-corruption or bribery.

6.25 Accounts Receivable; Accounts Payable. Except as set forth in Schedule 6.25, all accounts and notes receivable of any of the Companies or the Company Subsidiary represent sales actually made or services actually performed arising from bona fide transactions in the Ordinary Course of Business and, to the Knowledge of Sellers, at the time of rendering the invoice therefor, were not subject to claims or set-off or other defenses or counterclaims. All accounts and notes payable by any of the Companies or the Company Subsidiary arose in bona fide transactions in the Ordinary Course of Business.

6.26 Aircraft.

(a) Schedule 6.26 (a) sets forth a true and complete list of all aircraft owned or leased by any of the Companies or the Company Subsidiary as of the date of this Agreement (the “Aircraft”) and (b) sets forth a true and complete list of all aircraft engines owned or leased by any of the Companies or the Company Subsidiary as of the date of this Agreement (the “Engines”). With respect to each Aircraft and each Engine, Schedule 6.26 sets forth (i) the name of the manufacturer, (ii) the model number, (iii) the manufacturer’s serial number, (iv) for each Aircraft, the aircraft registration number, (v) the entity which owns or leases the Aircraft or the Engine, (vi) a statement as to whether the Aircraft or the Engine is owned or leased, (vii) the operator of the Aircraft or
Engine, and (viii) a statement as to whether the Aircraft or the Engine is Airworthy or Unairworthy (as defined below) on the date of this Agreement. The Aircraft and the Engines have been, and are being, maintained according to applicable Law (including FAA regulatory standards to the extent applicable) and the maintenance program of the aircraft operator approved by the FAA or otherwise under applicable Law. For purposes of this Section 6.26, an Aircraft or Engine shall be considered “Airworthy” if, on the date of this Agreement, it is in a condition which enables it to be operated in revenue operations under Federal Aviation Regulations Part 121, and an Aircraft or Engine will be considered “Unairworthy” if, on the date of this Agreement, it is not Airworthy. Except as set forth in Schedule 6.26, the Companies and the Company Subsidiary have not materially revised, modified, altered, amended or changed their respective fleet maintenance schedules from those schedules in effect on August 1, 2018 with respect to their respective Aircraft, Engines, auxiliary power units, landing gear and major time/cycle limited components, whether owned or leased, and from August 1, 2018 through the date of this Agreement have performed maintenance regarding such items substantially in accordance with such fleet maintenance schedules in effect on August 1, 2018.

(b) To the Knowledge of Sellers, the respective Aircraft, Engines, auxiliary power units, landing gear and major time/cycle limited components owned or leased by the Companies and the Company Subsidiary are in the aggregate sufficient and adequate, and are, in the aggregate, in a sufficient and adequate state of repair, to enable the Companies and the Company Subsidiary to carry on their respective businesses as currently conducted in the Ordinary Course of Business.

(c) Schedule 6.26 sets forth a true and complete list, as of the date of this Agreement, of all Contracts pursuant to which any of the Companies or the Company Subsidiary may purchase or lease aircraft, including the manufacturer and model of all aircraft subject to each such Contract, other than leases that are solely between or among the Companies and/or the Company Subsidiary (the “Aircraft Acquisition Contracts”). Sellers have made available to Purchaser true and complete copies of all such Aircraft Acquisition Contracts, including all amendments thereto.

(d) Each Aircraft has a validly issued, current individual aircraft FAA Certificate of Airworthiness with respect to such Aircraft which satisfies all requirements for the effectiveness of such FAA Certificate of Airworthiness.

(e) Except for maintenance items due in the Ordinary Course of Business and for maintenance items deferred in the Ordinary Course of Business, the structure, systems and components (including the airframes, engines, landing gear, auxiliary power units and major time/cycle limited components) of each Aircraft listed as Airworthy in Schedule 6.26 are functioning in accordance with their intended use as set forth in documentation approved by the FAA or under other applicable Law, including any applicable manuals, technical standard orders or parts manufacturing approval certificates. The Companies and the Company Subsidiary maintain all maintenance, technical and other business records relating to the Aircraft, or cause the same to be
maintained, in accordance with applicable Law, including all requirements of the FAA to the extent applicable.

(f) All deferred maintenance items and temporary repairs with respect to each Aircraft have been or will be made materially in accordance with the maintenance program of the aircraft operator, which maintenance program is approved by the FAA or otherwise under applicable Law.

(g) Except as set forth in Schedule 6.26, each Aircraft is properly registered on the FAA aircraft registry and the International Registry of Mobile Assets.

(h) None of the Companies or the Company Subsidiary is a party to any interchange or pooling agreements with respect to the Aircraft or their engines, auxiliary power units or other equipment.

(i) Except as set forth in Schedule 6.26, no Aircraft is leased to, subleased to or otherwise in the operational control of another air carrier or another Person other than one of the Companies or the Company Subsidiary, to operate such Aircraft in air transportation or otherwise (excluding, for the avoidance of doubt, any ACMI wet lease).

ARTICLE VII

PRE-CLOSING COVENANTS

7.1 Access to Certain Parties. Neither Purchaser, nor any of its Affiliates nor any of their respective Representatives shall contact any supplier to, customer of, or employee or manager, as applicable, of, any of the Companies or the Company Subsidiary in connection with or pertaining to any subject matter of this Agreement without the prior consent of the Sellers’ Representative, which consent shall not be unreasonably withheld. Sellers agree to cooperate and coordinate communication among Purchaser, the Companies and representatives of the key customers of the Companies and the Company Subsidiary identified in Schedule 7.1 (the “Key Customers”) prior to the Closing so that Purchaser can confirm that no Key Customer intends to terminate or materially change the terms of or reduce its business relations with the Companies and the Company Subsidiary following the Closing.

7.2 Pre-Closing Activities. Except as otherwise permitted or required by this Agreement or as set forth on Schedule 7.2, prior to the Closing Date, Sellers shall cause the Companies and the Company Subsidiary not to take any of the following actions, without Purchaser’s consent, such consent not to be unreasonably withheld or delayed:

(a) issue or grant any equity securities or any subscriptions, warrants, options or other agreements or rights of any kind whatsoever to purchase or otherwise receive or be issued any equity securities or any securities or obligations of any kind convertible into, or exercisable or exchangeable for, any equity securities of a Company or the Company Subsidiary;

(b) effect any recapitalization, reclassification or like change in the capitalization of any of the Companies or the Company Subsidiary;
(c) amend the Organizational Documents of any of the Companies or the Company Subsidiary;

(d) enter into, modify or amend any Material Contract other than in the Ordinary Course of Business, notice of which shall be provided to Purchaser;

(e) (i) grant any bonuses to or increase the base wage or salary payable to, or any other components of compensation and employee benefits of, any officer, manager and/or employee of the Companies or the Company Subsidiary, other than grants or increases in the Ordinary Course of Business, (ii) except for amounts included in Company Transaction Expenses, grant or agree to provide any retention, severance or termination pay to, or enter into, modify or amend any offer letter, employment, bonus, change of control, severance or consulting agreement with any officer, manager and/or employee of the Companies or the Company Subsidiary;

(f) enter into, modify or amend (including any increase in benefits) any deferred compensation, bonus or other incentive compensation, profit sharing, equity purchase or award, pension, retirement, medical, hospitalization, life or other insurance or other employee benefit plan for the benefit of any officer, manager and/or employee of the Companies or the Company Subsidiary;

(g) subject any of the properties or assets (whether tangible or intangible) of any of the Companies or the Company Subsidiary to any Lien other than Permitted Liens;

(h) acquire any properties or assets or sell, assign, transfer, convey, lease or otherwise dispose of any of the properties or assets of the Companies or the Company Subsidiary except (i) in the Ordinary Course of Business or (ii) transactions less than or equal to $650,000 for any individual transaction or $1,250,000 for all transactions in the aggregate;

(i) enter into any commitment for capital expenditures of any of the Companies or the Company Subsidiary in excess of $650,000 for any individual commitment or $3,000,000 for all commitments in the aggregate;

(j) enter into any contract or commitment which materially restricts the ability of any of the Companies or the Company Subsidiary to compete with, or conduct, any business or line of business in any geographic area;

(k) waive or consent to any extension of any limitation or assessment period or statute of limitations with respect to the assessment or collection of Taxes;

(l) make, change or rescind any Tax election, amend any Return or take any position on any Return, take any action, omit to take any action or enter into any other transaction that, in each case, would have the effect of materially increasing the Tax liability of Purchaser in respect of any Post-Closing Tax Period;
(m) enter into, modify or terminate any organized labor agreement or collective bargaining agreement or, through negotiations or otherwise, make any commitment or incur any Liability to any labor organization;

(n) issue additional letters of credit outside of the Ordinary Course of Business;

or

(o) agree to do any of the foregoing.

Notwithstanding the foregoing, nothing in this Section 7.2 shall require Sellers to prohibit any of the Companies or the Company Subsidiary from taking any action or omitting to take any action required by this Agreement or any other contract or agreement to which a Company or the Company Subsidiary is a party or otherwise approved in writing by Purchaser, which approval will not be unreasonably withheld. It is understood and agreed that (x) Sellers shall cause the transfer or sweep of Cash at any time immediately prior to the Closing, with the intention that the Closing Cash be as close to zero as reasonably practicable as of immediately prior to the Closing and (y) Sellers shall be permitted to repay or terminate any Indebtedness of any of the Companies or the Company Subsidiary owed to any of the Companies or the Company Subsidiary.

7.3 Efforts to Consummate; Authorizations and Other Third Party Consents. Purchaser and each Seller shall use commercially reasonable efforts to take, or cause to be taken, all lawful and reasonable actions within such party’s control and to do, or cause to be done, all lawful and reasonable things within such party’s control necessary to fulfill the conditions precedent to the obligations of the other party hereunder and to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing. Without limiting the generality of the foregoing: (a) Sellers shall cause the Companies and the Company Subsidiary to use commercially reasonable efforts to obtain those third party consents set forth on Schedules 6.4 and 6.12, and (b) Sellers shall, and shall cause the Companies and the Company Subsidiary to, give any notices to, make any filings with, and use commercially reasonable efforts to obtain the Required Consents including the DOT Conditional Approvals (which, for the avoidance of doubt, shall include the filing with DOT of applications under 49 U.S.C §§ 40109 and 41105, and the submission to DOT of any required fitness and U.S. citizenship-related information under 49 U.S.C. §§ 40102(a)(15) and 41110(e)(1)). If required by the HSR Act and if the appropriate filing pursuant to the HSR Act has not been filed prior to the date hereof, each party hereto agrees to cause an appropriate filing pursuant to the HSR Act to be made with respect to the transactions contemplated by this Agreement within 20 Business Days after the date hereof and to supply as promptly as practicable to the appropriate Authority any additional information and documentary material that may be requested pursuant to the HSR Act. Purchaser agrees to use commercially reasonable efforts to seek to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation Law that may be asserted by any Authority or any other party so as to enable the parties hereto to close the transactions contemplated by this Agreement as promptly as possible. Each of Purchaser and each Seller shall pay such party’s own legal fees and expenses incurred in connection with the filing of its HSR Act report. Purchaser shall also pay one-half of all filing fees incurred in connection with the filing of the HSR Act reports caused to be filed by Purchaser and the Companies hereunder, with the
remaining amount of such filing fees to be paid by Sellers. Nothing in this Agreement shall be construed as an attempt or an agreement by Sellers to cause any of the Companies or the Company Subsidiary to assign or cause the assignment of any contract or agreement which is by Law non-assignable without the consent of the other party or parties thereto, unless such consent shall have been given. In no event shall “commercially reasonable efforts” be deemed to require the payment of any cash or other consideration by Purchaser or any Affiliate of Purchaser, any of the Companies, the Company Subsidiary or any Seller or to require that Purchaser or any Affiliate of Purchaser sell, divest or dispose of any of its assets, properties or businesses or any of the assets, properties or businesses to be acquired by it pursuant to this Agreement, agree to any consent decree or Order or defend any Legal Proceeding in which any Authority seeks an injunction, temporary restraining order or other Order.

7.4 Confidentiality. Unless and until the transactions contemplated hereby have been consummated, Purchaser shall, and shall ensure that its Representatives and other agents shall, hold in strict confidence and not use in any way except in connection with the consummation of the transactions contemplated hereby, all confidential information obtained in connection with the transactions contemplated hereby from the Companies, the Company Subsidiary or any Seller or any of their respective Representatives, in accordance with and subject to the terms of the Confidentiality Agreement. The covenants contained in this Section 7.4 are independent covenants and shall be enforceable by each disclosing party regardless of any claims which any non-disclosing party shall have against the disclosing party or any of such disclosing party’s Affiliates, whether under this Agreement or otherwise. For avoidance of doubt, nothing contained in this Section 7.4 is intended to prevent any party from making any disclosures required by applicable Law, including the Securities Exchange Act.

ARTICLE VIII

CONDITIONS TO CLOSING

8.1 Conditions to Obligations of all Parties. The obligation of each party hereto to consummate the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of each and every one of the following conditions precedent:

(a) Purchaser and Sellers shall have caused all necessary filings pursuant to the HSR Act to be made, and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(b) There shall not be in force any order, judgment, injunction, stipulation, award or decree by or before any Authority of competent jurisdiction restraining, enjoining, prohibiting, invalidating or otherwise preventing the consummation of the transactions contemplated hereby, and no action, suit, claim or proceeding shall have been instituted or threatened or claim or demand made against any of Sellers, any of the Companies, the Company Subsidiary or Purchaser seeking any of the foregoing.

(c) Sellers shall have received the Required Consents including the DOT Conditional Approvals, and Purchaser shall have received all consents, authorizations, orders and approvals from the Authorities referred to in Section 4.4 (including Schedule 4.4), in each case in form and substance reasonably satisfactory to Purchaser.
and Sellers, and no such consent, authorization, order or approval shall have been revoked.

8.2 **Conditions to Obligations of Purchaser.** The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of each and every one of the following conditions precedent, any or all of which may be waived by Purchaser:

(a) The representations and warranties of Sellers set forth in Articles V and VI shall be true and correct on and as of the date of this Agreement and as of the Closing Date with the same force and effect as though made on and as of the Closing Date (giving effect to any “Knowledge” qualifiers and dollar thresholds, but without regard to any “materiality” or “Material Adverse Effect” qualifications therein), except to the extent that any representation and warranty is limited by its terms to a specific date or range of dates (in which case such representation and warranty need only be true and correct on or as of the date or during the range of dates so specified), except where the failure of such representations and warranties, individually and in the aggregate, to be true and correct would not have a Material Adverse Effect.

(b) Sellers shall have performed and complied in all material respects with all of the agreements and covenants required under this Agreement to be performed or complied with by them prior to or at the Closing.

(c) Since the date of this Agreement, no Material Adverse Effect shall have occurred and be continuing.

(d) Sellers shall have delivered to Purchaser a certificate, executed by the Sellers’ Representative in his capacity as such, certifying that the conditions specified in Sections 8.2(a), 8.2(b) and Section 8.2(c) have been fulfilled.

(e) The relevant parties to each of the Transaction Documents (other than Purchaser and any of its Affiliates) shall have entered into such Transaction Documents and (but for execution and/or delivery of such Transaction Documents by Purchaser or any of its Affiliates), such Transaction Documents shall be in full force and effect.

(f) Sellers shall have delivered to Purchaser, free and clear of any Lien, duly executed assignments of the Equity Interests.

(g) Sellers shall have delivered to Purchaser all other closing items to be delivered by Sellers under Article III.

(h) Each employee of a Company or the Company Subsidiary that is a party to an indemnification agreement with a Company or the Company Subsidiary shall (i) enter into the standard corporate indemnification agreement currently used by Purchaser for its officers, the form of which has been furnished to the Sellers’ Representative, and (ii) agree to terminate and release the indemnification agreement to which such individual is currently a party.
8.3 **Conditions to Obligations of Sellers.** The obligations of Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of each and every one of the following conditions precedent, any or all of which may be waived by the Sellers’ Representative:

(a) The representations and warranties of Purchaser set forth in Article IV shall be true and correct on and as of the date of this Agreement and as of the Closing Date with the same force and effect as though made on and as of the Closing Date (giving effect to any “Knowledge” qualifiers and dollar thresholds, but without regard to any “materiality” or “Material Adverse Effect” qualifications therein), except to the extent that any representation and warranty is limited by its terms to a specific date or range of dates (in which case such representation and warranty need only be true and correct on or as of the date or during the range of dates so specified), except where the failure of such representations and warranties, in the aggregate, to be true and correct would not have a material adverse effect on Purchaser’s ability to timely consummate the transactions contemplated in this Agreement.

(b) Purchaser shall have performed and complied in all material respects with all of the agreements and covenants required under this Agreement to be performed or complied with by it prior to or at the Closing.

(c) Purchaser shall have delivered to Sellers a certificate, executed by a duly authorized officer of Purchaser in his or her capacity as such, certifying that the conditions specified in Sections 8.3(a) and 8.3(b) have been fulfilled.

(d) The relevant parties to each of the Transaction Documents (other than Sellers and any of their Affiliates) shall have entered into such Transaction Documents and (but for execution and/or delivery of such Transaction Documents by Sellers or any of their Affiliates), such Transaction Documents shall be in full force and effect.

(e) Purchaser shall have made (or caused to be made) the payments required to be made on the Closing Date pursuant to Article III.

(f) Purchaser shall have delivered to Sellers all other closing items to be delivered by Purchaser under Article III.

**ARTICLE IX**

**ADDITIONAL AGREEMENTS**

9.1 **Further Assurances.** The parties hereto shall take such actions and deliver any and all other instruments and documents required to be delivered pursuant to, or necessary or proper in order to give effect to, all of the terms and provisions of this Agreement.

9.2 **Publicity.** Except as set forth below in this Section 9.2, no public release or announcement concerning this Agreement or the transactions contemplated hereby shall be made without advance written approval thereof from Purchaser and the Sellers’ Representative (which, after the Closing, shall not be unreasonably withheld). Purchaser and the Sellers’ Representative shall cooperate in issuing any press release or other public announcement concerning this
Agreement or the transactions contemplated hereby. Purchaser and the Sellers’ Representative shall each furnish to the other drafts of all such press releases or announcements prior to their release. Nothing contained in this Section 9.2 shall prevent (a) any party hereto from at any time furnishing any information to any Authority or from making any disclosures required under applicable Law, including the Securities Exchange Act, or under the rules and regulations of any national securities exchange on which such party’s equity securities, or the equity securities of such party’s ultimate parent entity, are listed; (b) subject to Section 7.5, any party hereto from furnishing any information concerning the transactions contemplated hereby to such party’s equity owners, Affiliates or other Representatives who have a need to know such information; (c) Sellers and/or the Sellers’ Representative from communicating with other potential acquirers of the Companies that a definitive agreement has been entered into so long as the identity of Purchaser and specific terms of this Agreement are not disclosed; or (d) Sellers and/or the Sellers’ Representative or Purchaser from communicating with Persons from whom consent or approval is required for the transactions contemplated by this Agreement to be completed so long as the specific terms of this Agreement are not disclosed. For the avoidance of doubt, the parties anticipate submitting publicly available applications to DOT to obtain the DOT Conditional Approvals, and the filing of such public applications shall not be deemed a breach of this Section 9.2.

9.3 Business Records. Purchaser acknowledges that the business records of the Companies and the Company Subsidiary relating to their respective operations prior to Closing will be acquired by Purchaser in connection with the consummation of the transactions contemplated hereby, and that Sellers may from time to time require access to or copies of such records. Purchaser agrees that, upon reasonable prior notice from the Sellers’ Representative, it shall, during normal business hours, provide or cause to be provided to Sellers access to or copies of such records. Purchaser agrees that it shall not (and shall cause each of its Affiliates, including the Companies and the Company Subsidiary, not to), within six years after the Closing Date, destroy any material business records of the Companies or the Company Subsidiary prepared prior to the Closing and, in any event, shall not destroy any material business records without first notifying the Sellers’ Representative and affording the Sellers’ Representative at least 90 days to remove or copy such records. Sellers shall deliver to Purchaser a compact disc that contains in electronic format all of the data that was included in the Intralinks, Inc. data room.

9.4 Investigation; No Reliance by Purchaser.

(a) Purchaser acknowledges that (i) it and its Representatives have undertaken an independent investigation, examination, analysis and verification of the Companies and the Company Subsidiary and the business, assets, operations, financial condition and prospects of the Companies and the Company Subsidiary, including Purchaser’s own estimate of the value of the business of the Companies and the Company Subsidiary; (ii) it has received and had an opportunity to review all requested information regarding the business and the assets, liabilities, financial condition, cash flow and operations of the Companies and the Company Subsidiary; (iii) all materials and information requested by Purchaser have been provided to Purchaser to Purchaser’s reasonable satisfaction; and (iv) it has undertaken such due diligence (including a review of the assets, liabilities, books, records and contracts of the Companies and the Company Subsidiary) as
Purchaser deems adequate, including that described above. In connection with such investigation, Purchaser and its Representatives have received from or on behalf of Sellers and/or the Companies and the Company Subsidiary certain estimates, budgets, forecasts, plans and financial projections (collectively, “Forward-Looking Statements”). Purchaser acknowledges that (x) there are uncertainties inherent in making Forward-Looking Statements, (y) it is familiar with such uncertainties, and (z) it is taking full responsibility for making its own evaluation of the adequacy and accuracy of all Forward-Looking Statements so furnished to it and its Representatives (including the reasonableness of the assumptions underlying Forward-Looking Statements where such assumptions are explicitly disclosed). None of Sellers, the Companies, the Company Subsidiary nor any other Person is making any representation or warranty with respect to, or will have or be subject to any liability to Purchaser, or any other Person resulting from, the delivery to Purchaser, or its use of, Forward-Looking Statements.

(a) In connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, Purchaser has not relied upon, and Purchaser expressly waives and releases Sellers from any liability for any claims (including claims based upon fraudulent inducement) relating to or arising from, any representation, warranty, statement, advice, document, projection or other information of any type provided by Sellers, the Companies, the Company Subsidiary or their Affiliates or any of their Representatives, except for those representations and warranties of Sellers expressly set forth in Articles V and VI.

9.5 Exculpation and Indemnification of Managers and Officers. For a period of six years after the Closing Date, Purchaser shall not permit any of the Companies or the Company Subsidiary to amend, repeal or modify any provision in its Organizational Documents relating to exculpation or indemnification of former officers and managers, as applicable, holding office prior to the Closing Date (unless required by Law), it being the intent of the parties hereto that the officers and managers of each of the Companies and the Company Subsidiary prior to the Closing shall continue to be entitled to such exculpation and indemnification to the extent permitted under such Organizational Documents. In the event any of the Companies or the Company Subsidiary (i) consolidates or merges into any other Person and shall not be the continuing or surviving entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each such case, Purchaser shall ensure that the successors and assigns thereof assume the obligations set forth in the preceding sentence. On or prior to the Closing Date, the Companies and the Company Subsidiary shall obtain, at Purchaser’s expense, six-year insurance coverage for each Person who is now, or has been at any time prior to the Closing, an officer, director or manager of any of the Companies or the Company Subsidiary, which coverage will contain terms and conditions that are at least as favorable as the existing policies in effect as of the Closing, in each case with respect to claims arising out of or relating to events which occurred on or prior to the Closing Date (including in connection with the transactions contemplated by this Agreement).

9.6 Limitation of Representations and Warranties. Except for the representations and warranties expressly set forth in Articles V and VI, Sellers are not making and shall not be deemed to have made any other representations or warranties, written or oral, statutory, express or implied, concerning the Equity Interests, the Companies, the Company Subsidiary or the
businesses, assets or liabilities of the Companies and the Company Subsidiary. PURCHASER ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLERS HAVE NOT MADE, AND SELLERS HEREBY EXPRESSLY DISCLAIM AND NEGATE, AND PURCHASER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO, AND PURCHASER HEREBY EXPRESSLY WAIVES AND RELINQUISHES, OTHER THAN IN THE CASE OF FRAUD, ANY AND ALL RIGHTS, CLAIMS AND CAUSES OF ACTION AGAINST, THE COMPANIES, THE COMPANY SUBSIDIARY, SELLERS AND THEIR REPRESENTATIVES IN CONNECTION WITH, THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) OR DOCUMENTS FURNISHED OR MADE AVAILABLE TO PURCHASER AND ITS REPRESENTATIVES BY OR ON BEHALF OF THE COMPANIES, THE COMPANY SUBSIDIARY OR SELLERS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NONE OF SELLERS, THE COMPANIES NOR THE COMPANY SUBSIDIARY IS MAKING ANY REPRESENTATION OR WARRANTY TO PURCHASER WITH RESPECT TO ANY FORWARD-LOOKING STATEMENTS OR THE INFORMATION SET FORTH IN ANY SUMMARY, TEASER, CONFIDENTIAL INFORMATION MEMORANDUM OR MANAGEMENT PRESENTATION DELIVERED TO PURCHASER OR ITS REPRESENTATIVES.

9.7 **Plant Closings and Mass Layoffs.** Purchaser shall not, and shall cause the Companies and the Company Subsidiary not to, take any action following the Closing that could result in liability to Sellers under the Worker Adjustment and Retraining Notification Act, as amended, without complying with such Act.

9.8 **Company Intellectual Property.** All links between any domain names of any of Sellers or any of their Affiliates and any domain names of the Companies or the Company Subsidiary shall be removed promptly after the Closing. After the Closing, Sellers and Purchaser shall cooperate in taking all actions necessary to complete these actions. To the extent that Sellers or any of their Affiliates control or possess any websites or other property of the Companies or the Company Subsidiary, Sellers shall, promptly after Closing, cause the control or possession of such websites or other property to be provided to Purchaser.

9.9 **Employees; Benefit Plans.**

(a) During the period commencing at the Closing and ending on the date which is 12 months after the Closing Date (or if earlier, the date of the employee’s termination of employment with Omni), Purchaser shall provide (or shall cause Omni to provide), each employee who is employed by Omni at the Closing (“Continuing Employee”) with: (i) base salary or hourly wages which are no less than the base salary or hourly wages provided by Omni immediately prior to the Closing; (ii) target bonus opportunities (excluding equity-based compensation), if any, which are no less than the target bonus opportunities (excluding equity-based compensation) provided by Omni immediately prior to the Closing; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by Omni immediately prior to the Closing;
and (iv) severance benefits that are no less favorable than the practice, plan or policy in effect for such Continuing Employee immediately prior to the Closing.

(b) With respect to any employee benefit plan maintained by Purchaser or its Affiliates (collectively, “Purchaser Benefit Plans”) in which any Continuing Employees will participate effective as of or after the Closing, Purchaser shall recognize (or shall cause the respective Companies, the Company Subsidiary or their Affiliate to recognize, as applicable), all service of the Continuing Employees with Omni as if such service were with Purchaser, for vesting and eligibility purposes in any Purchaser Benefit Plan in which such Continuing Employees may be eligible to participate after the Closing Date; provided, however, such service shall not be recognized to the extent that (x) such recognition would result in a duplication of benefits or (y) such service was not recognized under the corresponding Benefit Plan.

(c) Purchaser shall assume responsibility for providing, or causing to be provided, COBRA notice and coverage to any M&A qualified beneficiaries (within the meaning of Treas. Reg. Section 54.980B-9, Q/A-4) who experience a qualifying event as of or after the Closing. Purchaser shall assume responsibility for providing, or causing to be provided, any remaining period of COBRA coverage for any qualified beneficiaries who experienced a qualifying event prior to the Closing and who were formerly employed by Omni.

(d) Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement.

9.10 Intercompany Payables or Receivables. Sellers shall cause any outstanding payables or receivables of any of the Companies or the Company Subsidiary, to or from any Seller, any Affiliate of any Seller (including Omni Air International Holdings, Inc.), or any officer, director, manager, trustee or equity owner of any Seller, to be settled in full prior to the Closing.

ARTICLE X

REMEDIES FOR BREACH OF THIS AGREEMENT

10.1 Survival. Notwithstanding any right of Purchaser (whether or not exercised) to investigate the affairs of the Companies and the Company Subsidiary or any right of any other party (whether or not exercised) to investigate the accuracy of the representations and warranties of the other party contained in this Agreement, Sellers, on the one hand, and Purchaser, on the other hand, have the right to rely fully upon the representations, warranties, covenants and agreements of the other contained in this Agreement. The representations, warranties, covenants and agreements of Sellers, on the one hand, and Purchaser, on the other hand, contained in this Agreement will survive the Closing, but only to the extent specified below:

(a) indefinitely with respect to the representations and warranties contained in Sections 4.1 (Organization; Standing; Citizenship), 4.2 (Authority; Authorization; Enforceability), Sections 5.1 (Execution and Delivery; Valid and Binding Agreements), 5.2 (Authority; Organization), 5.5 (Ownership of the Equity Interests), 6.1

51
(Organization; Standing; Citizenship), 6.7 (Capitalization of the Companies and the Company Subsidiary), and 6.8 (Rights; Warrants or Options);

(b) until 90 days after the expiration of all applicable statutes of limitation (including all periods of extension, whether automatic or permissive) with respect to the representations and warranties set forth in Section 6.19 (Tax Matters) and the provisions of Article XI;

(c) with respect to the representations and warranties set forth in Section 6.20 (Environmental, Health and Safety Matters), until the third anniversary of the Closing Date;

(d) with respect to all other representations and warranties in this Agreement, until 14 months after the Closing Date; and

(e) with respect to each other covenant or agreement contained in this Agreement that contemplates performance after the Closing Date, such covenant or agreement will survive in accordance with its respective terms, it being understood that if any such covenant or agreement is not by its terms expressly limited in time or duration, such covenant or agreement shall survive the Closing until it has been performed or satisfied. Notwithstanding anything contained in this Agreement to the contrary, if, at or prior to close of business on the last day a claim for indemnification may be asserted by either a Purchaser Indemnitee or a Seller Indemnitee under this Article X, an Indemnifying Party has been notified in writing of a claim for indemnification in accordance with the terms of this Article X and such claim has not been finally resolved or disposed of as of such date, such claim for indemnification shall continue to survive such expiration date and shall remain a basis for indemnification hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

10.2 Indemnification.

(a) By Sellers. Subject to the terms and conditions set forth herein, from and after the Closing, Sellers (on a several, and not on a joint and several basis, based upon such Sellers’ Allocable Portions set forth on the Sellers’ Schedule) shall indemnify and hold harmless the Purchaser Indemnitees from and against any Damages which any such Purchaser Indemnitee shall suffer, sustain or become subject to, as a result of (i) the breach by Sellers of any of the representations and warranties made by Sellers in Article VI or (ii) the breach by Sellers of any of their covenants or agreements contained in this Agreement or any other Transaction Document.

(b) By Individual Sellers. Subject to the terms and conditions set forth herein, from and after the Closing, each Seller shall indemnify and hold harmless the Purchaser Indemnitees from and against any Damages which any such Purchaser Indemnitee shall suffer, sustain or become subject to, as a result of the breach by such Seller of any of the individual representations and warranties made by such Seller in Article V.

(c) By Purchaser. Subject to the terms and conditions set forth herein, from and after the Closing, Purchaser shall indemnify and hold harmless the Seller
Indemnifying Indemnitees from and against any Damages which any such Seller Indemnitee shall suffer, sustain or become subject to, as a result of (i) the breach by Purchaser of any of the representations and warranties made by Purchaser in Article IV or (ii) the breach by Purchaser of any of its covenants or agreements contained in this Agreement.

(d) Additional Indemnification by Sellers. Notwithstanding anything to the contrary contained in this Agreement, Sellers shall indemnify the Purchaser Indemnitees in respect of, and hold each of them harmless from and against any and all Damages suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from or arising out of: (A) Closing Cash, to the extent that such amount has been applied to increase the Aggregate Purchase Price pursuant to Article III, but the requisite amount of cash was not delivered in the Companies’ and the Company Subsidiary’s accounts at the Closing; (B) all Company Transaction Expenses, to the extent that such expenses have not been applied to reduce the Aggregate Purchase Price pursuant to Article III; (C) all Closing Indebtedness, to the extent that such Closing Indebtedness has not been applied to reduce the Aggregate Purchase Price pursuant to Article III; and (D) all Closing Bonus Payments, to the extent that such payments and expenses have not been applied to reduce the Aggregate Purchase Price pursuant to Article III.

(e) Determination of Breach and Damages. Notwithstanding anything contained in clause (i) of Section 10.2(a) or Section 10.2(b) to the contrary, for purposes of (i) determining whether any breach of a representation and warranty under clause (i) of Section 10.2(a) or Section 10.2(b) has occurred and (ii) determining the amount of Damages arising from such breach, such determinations shall be made without reference to or giving effect to any terms, “material”, “materiality,” “Material Adverse Effect” or other similar qualifications thresholds contained in such representation or warranty.

10.3 Third Party Claims.

(a) If any Purchaser Indemnitee desires to make a claim against any Seller, or any Seller Indemnitee desires to make a claim against Purchaser (such Purchaser Indemnitee or Seller Indemnitee, an “Indemnified Person”), under Section 10.2 in connection with any Legal Proceeding, demand or claim at any time instituted against or made upon such Indemnified Person by any third party for which such Indemnified Person may seek indemnification hereunder (a “Third Party Claim”), whether or not subject to the Aggregate Deductible, such Indemnified Person shall promptly notify in writing, in the case of a claim under Section 10.2(a), 10.2(b) or 10.2(d), the Sellers’ Representative on behalf of the relevant Seller, or, in the case of a claim under Section 10.2(c), Purchaser (in each case, an “Indemnifying Party”), of such Third Party Claim and of the Indemnified Person’s claim of indemnification with respect thereto; provided, however, that the failure to so notify or delay in notification shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent that the Indemnifying Party is prejudiced by such failure or delay. The Indemnifying Party shall have 30 days after receipt of such notice to notify such Indemnified Person if the applicable Indemnifying Party has elected to assume the defense of such Third Party Claim. If the applicable Indemnifying Party elects to assume the defense of such Third
Party Claim, such Indemnifying Party shall be entitled at its own expense to conduct and control the defense and settlement of such Third Party Claim through counsel of its own choosing (reasonably acceptable to the applicable Indemnified Person) on behalf of the applicable Indemnified Person. If the Indemnifying Party fails to notify the Indemnified Person within 30 days after receipt of notice from the Indemnified Person of a Third Party Claim that the applicable Indemnifying Party has elected to assume the defense of such Third Party Claim, the Indemnified Person shall be entitled to assume the defense of such Third Party Claim at the expense of the applicable Indemnifying Party through counsel reasonably acceptable to the Indemnifying Party; provided, however, that neither the Indemnified Person nor the Indemnifying Party may compromise or settle any Third Party Claim except as provided in Section 10.3(b).

(b) Any compromise, settlement or offer of settlement of any Third Party Claim of which the applicable Indemnifying Party has elected to assume the defense shall require the prior written consent of the Indemnified Person, which consent shall not be unreasonably withheld or delayed. Unless such consent is obtained, the applicable Indemnifying Party shall continue the defense of such claim; provided, however, that, if any Indemnified Person refuses its consent to a bona fide offer of settlement that the applicable Indemnifying Party wishes to accept and that involves no payment of money by such Indemnified Person, and further involves no material limitation on the future operation of the business of the Companies or the Company Subsidiary (taken as a whole), and that releases such Indemnified Person from all liability in connection with such claim, the applicable Indemnifying Party may reassign the defense of such claim to such Indemnified Person, who may then continue to pursue the defense of such matter, free of any participation by the Indemnifying Party, at the sole cost and expense of such Indemnified Person. In such event, the obligation of the applicable Indemnifying Party with respect thereto shall not exceed the lesser of (i) the amount of the offer of settlement that such Indemnified Person refused to accept or (ii) the aggregate Damages of the Indemnified Person with respect to such claim, including the costs of defense after reassignment of the defense of such claim to the Indemnified Person. Any compromise, settlement or offer of settlement of any Third Party Claim of which the applicable Indemnifying Party has not elected to assume the defense or has reassigned the defense to the Indemnified Person shall require the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. So long as the Indemnifying Party is conducting the defense of any Third Party Claim in accordance with the terms hereof, the Indemnified Person agrees that the Indemnifying Party shall have full and complete control over the conduct of such proceeding. So long as the Indemnified Person is conducting the defense of any Third Party Claim in accordance with the terms hereof, the Indemnifying Party agrees that the Indemnified Person shall have full and complete control over the conduct of such proceeding; provided, however, that the Indemnifying Party will have the right to participate in such defense and to employ counsel at its own expense. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any Third Party Claim, including the Indemnified Person providing the Indemnifying Party with access to the Indemnified Person’s records and personnel relating to any Third Party Claim during reasonable hours under the circumstances.
(c) If the Indemnifying Party makes any payment on any Third Party Claim, the Indemnifying Party shall be subrogated, to the extent of such payment, to all rights and remedies of the Indemnified Person to any insurance benefits with respect to such Third Party Claim.

10.4 **Limitations on Indemnification.**

(a) **Deductible.** Subject to the other limitations of this Section 10.4:

(i) No claim for indemnification under clause (i) of Section 10.2(a) or Section 10.2(b) shall be made by any Purchaser Indemnitee with respect to any breach resulting in an individual item of Damages, or related items of Damages arising out of substantially similar facts and circumstances, unless and until the amount of such Damages suffered by any one or more of the Companies and the Company Subsidiary and/or any other Purchaser Indemnitee exceeds $25,000, in which case the Purchaser Indemnitee shall be entitled to seek recovery for all such Damages in accordance with the terms of this Agreement; provided that the provisions of this Section 10.4(a)(i) shall not apply to a breach of a representation or warranty contained in Sections 5.1 (Execution and Delivery; Valid and Binding Agreements), 5.2 (Authority; Organization), 5.5 (Ownership of the Equity Interests), 6.1 (Organization; Standing; Citizenship), 6.7 (Capitalization of the Companies and the Company Subsidiary), 6.8 (Rights; Warrants or Options) and 6.19 (Tax Matters).

(ii) No claim for indemnification under clause (i) of Section 10.2(a) or Section 10.2(b) shall be made by any Purchaser Indemnitee unless and until the aggregate amount of all Damages for which Purchaser Indemnitees are otherwise entitled to indemnification under this Article X exceeds $3,000,000 (the “Aggregate Deductible”), and then only to the extent the aggregate amount of such Damages exceeds the Aggregate Deductible; provided, however, that the provisions of this Section 10.4(a)(ii) shall not apply to a breach of a representation or warranty contained in Sections 5.1 (Execution and Delivery; Valid and Binding Agreements), 5.2 (Authority; Organization), 5.5 (Ownership of the Equity Interests), 6.1 (Organization; Standing; Citizenship), 6.7 (Capitalization of the Companies and the Company Subsidiary), 6.8 (Rights; Warrants or Options) and 6.19 (Tax Matters).

(b) **Cap.** Subject to the other limitations of this Section 10.4, the aggregate amount of all Damages payable to all Purchaser Indemnitees with respect to all claims for indemnification under clause (i) of Section 10.2(a) or Section 10.2(b) shall not exceed an amount equal to $15,000,000 (the “Cap”). Any obligation owed by Sellers to a Purchaser Indemnitee shall be paid solely from the Indemnification Escrow (so long as the Indemnification Escrow is in effect and has sufficient funds to satisfy the applicable claim), and the Sellers’ Representative shall direct the Escrow Agent to pay the amount of any such obligation from the Indemnification Escrow in accordance with Sellers’ respective Allocable Portions, the terms of this Agreement and the Escrow Agreement. Notwithstanding the foregoing, the Cap does not apply to a breach of a representation or
warranty contained in Sections 5.1 (Execution and Delivery; Valid and Binding Agreements), 5.2 (Authority; Organization), 5.5 (Ownership of the Equity Interests), 6.1 (Organization; Standing; Citizenship), 6.7 (Capitalization of the Companies and the Company Subsidiary), 6.8 (Rights; Warrants or Options) and 6.19 (Tax Matters).

(c) Notwithstanding anything in this Agreement to the contrary, the aggregate amount of the Sellers’ indemnity obligations to the Purchaser Indemnities shall not exceed the amount of the Aggregate Purchase Price.

(d) Time Limit. No Person shall be liable for any claim for indemnification hereunder, whether or not as a result of a Third Party Claim, unless written notice of a claim for indemnification is delivered by the Person seeking indemnification to the Person from whom indemnification is sought with respect to any such breach before the applicable Survival Date (in which case such indemnification obligation shall survive the time at which it would otherwise terminate pursuant to this Article X regardless of when any Damages in respect thereof may actually be incurred). All notices given pursuant hereto shall set forth with reasonable specificity the basis for such claim for indemnification.

(e) Closing Net Working Capital; Reserves. Notwithstanding any provision of this Agreement to the contrary, Purchaser Indemnitees shall not be entitled to indemnification hereunder for any Damages as a result of any representation or warranty made by Sellers under Article V and Article VI or the breach by Sellers of any of their covenants or agreements contained in this Agreement, and the amount of any Damages shall not be included in the calculation of aggregate Damages subject to the Aggregate Deductible, to the extent that the amount of any Damages as a result of such breach is taken into account on a dollar-for-dollar basis as a current liability, reserved or accrued, or otherwise accounted for, in determining the Closing Net Working Capital, or otherwise taken into account on a dollar-for-dollar basis in the calculation of the Aggregate Purchase Price (as finally determined pursuant to Section 3.4).

(f) Insurance and Tax Benefits; Other Indemnification. The amount of any Damages subject to indemnification hereunder shall be calculated net of any amounts actually received by Purchaser, the Companies or the Company Subsidiary under insurance policies or other collateral sources (such as contractual indemnities or contributions of any Person which are contained outside this Agreement), less any cost associated with receiving such amounts and any related increase in insurance premiums, and the parties hereto agree to use reasonable efforts to obtain such recoveries. In addition, the amount of any Damages subject to indemnification hereunder shall be net of any Tax benefit that is actually recognized by Purchaser, the Companies or the Company Subsidiary with respect to such Damages, either for the taxable year in which such Damages were incurred or for the immediately succeeding taxable year. The net Tax benefit that is actually recognized by such Person for a taxable year shall be the excess, if any, of (i) such Person’s cumulative liability for Taxes through the end of such taxable year, calculated by excluding any Tax items attributable to the payment at issue for all taxable years, over (ii) such Person’s actual cumulative liability for Taxes through the
end of such taxable year, calculated by taking into account any Tax items attributable to the payment at issue for all taxable years (to the extent permitted by relevant Tax Law). For the avoidance of doubt, the result of the foregoing is to treat such Tax items as the last items claimed for any taxable year.

(g) No Special Damages. Notwithstanding any provision of this Agreement to the contrary, except to the extent such amounts are awarded or otherwise paid in a Third Party Claim that is subject to indemnification under this Article X, no Person shall be liable to any other Person for any consequential, punitive, indirect or special damages of such other Person relating to the breach or alleged breach of any representation, warranty, covenant or agreement in this Agreement or related hereto.

(h) Treatment of Indemnification Payments. Any indemnification payments made by Purchaser or Sellers pursuant to this Article X shall be treated by all parties hereto as an adjustment to the Aggregate Purchase Price hereunder.

10.5 Limitation of Remedies. The rights of the parties hereto for indemnification relating to this Agreement and the transactions contemplated hereby shall be strictly limited to those contained in this Article X, and, subject to Section 10.6 and the last sentence of this Section 10.5, such indemnification rights shall be the sole and exclusive remedies of the parties hereto after the Closing Date with respect to any matter in any way relating to this Agreement or arising in connection herewith. To the maximum extent permitted by Law, Purchaser hereby waives and shall cause its Affiliates to waive all other rights and remedies with respect to any such matter, whether under any Laws (including any right or remedy under CERCLA or any other Environmental, Health and Safety Law), at common law or otherwise, including for rescission. Except as provided by this Article X, no action, suit, claim, proceeding or remedy shall be brought or maintained after the Closing Date by Purchaser or any of its Affiliates, including any other Purchaser Indemnites, successors or permitted assigns against Sellers or any of their Affiliates, and no recourse shall be brought or granted against Sellers or any of their Affiliates, by virtue of or based upon any alleged misstatement or omission respecting a breach of any of the representations, warranties, covenants or agreements of Sellers set forth or contained in this Agreement; provided, however, that nothing in this Agreement shall be deemed to prevent or restrict the bringing or maintenance of any claim or action, or the granting of any remedy or to limit the liability of any Person, to the extent that the same shall have been the result of Fraud (and in the event of Fraud, recourse shall only extend to those Persons committing Fraud).

10.6 Specific Performance. The parties hereto acknowledge and agree that the parties hereto would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by any party hereto could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which Purchaser or Sellers, as the case may be, may be entitled, at law or in equity, such party shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without the necessity of posting any bond or other undertaking.
ARTICLE XI

TAX MATTERS

11.1 Tax Returns.

(a) Sellers shall cause to be prepared and filed all Returns of the Companies and the Company Subsidiary required to be filed for all Tax Periods ending on or before the Closing Date. The Sellers’ Representative shall deliver to Purchaser for its review a draft of each Return of the Companies and the Company Subsidiary to be filed after the Closing Date that may give rise to any Tax liability for which Sellers are not liable under this Agreement not fewer than 30 days before the deadline for filing such Return, including extensions. Purchaser shall notify the Sellers’ Representative in writing if it objects to any portion of a draft Return within 15 days after the draft Return is delivered to Purchaser. If the Sellers’ Representative does not receive a written objection (specifying in detail the nature of such objection) by the end of such 15-day period, Sellers may cause the Return to be filed and such Return shall be deemed final and binding as between the parties hereto. If Purchaser notifies the Sellers’ Representative that it objects to any portion of the draft Return (specifying in detail the nature of such objection) on or before the end of such 15-day period, Purchaser and the Sellers’ Representative shall attempt to mutually resolve any disagreements in good faith regarding such draft Return. Any disagreements regarding the draft Returns that are not resolved within an additional 10-day period by the Sellers’ Representative and Purchaser shall be resolved by the Independent Accounting Firm, whose decision shall be final and whose fees shall be shared equally by Sellers (in accordance with their respective Allocable Portions) and Purchaser. The Returns that are subject to any disagreement shall not be filed until such disagreement is resolved; provided, however, that, if such Returns must be filed in order to avoid a penalty, such Returns may be filed as prepared (with any changes to which the Sellers’ Representative and Purchaser agree prior to the date of filing reflected therein), and, if further changes are agreed upon or required by the Independent Accounting Firm, then Sellers shall amend such Returns promptly to reflect such changes. Purchaser shall cause the Companies and the Company Subsidiary to cooperate fully and promptly in connection with Sellers’ preparation of and the filing of all Returns under this Section 11.1(a).

(b) Except as provided in Section 11.1(a), Purchaser shall cause the Companies and the Company Subsidiary to prepare and file all Returns of the Companies and the Company Subsidiary due after the Closing Date. Purchaser shall deliver to the Sellers’ Representative for his review a draft of each Return of the Companies and the Company Subsidiary to be filed after the Closing Date that may give rise to any Tax liability of the Companies or the Company Subsidiary for which Sellers may be liable under this Agreement not fewer than 30 days before the deadline for filing such Return, including extensions. The Sellers’ Representative shall notify Purchaser in writing if he objects to any portion of a draft Return within 15 days after the draft Return is delivered to the Sellers’ Representative. If Purchaser does not receive a written objection by the end of such 15-day period, Purchaser may cause the Return to be filed. If the Sellers’ Representative notifies Purchaser that he objects to any portion of the draft Return on or before the end of such 15-day period, Purchaser and the Sellers’ Representative shall
attempt to mutually resolve any disagreements in good faith regarding such draft Return. Any disagreements regarding the draft Returns that are not resolved within an additional 10-day period by the Sellers’ Representative and Purchaser shall be resolved by the Independent Accounting Firm, whose decision shall be final and whose fees shall be shared equally by Sellers (in accordance with their respective Allocable Portions) and Purchaser. The Returns that are subject to any disagreement shall not be filed until such disagreement is resolved; provided, however, that, if such Returns must be filed in order to avoid a penalty, such Returns may be filed as prepared (with any changes to which the Sellers’ Representative and Purchaser agree prior to the date of filing reflected therein), and, if further changes are agreed upon or required by the Independent Accounting Firm, then Purchaser shall amend such Returns promptly to reflect such changes.

11.2 **Liability for Taxes.** Sellers (in accordance with their respective Allocable Portions) shall be responsible for all Taxes of the Companies and the Company Subsidiary for any Pre-Closing Tax Period and for Sellers’ portion (as determined under Section 11.3) of all Taxes of the Companies and the Company Subsidiary for any Tax period that begins before the Closing Date and ends after the Closing Date (a “Straddle Period”) to the extent such Taxes (a) are not included as a current liability for purposes of computing the Closing Net Working Capital or (b) are not otherwise satisfied by or on behalf of Sellers or any of their Affiliates. Except to the extent that Purchaser incurs related, indemnifiable Damages under this Agreement, Purchaser shall be responsible for all Taxes of the Companies and the Company Subsidiary for any Post-Closing Tax Period and for its portion (as determined under Section 11.3) of all Taxes of the Companies and the Company Subsidiary for any Straddle Period.

11.3 **Apportionment of Taxes.**

(a) With respect to any Straddle Period, the Taxes of the Companies and the Company Subsidiary attributable to such Straddle Period shall be apportioned between the portion of the Straddle Period that begins on the first day of the Straddle Period and ends on the Closing Date (the “**Pre-Closing Straddle Period**”), which portion shall be the responsibility of Sellers (to the extent provided in Section 11.2), and all other Taxes attributable to the operations or assets of the Companies and the Company Subsidiary for the Straddle Period shall be the responsibility of Purchaser.

(b) In the case of sales and use Taxes, VAT, employment Taxes, withholding Taxes, and Taxes based on or measured by gross or net income, receipts, profits or payments, the portion of the Tax allocated to the Pre-Closing Straddle Period shall equal the amount that would be payable if the Straddle Period ended on the last day of the Pre-Closing Straddle Period by means of closing the books and records of the Companies and the Company Subsidiary as of the last day of the Pre-Closing Straddle Period; provided, that all permitted allowances, exemptions and deductions that are normally computed on the basis of an entire year or period shall accrue on a daily basis and shall be allocated between the Pre-Closing Straddle Period and the portion of the Straddle Period that begins on the day immediately following the Closing Date and ends on the last day of the Straddle Period in proportion to the number of days in each such period.
(c) In the case of Taxes not described in Section 11.3(b), the portion of the Tax allocated to the Pre-Closing Straddle Period shall equal the amount of Tax for the entire Straddle Period multiplied by the ratio of the number of days during the Pre-Closing Straddle Period to the number of days during the entire Straddle Period.

(d) This Section 11.3 shall apply mutatis mutandis to any Tax refunds, Tax credits or other Tax benefits to which any Company or the Company Subsidiary may be entitled. For the avoidance of doubt, any such Tax refunds, Tax credits or other Tax benefits that are included as a current asset for purposes of computing the Closing Net Working Capital shall be for the account of Purchaser.

11.4 Cooperation. In connection with the preparation of Returns, audit examinations, and any administrative or judicial proceedings relating to the Taxes imposed on the Companies and the Company Subsidiary for all Pre-Closing Tax Periods, all Straddle Periods and all Post-Closing Tax Periods, Purchaser, the Companies and the Company Subsidiary, on the one hand, and the Sellers’ Representative, on the other hand, shall cooperate fully with each other, including furnishing or making available during normal business hours records, personnel (as reasonably required), books of account, powers of attorney and/or other materials necessary or helpful for the preparation of such Returns, the conduct of audit examinations or the defense of claims by Tax Authorities as to the imposition of Taxes. Purchaser shall provide the Sellers’ Representative, and the Sellers’ Representative shall provide Purchaser, with the information that each is respectively required to report under section 6043A of the Code or any other applicable Tax rule. After the Closing, the Sellers’ Representative may deliver to Purchaser certain U.S. Tax information requests in a similar manner provided to the Companies and the Company Subsidiary in previous years in order to comply with Sellers’ U.S. Tax and other reporting obligations and Purchaser shall use reasonable efforts to promptly complete such information requests as is required for Sellers to comply with Sellers’ U.S. Tax or other reporting obligations.

11.5 Tax Contests.

(a) If any Tax Authority issues to Purchaser, any of the Companies or the Company Subsidiary (i) a notice of its intent to audit, examine or conduct a proceeding with respect to Taxes or Returns of such Company or the Company Subsidiary for any Pre-Closing Tax Period or (ii) a notice of deficiency, notice of reassessment, proposed adjustment, assertion of claim or demand concerning Taxes or Returns attributable to the operations or assets of any of the Companies or the Company Subsidiary for any Pre-Closing Tax Period (each, a “Tax Claim”), Purchaser shall notify the Sellers’ Representative of the receipt of such communication from the Tax Authority and shall deliver a copy of any such written communication to the Sellers’ Representative within 10 Business Days after receiving such Tax Claim; provided, that Purchaser’s failure to provide such notice will not relieve Sellers of any liability that they have to any Indemnified Person except to the extent that the Sellers’ Representative demonstrates that the defense of such Tax Claim is prejudiced by such failure to provide such notice.

(b) In the event of any proceeding relating to any Tax Claim with respect to Taxes attributable to the operations or assets of or Returns of such Company or the Company Subsidiary (a “Tax Contest”), Purchaser and such Company or the Company
Subsidiary, as applicable, shall promptly provide the Sellers’ Representative with copies of all written communications relating to the Tax Contest; provided, that (i) the Sellers’ Representative shall control any such Tax Contest, (provided further, that as a precondition to the Sellers’ Representative’s right to control such defense, (A) the Sellers’ Representative shall deliver to Purchaser a written statement in which the Sellers’ Representative, on behalf of Sellers, agrees to indemnify the Indemnified Persons from and against the entirety of any Taxes and other Damages that any Indemnified Person may incur resulting from, arising out of, relating to, or caused by such Tax Contest, and (B) the Sellers’ Representative shall conduct the defense actively and diligently), (ii) Purchaser and such Company or the Company Subsidiary, as applicable, shall have the right to participate in any such Tax Contest, at its own expense, and (iii) Purchaser and such Company or the Company Subsidiary, as applicable, shall not settle or otherwise resolve any Tax Contest (or any issue raised in any Tax Contest) without the prior written consent of the Sellers’ Representative, which consent shall not be unreasonably withheld or delayed.

(c) At the request of the Sellers’ Representative, Purchaser, any of the Companies or the Company Subsidiary, as applicable, shall settle any issue related to Taxes for any Pre-Closing Tax Period on terms acceptable to the Sellers’ Representative and the applicable Tax Authority; provided, that (i) Sellers shall pay when due all Taxes (and other amounts) for which Sellers are liable under this Agreement as a result of such settlement, (ii) the settlement would not result in Purchaser, any of the Companies or the Company Subsidiary paying any increased Taxes for which Sellers are not required to fully indemnify Purchaser, the Companies or the Company Subsidiary under this Agreement, and (iii) the settlement would not be likely to establish a precedential custom or practice adverse to the continuing business of Purchaser, the Companies or the Company Subsidiary for any Post-Closing Tax Period.

11.6 Amended Returns. Except to the extent required by Law, or by the resolution of any Tax Contest: Purchaser shall not file or cause to be filed any amended Returns covering any period or adjusting any Taxes for a period that includes any Pre-Closing Tax Period or Straddle Period without the prior written consent of the Sellers’ Representative, which consent shall not be unreasonably withheld or delayed; and Purchaser shall not take and shall not cause or permit the Companies or the Company Subsidiary to take any action that could increase the liability of Sellers for Taxes under this Agreement or otherwise without the prior written consent of the Sellers’ Representative, which consent shall not be unreasonably withheld or delayed.

11.7 Tax Refunds. Purchaser, the Companies and the Company Subsidiary shall cooperate with the Sellers’ Representative in obtaining any Tax refunds, Tax credits or any other Tax benefits for any Pre-Closing Tax Periods. Any refunds, credits or other benefits for Taxes of the Companies or the Company Subsidiary for Pre-Closing Tax Periods shall be the property of Sellers. If Purchaser, any of the Companies or the Company Subsidiary receives a refund, credit or other benefit for Taxes that is attributable in whole or in part to a Pre-Closing Tax Period or Pre-Closing Straddle Period, Purchaser shall pay to Sellers, within 10 Business Days of the receipt thereof, the amount of the refund, credit or other benefit attributable in whole or in part to a Pre-Closing Tax Period or Pre-Closing Straddle Period. Notwithstanding the foregoing, this
Section 11.7 shall not apply to the extent that any Tax refunds, Tax credits or other Tax benefits are included as a current asset for purposes of computing the Closing Net Working Capital.

11.8 **Other Taxes.** Purchaser, on the one hand, and Sellers, collectively on the other hand, each shall be liable for and shall pay (and shall indemnify and hold harmless the other and their respective Affiliates from and against all Damages relating to) fifty percent of all sales, use, stamp, documentary, filing, recording, transfer or similar fees or Taxes or governmental charges (together with any interest or penalty, addition to Tax or additional amount imposed) as levied by any Authority in connection with the transactions contemplated by this Agreement.

**ARTICLE XII**

**TERMINATION**

12.1 **Termination.** This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Purchaser and the Sellers’ Representative;

(b) by Purchaser, by giving written notice to the Sellers’ Representative at any time (i) if Sellers have materially breached any representation, warranty, covenant or agreement contained in this Agreement such that a condition to closing will not have been satisfied, Purchaser has notified the Sellers’ Representative of the breach, and the breach has continued uncured for a period of 30 days after the notice of breach, or (ii) if the Closing shall not have occurred on or before January 31, 2019 (the “Termination Date”), by reason of the failure of any condition precedent under Section 8.1 or Section 8.2 or if any such condition becomes impossible to fulfill (in each case, unless the failure or impossibility results from Purchaser breaching any representation, warranty, covenant or agreement contained in this Agreement); or

(c) by the Sellers’ Representative on behalf of Sellers, by giving written notice to Purchaser at any time (i) if Purchaser has materially breached any representation, warranty, covenant or agreement contained in this Agreement such that a condition to closing will not have been satisfied, the Sellers’ Representative has notified Purchaser of the breach, and the breach has continued uncured for a period of 30 days after the notice of breach, or (ii) if the Closing shall not have occurred on or before the Termination Date by reason of the failure of any condition precedent under Section 8.1 or Section 8.3 or if any such condition becomes impossible to fulfill (in each case, unless the failure or impossibility results from Sellers or any of them breaching any representation, warranty, covenant or agreement contained in this Agreement).

12.2 **Effect of Termination.** Termination of this Agreement pursuant to Section 12.1 shall terminate all obligations of the parties hereunder, without liability of any party hereto to the other parties hereto (except for the liability of any party hereto then in breach), except for obligations under Section 7.5 (Confidentiality), Section 9.2 (Publicity), Section 13.8 (Expenses) and this Section 12.2.
ARTICLE XIII

MISCELLANEOUS

13.1 Notices. All notices, requests, demands, claims and other communications required or permitted to be given hereunder shall be in writing and shall be given by: (a) personal delivery (effective upon delivery), (b) facsimile or email (effective on the next Business Day after confirmation of transmission), (c) recognized overnight delivery service (effective on the next Business Day after delivery to the service), or (d) registered or certified mail, return receipt requested and postage prepaid (effective on the third Business Day after being so mailed), in each case addressed to the intended recipient as set forth below:

If to the Sellers’ Representative, Sellers, or any of them:

Robert K. Coretz
4110 South Rockford Avenue, Suite 200
Tulsa, Oklahoma 74105
Fax: (918) 779-7639

with a copy to:

Conner & Winters, LLP
Attention: Robert A. Curry
4000 One Williams Center
Tulsa, Oklahoma 74172-0148
Fax: (918) 586-8625

If to Purchaser:

Air Transport Services Group, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: Joseph C. Hete
Fax: (937) 382-2452

with a copy to:

Air Transport Services Group, Inc.
145 Hunter Drive
Wilmington, Ohio 45177
Attention: W. Joseph Payne
Fax: (937) 382-2452

13.2 Entire Agreement. This Agreement, the other Transaction Documents and the Confidentiality Agreement constitute the entire agreement among the parties hereto with respect to the transactions contemplated hereby and supersede all prior agreements, understandings, negotiations and discussions, both written and oral, among the parties hereto with respect thereto. Neither the duties nor obligations of any party hereto, nor the rights of any party hereto, shall be
expanded beyond the terms of this Agreement, the other Transaction Documents and the Confidentiality Agreement on the basis of any legal or equitable principle or on any other basis whatsoever. Neither any legal or equitable principle nor any implied obligation of good faith or fair dealing nor any other matter requires any party hereto to incur, suffer or perform any act, condition or obligation contrary to the terms of this Agreement, whether or not existing and whether foreseeable or unforeseeable. Each of the parties hereto acknowledges that it would be unfair, and that it does not intend, to increase any of the obligations of any other party under this Agreement on the basis of any implied obligation or otherwise.

13.3 Amendment and Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Sellers’ Representative and Purchaser, or in the case of a waiver, by or on behalf of the party hereto against whom the waiver is to be effective. No failure or delay by any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Notwithstanding anything to the contrary herein, none of the Debt Financing Provisions may be amended, modified or waived in a manner adverse to the Debt Financing Sources without the prior consent of the Debt Financing Sources.

13.4 Benefits; Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as set forth below, neither this Agreement nor the obligations hereunder shall be assignable or transferable by Purchaser without the prior written consent of the Sellers’ Representative, or by any Seller without the prior written consent of Purchaser; provided, however, that Purchaser shall be permitted to collaterally assign its rights and remedies under this Agreement and the other Transaction Documents to any Debt Financing Source in respect of the Debt Financing, but no such assignment shall relieve any such assignor of its obligations under this Agreement. Sellers agree that Purchaser shall have the right, prior to the Closing, to designate any of its Affiliates as the entity that acquires the Equity Interest of any of the Companies. In the event Purchaser designates an Affiliate to acquire the Equity Interest of any of the Companies, such designation and acquisition shall not relieve Purchaser of any of its obligations under this Agreement or any other Transaction Document.

13.5 No Third Party Beneficiary; No Benefit Plan Amendment. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Purchaser, Purchaser Indemnitees, the Companies, the Company Subsidiary, Sellers, Seller Indemnitees and their respective successors, heirs, personal representatives and permitted assigns, any rights or remedies under or by reason of this Agreement. Notwithstanding the foregoing, the Debt Financing Sources shall be third-party beneficiaries of each of the Debt Financing Provisions. Nothing in this Agreement shall be deemed to amend, modify or terminate any Benefit Plan.

13.6 No Recourse to Debt Financing Sources; Waiver of Certain Claims.

(a) Notwithstanding anything to the contrary contained in this Agreement, the parties hereto hereby agree that no Debt Financing Source shall have any liability to Sellers, any of their Affiliates or any other Person relating to or arising out of this
Agreement or any financing provided to Purchaser or its Affiliates in connection with the transactions contemplated by this Agreement (the “Debt Financing”) (including any claim for any Damages suffered as a result of any breach of this Agreement or the terms of the Debt Financing), or any document related thereto (including any willful breach thereof), or the failure of the transactions contemplated hereby or thereby to be consummated), whether at law or equity, in contract or in tort or otherwise, and none of Sellers nor any of their Affiliates or any other Person shall have any rights or claims whatsoever against any of the Debt Financing Sources under this Agreement or in connection with the Debt Financing, whether at law or equity, in contract or in tort, or otherwise.

(b) Sellers hereby agree, on behalf of themselves and their respective Affiliates, that none of the Debt Financing Sources shall have any liability or obligations to Sellers or any of their respective Affiliates relating to this Agreement or any of the transactions contemplated herein (including with respect to the Debt Financing). Sellers and their respective Affiliates hereby waive any and all claims and causes of action (whether at law, in equity, in contract, in tort or otherwise) against the Debt Financing Sources that may be based upon, arise out of or relate to this Agreement, any financing commitment or the transactions contemplated hereby or thereby (including the Debt Financing). This Section 13.6 is intended to benefit and may be enforced by the Debt Financing Sources and shall be binding on all successors and assigns of Sellers.

13.7 Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the Laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13.8 Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, the parties hereto shall bear their own respective expenses (including all compensation and expenses of their own counsel, financial advisors, consultants and accountants) incurred in connection with the preparation, execution and consummation of this Agreement and of the transactions contemplated hereby. Notwithstanding the foregoing, Purchaser acknowledges and agrees that (a) the Companies and the Company Subsidiary have incurred certain of the costs and expenses of Sellers in connection with this Agreement and the transactions contemplated hereby and (b) such costs and expenses shall be included in the Company Transaction Expenses and shall be taken into account for purposes of determining the estimated Aggregate Purchase Price payable at Closing pursuant to Section 2.2 (and shall be paid by the Companies or the Company Subsidiary after the Closing). Except as provided in the preceding sentence, Purchaser shall not
have any liability for any such costs or expenses of Sellers after the Closing. All filing fees in connection with the HSR Act filings contemplated by Section 7.3 shall be allocated between Purchaser, on the one hand, and Sellers, on the other hand, in equal amounts.

13.9 Counterparts and Delivery. This Agreement may be executed in any number of counterparts and by the several parties hereto in separate counterparts, and delivered by facsimile or other means of electronic transmission, each of which shall be deemed to be one and the same instrument and an original document.

13.10 Governing Law; Jurisdiction; Waiver of Jury Trial. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK TO BE APPLIED (EXCEPT THAT SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AGREEMENT). IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF NEW YORK WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF, UNDER SUCH JURISDICTION’S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY. EACH PARTY HERETO IRREVOCABLY AGREES THAT THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF NEW YORK SHALL HAVE NON-EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE OR CLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT SUCH PARTY MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING HERUNDER.

13.11 Disclosure Schedules. The Schedules to this Agreement are arranged to correspond to the sections contained in this Agreement. Any matter set forth in any Schedule shall be deemed set forth in all other sections of such disclosure schedule to the extent, but only to the extent, that the relevance or applicability of such matter to such other sections of such disclosure schedule is readily apparent on the face of such disclosure, whether or not a specific cross-reference appears in such disclosure schedule. The inclusion of any information (including dollar amounts) in any section of such disclosure schedule (a) shall not be deemed to be an admission or acknowledgment that such information is required to be listed in such section or is material to or outside the Ordinary Course of Business and (b) shall not be deemed to establish a standard of materiality (and the actual standard of materiality may be higher or lower than the matters disclosed by such information). The information contained in this Agreement, the Schedules and the Exhibits hereto is disclosed solely for purposes of this Agreement, and no information contained herein or therein shall be deemed to be an admission by any party to any third party of any matter whatsoever (including any violation of applicable Law or breach of, or conflict with, any Contract). Information reflected in the Schedules is not necessarily limited to matters required by this Agreement to be reflected in the Schedules. Such additional information is set forth for informational purposes and does not necessarily include other matters of a similar
nature. Disclosure of such additional information shall not be deemed to constitute an acknowledgment that such information is required to be disclosed and disclosure of such information shall not be deemed to enlarge or enhance any of the representations or warranties in this Agreement or otherwise alter in any way the terms of this Agreement. Inclusion of information in the Schedules shall not be construed as an admission that such information is material to the business, assets, liabilities, financial position, operations or results of operations of the Companies and/or the Company Subsidiary.

ARTICLE XIV

SELLERS’ REPRESENTATIVE

14.1 Designation. Robert K. Coretz is hereby designated by Sellers to serve as the representative of Sellers with respect to the matters expressly set forth in this Agreement to be performed by the Sellers’ Representative. Alternatively, in the event that Mr. Coretz is unable to serve in such capacity, Sellers hereby designate, in this order: (i) Daniel S. Burnstein, (ii) Robert Waldo or (iii) a person designated by Robert A. Curry, to serve as such representative of Sellers with respect to such matters (any of Robert K. Coretz or such alternate designee, the “Sellers’ Representative”).

14.2 Authority. By execution of this Agreement, each Seller hereby irrevocably appoints the Sellers’ Representative as the agent, proxy and attorney in fact for such Seller for all purposes of this Agreement, including the full power and authority on such Seller’s behalf: (i) to consummate the transactions contemplated hereby; (ii) to cause the Companies to pay such Seller’s expenses incurred in connection with the negotiation and performance of this Agreement (whether incurred on or after the date hereof); (iii) to disburse any funds received hereunder to such Seller and each other Seller in accordance with the terms of the Companies’ Organizational Documents; (iv) to execute such further instruments of assignment as Purchaser shall reasonably request; (v) to execute and deliver on behalf of such Seller any amendment or waiver hereto; (vi) to take all other actions to be taken by or on behalf of such Seller in connection herewith; (vii) to negotiate, settle, compromise and otherwise handle the Net Working Capital Adjustment and all claims for indemnification made by Purchaser or Sellers hereunder; (viii) to direct such Seller to pay any amount owing for indemnity claims or otherwise under this Agreement (and such Seller promptly and without dispute shall comply with such demand); (ix) to waive any and all transfer restrictions or rights of first refusal set forth in the Companies’ Organizational Documents or otherwise, with regard to the transactions described in this Agreement; and (x) to do each and every act and exercise any and all rights which such Seller or Sellers collectively are permitted or required to do or exercise under this Agreement. Each Seller agrees that such agency and proxy are coupled with an interest, are therefore irrevocable without the consent of the Sellers’ Representative, as applicable, and shall survive the death, incapacity, bankruptcy, dissolution or liquidation of such Seller. Each Seller agrees that Purchaser and its Affiliates shall be entitled to rely on any action or decision of the Sellers’ Representative.

14.3 Exculpation. Neither the Sellers’ Representative nor any agent employed by him shall incur any liability to any Seller by virtue of the failure or refusal of the Sellers’ Representative for any reason to consummate the transactions contemplated hereby or relating to the performance of any other duties hereunder, except for actions or omissions constituting fraud or bad faith.
IN WITNESS WHEREOF, the parties hereto have each executed and delivered this Agreement as of the day and year first above written.

Purchaser:

Air Transport Services Group, Inc.

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

Sellers:

Omni Air International Holdings, Inc.

By: /s/ Robert K. Coretz
    Robert K. Coretz
    Chairman

Omni Aviation Leasing Holdings, LLC

By: /s/ Robert K. Coretz
    Robert K. Coretz
    President and Manager

T7 Aviation Leasing Holdings, LLC

By: /s/ Robert K. Coretz
    Robert K. Coretz
    President and Manager

Sellers’ Representative:

/s/ Robert K. Coretz
Robert K. Coretz
INVESTMENT AGREEMENT

Dated as of December 20, 2018

by and between

AIR TRANSPORT SERVICES GROUP, INC.

and

AMAZON.COM, INC.
Table of Contents

Article I WARRANT ISSUANCE; CLOSING.................................................................1
   1.1 Warrant Issuance..............................................................................................1
   1.2 Warrant-C Closing..........................................................................................3
   1.3 Subsequent Closings......................................................................................4
   1.4 Interpretation.................................................................................................4

Article II REPRESENTATIONS AND WARRANTIES.............................................5
   2.1 Disclosure.......................................................................................................5
   2.2 Representations and Warranties of the Company.........................................6
   2.3 Representations and Warranties of Amazon.................................................13

Article III COVENANTS.......................................................................................15
   3.1 Efforts............................................................................................................15
   3.2 Public Announcements................................................................................18
   3.3 Expenses......................................................................................................19
   3.4 Stockholder Approval..................................................................................19
   3.5 Tax Treatment..............................................................................................20

Article IV ADDITIONAL AGREEMENTS..............................................................21
   4.1 Acquisition for Investment............................................................................21
   4.2 Legend...........................................................................................................22
   4.3 Anti-takeover Provisions and Rights Plan....................................................22
   4.4 Adjustments and Other Rights.....................................................................23
   4.5 Exercise Price of Certain Subsequent Warrants...........................................23

Article V MISCELLANEOUS.................................................................................33
   5.1 Termination of This Agreement; Other Triggers...........................................33
   5.2 Amendment...................................................................................................34
   5.3 Waiver of Conditions...................................................................................34
   5.4 Counterparts and Facsimile........................................................................35
   5.5 Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL....35
   5.6 Notices..........................................................................................................35
   5.7 Entire Agreement, Etc..................................................................................36
   5.8 Definitions of “subsidiary” and “Affiliate”.....................................................37
   5.9 Assignment...................................................................................................37
   5.10 Severability................................................................................................37
   5.11 No Third Party Beneficiaries.......................................................................38
   5.12 Specific Performance....................................................................................38
LIST OF ANNEXES

ANNEX A: Form of Air Transportation Agreements
ANNEX B: Form of Amended and Restated Stockholders Agreement
ANNEX C: Form of Warrant C
ANNEX D: Form of Subsequent Warrant
ANNEX E: Calculation of Subsequent Warrant Value
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

## INDEX OF DEFINED TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Investment Agreement</td>
<td>8</td>
</tr>
<tr>
<td>A&amp;R ATSA</td>
<td>2</td>
</tr>
<tr>
<td>A&amp;R Stockholders Agreement</td>
<td>1</td>
</tr>
<tr>
<td>Additional Aircraft</td>
<td>2</td>
</tr>
<tr>
<td>Additional Meeting</td>
<td>20</td>
</tr>
<tr>
<td>Affiliate</td>
<td>37</td>
</tr>
<tr>
<td>Aggregate Consideration</td>
<td>24</td>
</tr>
<tr>
<td>Agreement</td>
<td>1</td>
</tr>
<tr>
<td>Air Transportation Agreements</td>
<td>1</td>
</tr>
<tr>
<td>Aircraft Lease Agreements</td>
<td>1</td>
</tr>
<tr>
<td>Amazon</td>
<td>1</td>
</tr>
<tr>
<td>Amazon Warrants</td>
<td>25</td>
</tr>
<tr>
<td>Amendment</td>
<td>3</td>
</tr>
<tr>
<td>Anti-takeover Provisions</td>
<td>13</td>
</tr>
<tr>
<td>Antitrust Laws</td>
<td>10</td>
</tr>
<tr>
<td>Applicable Subsequent Closing Shares</td>
<td>2</td>
</tr>
<tr>
<td>Appraisal Procedure</td>
<td>30</td>
</tr>
<tr>
<td>Assumed Payment Amount</td>
<td>28</td>
</tr>
<tr>
<td>Bankruptcy Exceptions</td>
<td>10</td>
</tr>
<tr>
<td>Beneficial Owner</td>
<td>15</td>
</tr>
<tr>
<td>Beneficial Ownership</td>
<td>15</td>
</tr>
<tr>
<td>Beneficially Own</td>
<td>15</td>
</tr>
<tr>
<td>Capitalization Certificate</td>
<td>3</td>
</tr>
<tr>
<td>Charter Amendment Approval</td>
<td>9</td>
</tr>
<tr>
<td>Citizen of the United States</td>
<td>7</td>
</tr>
<tr>
<td>Commission</td>
<td>6</td>
</tr>
<tr>
<td>Committed Aircraft</td>
<td>2</td>
</tr>
<tr>
<td>Common Stock</td>
<td>1</td>
</tr>
<tr>
<td>Company</td>
<td>1</td>
</tr>
<tr>
<td>Company Benefit Plan</td>
<td>13</td>
</tr>
<tr>
<td>Company Disclosure Letter</td>
<td>6</td>
</tr>
<tr>
<td>Company Stock Plans</td>
<td>7</td>
</tr>
<tr>
<td>Company Stockholder Meetings</td>
<td>20</td>
</tr>
<tr>
<td>Company Stockholders</td>
<td>19</td>
</tr>
<tr>
<td>Confidentiality Agreement</td>
<td>37</td>
</tr>
<tr>
<td>Control</td>
<td>37</td>
</tr>
<tr>
<td>Controlled</td>
<td>37</td>
</tr>
<tr>
<td>Controlling</td>
<td>37</td>
</tr>
<tr>
<td>conversion</td>
<td>24</td>
</tr>
<tr>
<td>convertible securities</td>
<td>24</td>
</tr>
<tr>
<td>DOT</td>
<td>7</td>
</tr>
<tr>
<td>DOT Approval</td>
<td>18</td>
</tr>
</tbody>
</table>
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT Regulations</td>
<td>7</td>
</tr>
<tr>
<td>Effect</td>
<td>5</td>
</tr>
<tr>
<td>Equity Interests</td>
<td>31</td>
</tr>
<tr>
<td>Exchange Act</td>
<td>6</td>
</tr>
<tr>
<td>Exercise Approval</td>
<td>14</td>
</tr>
<tr>
<td>Existing Convertible Note Warrants</td>
<td>8</td>
</tr>
<tr>
<td>Existing Convertible Notes</td>
<td>8</td>
</tr>
<tr>
<td>Existing Lease</td>
<td>2</td>
</tr>
<tr>
<td>FAA</td>
<td>7</td>
</tr>
<tr>
<td>Fair Market Value</td>
<td>31</td>
</tr>
<tr>
<td>GAAP</td>
<td>5</td>
</tr>
<tr>
<td>Governmental Entity</td>
<td>10</td>
</tr>
<tr>
<td>HSR Act</td>
<td>10</td>
</tr>
<tr>
<td>HSR Filing Date</td>
<td>16</td>
</tr>
<tr>
<td>Initial Antitrust Clearance</td>
<td>16</td>
</tr>
<tr>
<td>Initial Antitrust Filings</td>
<td>16</td>
</tr>
<tr>
<td>Initial Communications Materials</td>
<td>18</td>
</tr>
<tr>
<td>Initial Filing Transaction</td>
<td>16</td>
</tr>
<tr>
<td>Initial Number</td>
<td>24</td>
</tr>
<tr>
<td>Initial Stockholder Meeting</td>
<td>19</td>
</tr>
<tr>
<td>Issued Amazon Warrants</td>
<td>8</td>
</tr>
<tr>
<td>Law</td>
<td>5</td>
</tr>
<tr>
<td>Lease Upgrade</td>
<td>3</td>
</tr>
<tr>
<td>Market Price</td>
<td>31</td>
</tr>
<tr>
<td>Material Adverse Effect</td>
<td>5</td>
</tr>
<tr>
<td>NASDAQ Approval</td>
<td>9</td>
</tr>
<tr>
<td>Notice of Substantial Change of Ownership</td>
<td>18</td>
</tr>
<tr>
<td>Operating Authority</td>
<td>7</td>
</tr>
<tr>
<td>Order</td>
<td>5</td>
</tr>
<tr>
<td>Other Amazon Warrants</td>
<td>15</td>
</tr>
<tr>
<td>Other Antitrust Filings</td>
<td>16</td>
</tr>
<tr>
<td>Other Voting Securities</td>
<td>32</td>
</tr>
<tr>
<td>Permitted Repurchase</td>
<td>28</td>
</tr>
<tr>
<td>Permitted Transactions</td>
<td>25</td>
</tr>
<tr>
<td>Person</td>
<td>31</td>
</tr>
<tr>
<td>Post-Issuance Adjustment</td>
<td>25</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>7</td>
</tr>
<tr>
<td>Previously Disclosed</td>
<td>6</td>
</tr>
<tr>
<td>Pricing Date</td>
<td>24</td>
</tr>
<tr>
<td>Repurchases</td>
<td>28</td>
</tr>
<tr>
<td>Restricted Share Authorization</td>
<td>9</td>
</tr>
<tr>
<td>Restricted Warrant Exercise</td>
<td>9</td>
</tr>
<tr>
<td>SEC Reports</td>
<td>6</td>
</tr>
<tr>
<td>Securities Act</td>
<td>7</td>
</tr>
<tr>
<td>SOX</td>
<td>12</td>
</tr>
<tr>
<td>Stockholder Approval</td>
<td>19</td>
</tr>
</tbody>
</table>
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Adjustment</td>
<td>29</td>
</tr>
<tr>
<td>Subject Record Date</td>
<td>29</td>
</tr>
<tr>
<td>Subsequent Closing</td>
<td>4</td>
</tr>
<tr>
<td>Subsequent Issuance Event</td>
<td>3</td>
</tr>
<tr>
<td>Subsequent Warrant</td>
<td>2</td>
</tr>
<tr>
<td>subsidiary</td>
<td>37</td>
</tr>
<tr>
<td>Transaction Documents</td>
<td>6</td>
</tr>
<tr>
<td>Transaction Litigation</td>
<td>18</td>
</tr>
<tr>
<td>VWAP</td>
<td>33</td>
</tr>
<tr>
<td>Warrant Issuance</td>
<td>2</td>
</tr>
<tr>
<td>Warrant Shares</td>
<td>2</td>
</tr>
<tr>
<td>Warrant-C</td>
<td>2</td>
</tr>
<tr>
<td>Warrant-C Closing</td>
<td>3</td>
</tr>
<tr>
<td>Wrantholder</td>
<td>23</td>
</tr>
<tr>
<td>Warrants</td>
<td>2</td>
</tr>
</tbody>
</table>
This **INVESTMENT AGREEMENT**, dated as of December 20, 2018 (this “Agreement”), is by and between Air Transport Services Group, Inc., a Delaware corporation (the “Company”), and Amazon.com, Inc., a Delaware corporation (“Amazon”).

**RECITALS:**

**WHEREAS**, the Company and Amazon (and/or their respective Affiliates) have previously entered into certain commercial arrangements, and in connection therewith the Company has previously issued to Amazon warrants to purchase shares of the Company’s common stock, $0.01 par value per share (the “Common Stock”);

**WHEREAS**, subject to the terms and conditions hereof, each of the Company and Amazon has determined it to be advisable and in the best interests of their respective companies and stockholders to enter into certain additional commercial arrangements as further set forth herein, including by entering into at the Closing (i) an amendment and restatement of the existing Air Transportation Services Agreement by and between Airborne Global Solutions, Inc. and Amazon.com Services, Inc., (ii) the Aircraft Lease Agreements by and between Cargo Aircraft Management, Inc. and Amazon.com Services, Inc. (the “Aircraft Lease Agreements”), (iii) the Aircraft Sublease Agreements by and between Air Transport International, Inc. or ABX Air, Inc. (as applicable) and Amazon.com Services, Inc., and (iv) Work Orders by and between Air Transport International, Inc., ABX Air, Inc., LGSTX Cargo Services, Inc., or LGSTX Services, Inc. (as applicable) and Amazon.com Services, Inc. with respect to aircraft to be operated thereunder, in the forms attached hereto as Annex A (collectively, the “Air Transportation Agreements”);

**WHEREAS**, in connection with the transactions contemplated hereby, and subject to the terms and conditions hereof, the Company desires to issue to Amazon, and Amazon desires to acquire from the Company additional warrants to purchase shares of the Common Stock pursuant to the terms and subject to the conditions forth herein; and

**WHEREAS**, the parties will, at the Closing, enter into an amended and restated Stockholders Agreement, in the form attached hereto as Annex B (the “A&R Stockholders Agreement”), providing for certain corporate governance and other matters with respect to the Company, and certain other agreements between the Company and Amazon.

**NOW, THEREFORE**, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, and intending to be legally bound, the parties agree as set forth herein.

**Article I**

**WARRANT ISSUANCE; CLOSING**

1.1 **Warrant Issuance.**

(a) On the terms and subject to the conditions set forth in this Agreement, the Company shall issue to Amazon, and Amazon shall acquire from the Company: (a) in accordance with Section 1.2, at the Warrant-C Closing, a warrant to purchase 14,801,369 shares
of the Common Stock, subject to adjustment in accordance with its terms, in the form attached hereto as Annex C ("Warrant-C") and (b) in accordance with Section 1.3, at each Subsequent Closing, if applicable, a warrant to purchase the Applicable Subsequent Closing Shares, subject to adjustment in accordance with each such warrant’s terms, in the form attached hereto as Annex D (each, a “Subsequent Warrant” and, collectively with Warrant-C, the “Warrants”). Each issuance of the Warrants by the Company and the acquisition of the Warrants by Amazon is referred to herein as a “Warrant Issuance” and the shares of the Common Stock issuable upon exercise of the Warrants are referred to herein as the “Warrant Shares”.

(i) “A&R ATSA” means that certain Amended and Restated Air Transportation Services Agreement, by and between the Company and Amazon.com Services, Inc. dated as of December 20, 2018.

(ii) “Aircraft” has the meaning ascribed to such term in the A&R ATSA.

(iii) “Applicable Subsequent Closing Shares” means a number of shares of the Common Stock equal to (i) with respect to a Warrant Issuance of any Subsequent Warrant in connection with a binding commitment by Amazon or any of its Affiliates in respect of one or more Aircraft Lease Agreements for Additional Aircraft, (A) 584,567, multiplied by (B) the number of Aircraft Lease Agreements for Additional Aircraft with respect to which such Warrant Issuance is being made, and (ii) with respect to a Warrant Issuance of any Subsequent Warrant in connection with a binding commitment by Amazon or any of its Affiliates in respect of one or more Lease Upgrades, (A) 292,283, multiplied by (B) the number of Lease Upgrades with respect to which such Warrant Issuance is being made; provided, that in no event shall the aggregate number of Applicable Subsequent Closing Shares exceed 9,937,636.

(iv) “Committed Aircraft” has the meaning ascribed to such term in the A&R ATSA.

(v) “Existing Lease” means an Aircraft Lease Agreement that is in effect prior to the date of this Agreement.

(vi) “Additional Aircraft” means, in the aggregate with respect to all Subsequent Warrants issuable hereunder, up to seventeen (17) Aircraft, which may include up to five (5) Boeing 737-800 model Aircraft and any combination of Boeing 767-200 model Aircraft, Boeing 767-300 model Aircraft, Airbus A321-200 model Aircraft, or such other Aircraft model(s) as may be mutually agreed to by the parties hereto, in each case leased by Amazon or any of its Affiliates on or after the date of this Agreement. For the avoidance of doubt, Additional Aircraft do not include any aircraft leased through (i) the renewal of an Existing Lease or an Aircraft Lease Agreement for a Committed Aircraft or (ii) the replacement of an Aircraft under an Existing Lease or an Aircraft Lease Agreement for a Committed Aircraft after termination of such Aircraft Lease Agreement prior to its expiration by Amazon or one of its Affiliates other than for
cause (it being understood and agreed that any “Lessor Event of Default” as defined in any such Aircraft Lease Agreement would qualify as “cause”).

(vii) “Lease Upgrade” means any time Amazon or one of its Affiliates converts an Existing Lease with the Company or any one of its Affiliates from a lease for a Boeing 767-200 aircraft to a lease for a Boeing 767-300 aircraft.

(viii) “Subsequent Issuance Event” means the date on which Amazon or any of its Affiliates makes a binding commitment to the Company or any of its Affiliates to enter into one or more (x) Aircraft Lease Agreements for Additional Aircraft or (y) Lease Upgrades.

1.2 Warrant-C Closing.

(a) The closing of the Warrant Issuance with respect to Warrant-C (the “Warrant-C Closing”) shall take place at the offices of Sullivan & Cromwell LLP, 1888 Century Park East, Suite 2100, Los Angeles, California 90067, immediately following the execution and delivery of this Agreement.

(b) At the Warrant-C Closing, the Company shall deliver to Amazon:

(i) Warrant-C, as evidenced by a duly and validly executed warrant certificate dated as of the date hereof and bearing appropriate legends as hereinafter provided for;

(ii) the Air Transportation Agreements, duly executed by Airborne Global Solutions, Inc., Cargo Aircraft Management, Inc., Air Transport International, Inc., ABX Air, Inc., LGSTX Cargo Services, Inc., or LGSTX Services, Inc. (as applicable); and

(iii) the A&R Stockholders Agreement, duly executed by the Company;

(iv) that certain Amendment to Investment Agreement and Warrants to Purchase Common Stock of Air Transport Services Groups, Inc., dated as of December 20, 2018, by and between the Company and Amazon (the “Amendment”), duly executed by the Company; and

(v) a certificate setting forth and certifying the capitalization of the Company as of such date (each, a “Capitalization Certificate”) executed by a duly authorized officer of the Company, dated as of the date thereof.

(c) At the Warrant-C Closing, Amazon shall deliver to the Company:

(i) the Air Transportation Agreements, duly executed by Amazon.com Services, Inc.
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

(ii) the A&R Stockholders Agreement, duly executed by Amazon; and

(iii) the Amendment, duly executed by Amazon.

1.3 Subsequent Closings.

(a) The closing of any Warrant Issuance with respect a Subsequent Issuance Event (each, a “Subsequent Closing”) shall take place at the offices of Sullivan & Cromwell LLP, 1888 Century Park East, Suite 2100, Los Angeles, CA 90067 on the date that is two (2) Business Days following the applicable Subsequent Issuance Event.

(b) At any Subsequent Closing, the Company will deliver to Amazon:

(i) a warrant to purchase the Applicable Subsequent Closing Shares, substantially in the form attached hereto as Annex D, as evidenced by a duly and validly executed warrant certificate dated as of the date thereof and bearing appropriate legends as hereinafter provided for;

(ii) a Capitalization Certificate executed by a duly authorized officer of the Company, dated as of the date thereof; and

(iii) a certificate executed by a duly authorized officer of the Company, dated as of the date thereof, affirming that, since the later of (x) the Warrant-C Closing and (y) the most recent Subsequent Closing, there has not been any event that would require an adjustment to the Warrant Shares or the Exercise Price pursuant to the provisions of Section 4.4 of this Agreement or pursuant to any previously issued Warrant (except for such events with respect to which such an adjustment has been properly made and notice thereof properly provided to Amazon pursuant to Section 4.4(i)).

1.4 Interpretation. When a reference is made in this Agreement to “Recitals,” “Articles,” “Sections,” “Annexes,” “Schedules” or “Exhibits”, such reference shall be to a Recital, Article or Section of, or Annex, Schedule or Exhibit to, this Agreement unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to “herein,” “hereof,” “hereunder” and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. References to “parties” refer to the parties to this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed followed by the words “without limitation.” No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. Any reference to a wholly owned subsidiary of a person shall mean such subsidiary is directly or indirectly wholly owned by such person. All references to “$” or “dollars” mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the
statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. The term “Business Day” means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by Law or other governmental actions to close.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Disclosure.

(a) “Material Adverse Effect” means any change, effect, event, development, circumstance or occurrence (each, an “Effect”) that, taken individually or when taken together with all other applicable Effects, has been, is or would reasonably be expected to be materially adverse to (i) the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, or (ii) the ability of the Company to complete the transactions contemplated the Transaction Documents or to perform its obligations under the Transaction Documents; provided, however, that in no event shall any of the following Effects, alone or in combination, be deemed to constitute, or be taken into account in determining whether there has been, is or would be, a Material Adverse Effect: (A) any change in general global, national or regional economic, market or political conditions; (B) conditions generally affecting the industry and the market in which the Company operates; (C) any change in generally accepted accounting principles in the United States (“GAAP”) or other accounting standards or interpretations thereof, or any changes in statute, law, ordinance, secondary and subordinate legislation, directives, rule (including rules of common law), regulation, ordinance, treaty, permit, authorization or other requirements of any Governmental Entity (each, a “Law”) or judgment, decision, decree, order, settlement, injunction, writ, stipulation, determination or award issued by any Governmental Entity (each, an “Order”), in each case to the extent such change in Law or Order is generally applicable and not specifically directed at the Company or its Subsidiaries; (D) any natural disaster; (E) any act of war (whether or not declared), armed hostilities, sabotage or terrorism, or any material escalation or worsening of any such events, or any national disaster or any national or international calamity; (F) any failure, in and of itself, to meet internal or published projections, forecasts, targets or revenue or earnings predictions for any period, as well as any change, in and of itself, by the Company in any projections, forecasts, targets or revenue or earnings predictions for any period (provided that the underlying causes of such failures (to the extent not otherwise falling within one of the other exceptions in this proviso) may constitute or be taken into account in determining whether there has been, is, or would be, a Material Adverse Effect); (G) any change in the price or trading volume of the Common Stock (provided that the underlying causes of such change (to the extent not otherwise falling within one of the other exceptions in this proviso) may constitute or be taken into account in determining whether there has been, is or would be, a Material Adverse Effect); (H) any seasonal changes in the results of operations of the Company or any of its subsidiaries; or (I) the announcement of this Agreement or the other Transaction Documents, including, to the extent attributable to such announcement, any loss of or adverse change in the relationship, contractual or otherwise, of the Company and its subsidiaries with their respective employees, customers, distributors, licensors,
licensees, vendors, lenders, investors, partners or suppliers; provided, further, however, that any
Effect referred to in clauses (A) through (E) may be taken into account in determining whether or
not there has been, is, or would be, a Material Adverse Effect to the extent such Effect has a
disproportionate adverse effect on the Company and its subsidiaries, taken as a whole, as
compared to other participants in the industry in which the Company and its subsidiaries operate
(in which case any adverse effect(s) to the extent disproportionate may be taken into account in
determining whether or not there has been, is or would be a Material Adverse Effect).

(b) “Previously Disclosed” means information set forth or incorporated in the
Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 or its
other reports, statements and forms (including exhibits and other information incorporated
therein) filed with or furnished to the Securities and Exchange Commission (the “Commission”)
under Sections 13(a), 14(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the
“Exchange Act”), or under the Securities Act, in each case on or after December 31, 2017 (the
“SEC Reports”) (in each case excluding any disclosures set forth in any risk factor section and in
any section relating to forward-looking or safe harbor statements), to the extent such SEC
Reports are filed or furnished at least five (5) Business Days prior to the execution and delivery
of this Agreement.

Each party acknowledges that it is not relying upon any representation or warranty of the
other party, express or implied, not set forth in the Transaction Documents. Amazon
acknowledges that it has had an opportunity to conduct such review and analysis of the business,
assets, condition, operations and prospects of the Company and its subsidiaries, including an
opportunity to ask such questions of management and to review such information maintained by
the Company and its subsidiaries, in each case as it considers sufficient for the purpose of
consummating the transactions contemplated by the Transaction Documents. Amazon further
acknowledges that it has had such an opportunity to consult with its own counsel, financial and
tax advisers and other professional advisers as it believes is sufficient for purposes of the
transactions contemplated by the other Transaction Documents. For purposes of this Agreement,
the term “Transaction Documents” refers collectively to this Agreement, the Air Transportation
Agreements, the A&R Stockholders Agreement, the Warrants, and any other agreement entered
into by and among the parties and/or their Affiliates on the date hereof in connection with the
transactions contemplated hereby or thereby, in each case, as amended, modified or
supplemented from time to time in accordance with their respective terms.

2.2 Representations and Warranties of the Company. Except as Previously Disclosed
or as disclosed in the disclosure letter (the “Company Disclosure Letter”) delivered by the
Company to Amazon prior to the execution of this Agreement, the Company represents and
warrants as of the date of this Agreement to Amazon that:

(a) Organization, Authority and Significant Subsidiaries. The Company
(i) has been duly incorporated and is validly existing as a corporation in good standing under the
Laws of the State of Delaware, with the corporate power and authority to own its properties and
conduct its business in all material respects as currently conducted, and, except as would not
constitute a Material Adverse Effect, has been duly qualified as a foreign corporation for the
transaction of business and is in good standing under the Laws of each other jurisdiction in
which it owns or leases properties, or conducts any business so as to require such qualification,
(ii) is a “Citizen of the United States” ("Citizen of the United States") as defined by Section 40102(a)(15) of Title 49 of United States Code, and as such term is interpreted by the United States Department of Transportation ("DOT"), (iii) through, its Affiliates, holds (A) an air carrier certificate and operations specifications issued by the United States Federal Aviation Administration ("FAA") pursuant to Section 44705 of United States Code and corresponding FAA regulations, (B) certificates of public convenience and necessity (or equivalent exemption authority) authorizing interstate and foreign air transportation of property and mail issued by the DOT pursuant to Section 41102 of corresponding DOT regulations ("DOT Regulations"), and (C) any corresponding permits, licenses, authorizations, certificates, or similar rights obtained, or required to be obtained, from any Government Entity, to fulfill the Company’s obligations pursuant to the Air Transportation Agreements (collectively, the “Operating Authority”). To the knowledge of the Company based on due inquiry of the books and records of the Company, each Beneficial Owner of 5% or more of the Common Stock is a Citizen of the United States. Each subsidiary of the Company that is a “significant subsidiary” within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act of 1933, as amended (the “Securities Act”), and each subsidiary of the Company that is not such a “significant subsidiary” but is a party to any other Transaction Document, has been duly organized and is validly existing in good standing under the Laws of its jurisdiction of organization, with the corporate or analogous power and authority to own its properties and conduct its business in all material respects as currently conducted, and, except as would not constitute a Material Adverse Effect, has been duly qualified as a foreign corporation, limited liability company or partnership, as applicable, for the transaction of business and is in good standing under the Laws of each other jurisdiction in which it owns or leases properties, or conducts any business so as to require such qualification.

(b) Capitalization. The authorized capital stock of the Company consists of 110,000,000 shares of the Common Stock of which, as of the close of business on December 19, 2018, 59,177,887 shares were issued and outstanding (including, for the avoidance of doubt, shares held in treasury and shares of restricted stock issued pursuant to compensatory equity plans of the Company or a subsidiary of the Company in effect as of the date hereof and set forth in Section 2.2(b) of the Company Disclosure Letter (the “Company Stock Plans”)), and 20,000,000 shares of Preferred Stock, par value $0.01 per share (the “Preferred Stock”), of which, as of the date hereof, 75,000 shares have been designated as Series A Participating Preferred Shares, none of which are issued or outstanding, and no other shares are either designated or issued and outstanding. As of the close of business on December 19, 2018, the Company did not hold any shares of the Common Stock in its treasury. As of the close of business on December 19, 2018, no shares of the Common Stock or Preferred Stock were reserved for issuance, except for (i) [*] shares of the Common Stock reserved for issuance under the Company Stock Plans (including [*] shares of the Common Stock reserved for issuance upon the settlement of restricted stock units and performance awards outstanding as of such date and granted under the Company Stock Plans (assuming, in the case of performance awards, that applicable goals are attained at target level)), (ii) [*] shares of the Common Stock reserved for issuance upon the exercise of warrants issued pursuant to that certain Investment Agreement, dated as of March 8, 2016, by and between the Company and Amazon (such agreement, the “2016 Investment Agreement” and such warrants, the “Issued Amazon Warrants”) and (iii) (A) [*] shares of the Common Stock reserved for issuance upon conversion of the Company’s 1.125% Convertible Senior Notes due 2024 (the “Existing Convertible Notes”), and
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

(B) [*] shares of the Common Stock reserved for issuance upon exercise of warrants (the “Existing Convertible Note Warrants”) issued pursuant to (1) the Bank Warrant Confirmation and Additional Warrant Confirmation, each dated as of September 25, 2017, between the Company and Goldman Sachs & Co. LLC, (2) the Bank Warrant Confirmation and Additional Warrant Confirmation, each dated as of September 25, 2017, between the Company and Bank of America, N.A., (3) the Bank Warrant Confirmation and Additional Warrant Confirmation, each dated as of September 25, 2017, between the Company and JPMorgan Chase Bank, National Association, London Branch, and (4) the Bank Warrant Confirmation and Additional Warrant Confirmation, each dated as of September 25, 2017, between the Company and Bank of Montreal. The outstanding shares of the Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights, the Company’s certificate of incorporation or by-laws, or any applicable Laws). Except as set forth above or pursuant to the Transaction Documents, there are no (A) shares of capital stock or other equity interests or voting securities of the Company authorized, reserved for issuance, issued or outstanding, (B) options, warrants, calls, preemptive rights, subscription or other rights, instruments, agreements, arrangements or commitments of any character, obligating the Company or any of its subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or other equity interest or voting security in the Company or any securities or instruments convertible into or exchangeable for such shares of capital stock or other equity interests or voting securities, or obligating the Company or any of its subsidiaries to grant, extend or enter into any such option, warrant, call, preemptive right, subscription or other right, instrument, agreement, arrangement or commitment, (C) outstanding contractual obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any capital stock or other equity interest or voting securities of the Company, or (D) issued or outstanding performance awards, units, rights to receive any capital stock or other equity interest or voting securities of the Company on a deferred basis, or rights to purchase or receive any capital stock or equity interest or voting securities issued or granted by the Company to any current or former director, officer, employee or consultant of the Company. No subsidiary of the Company owns any shares of capital stock or other equity interest or voting securities of the Company. Except as otherwise provided in Section 2.2(b) of the Company Disclosure Letter, there are no voting trusts or other agreements or understandings to which the Company or any of its subsidiaries is a party with respect to the voting of the capital stock or other equity interest or voting securities of the Company.

(c) The Warrants and Warrant Shares. Each of the Warrants has been duly authorized by the Company and will, as of the date of the applicable Warrant Issuance, constitute a valid and legally binding obligation of the Company in accordance with its terms, except as the same may be limited by the Bankruptcy Exceptions. The Warrant Shares have been duly authorized and reserved for issuance upon exercise of the Warrants (except that the authorization of any Warrant Shares issuable upon exercise of Warrant-C or any Subsequent Warrant (for the avoidance of doubt, without giving effect to any “cashless” or “net” exercise provisions therein) (a “Restricted Share Authorization”) will require the approval of the Company’s stockholders of an amendment to the certificate of incorporation of the Company (the “Charter Amendment Approval”), and the exercise of Warrant-C or any Subsequent Warrant in respect of any Warrant Shares in excess of [*] shares (for the avoidance of doubt, without giving effect to any “cashless”
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

or “net” exercise provisions therein) (a “Restricted Warrant Exercise”) will require the approval of the Company’s stockholders pursuant to the applicable rules of The NASDAQ Global Select Market (the “NASDAQ Approval”) and, when so issued (from and after the Charter Amendment Approval with respect to any Restricted Share Authorization, and from and after the NASDAQ Approval with respect to any Restricted Warrant Exercise), will be validly issued, fully paid and non-assessable, and free and clear of any liens or encumbrances, other than liens or encumbrances created by the Transaction Documents, arising as a matter of applicable Law or created by or at the direction of Amazon or any of its Affiliates.

(d) **Authorization, Enforceability.**

(i) Each of the Company, and each subsidiary of the Company that is a party to any other Transaction Document, has the power and authority to execute and deliver this Agreement and the other Transaction Documents, as applicable, and subject to obtaining the Charter Amendment Approval with respect to any Restricted Share Authorization and the NASDAQ Approval with respect to any Restricted Warrant Exercise, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by the Company, and by each subsidiary of the Company that is a party to any other Transaction Document, of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate (or analogous) action on the part of the Company and its stockholders, or such subsidiary and its equityholders, as applicable, and no further approval or authorization is required on the part of the Company or its stockholders, or such subsidiary or its equityholders, as applicable, except that any Restricted Share Authorization will require the Charter Amendment Approval and any Restricted Warrant Exercise will require the NASDAQ Approval. This Agreement and the other Transaction Documents, assuming the due authorization, execution and delivery by the other parties hereto and thereto, are valid and binding obligations of the Company and each such subsidiary, as applicable, enforceable against the Company and such subsidiary, respectively, in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors’ rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at Law or in equity (“Bankruptcy Exceptions”).

(ii) The execution, delivery and performance by the Company, and each subsidiary of the Company that is a party to any other Transaction Document, of this Agreement and the other Transaction Documents, as applicable, and the consummation of the transactions contemplated hereby and thereby and compliance by the Company or such subsidiary, as applicable, with any of the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which,
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any of its subsidiaries under any of the terms, conditions or provisions of (x) its certificate of incorporation or by-laws (or analogous organizational documents), or (y) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which it or any of its subsidiaries may be bound, or to which the Company or any of its subsidiaries or any of the properties or assets of the Company or any of its subsidiaries is subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any Law or Order applicable to the Company or any of its subsidiaries or any of their respective properties or assets except, in the case of clauses (A)(y) and (B), for those occurrences that would not constitute a Material Adverse Effect.

(iii) Other than (A) such notices, filings, exemptions, reviews, authorizations, consents or approvals as have been made or obtained as of the date hereof, and (B) notices, filings, exemptions, reviews, authorizations, consents or approvals as may be required under, and other applicable requirements of (1) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), (2) any other Antitrust Laws, (3) the Exchange Act, (4) the Securities Act, (5) The NASDAQ Global Select Market and (6) the DOT Regulations, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any federal, state, local, domestic, foreign or supranational court, administrative or regulatory agency or commission or other federal, state, local, domestic, foreign or supranational governmental authority or instrumentality (each, a “Governmental Entity”) is required to be made or obtained by the Company or any of its subsidiaries in connection with the consummation by the Company or any of its subsidiaries of any Warrant Issuance and the other transactions contemplated hereby and by the other Transaction Documents, except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not constitute a Material Adverse Effect. For purposes of this Agreement, “Antitrust Laws” means the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other federal, state, local, domestic, foreign or supranational Laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or that provide for review of foreign investment.

(e) Company Financial Statements; Internal Controls.

(i) Each of the consolidated financial statements included in the SEC Reports (A) complied as to form, as of their respective dates of filing with the Commission, in all material respects with the applicable accounting
requirements and with the rules and regulations of the Commission, (B) were prepared in accordance with GAAP, in all material respects, applied on a consistent basis during the periods involved (except as may be indicated in such financial statements or in the notes thereto and subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of footnote disclosure), and (C) fairly presents, in all material respects, the consolidated financial position and the consolidated results of operations and cash flows (and changes in financial position, if any) of the Company and its subsidiaries as of the date and for the periods referred to in such financial statements.

(ii) Neither the Company nor any of the Company’s subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar agreement or arrangement, where the result, purpose or effect of such agreement or arrangement is to avoid disclosure of any material transaction involving, or material liabilities of, the Company or any of its subsidiaries in the SEC Reports (including the financial statements contained therein).

(iii) The Company has designed and maintains a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting. The Company (A) has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits with the Commission is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules, regulations and forms, and is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure, and (B) has disclosed, based on its most recent evaluation of internal control over financial reporting, to the Company’s outside auditors and the Audit Committee of the Company’s Board of Directors (x) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that would reasonably be expected to adversely affect the Company’s ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting, all of which information described in clauses (x) and (y) above has been disclosed by the Company to Amazon prior to the date hereof. Any material change in internal control over financial reporting required to be disclosed in any SEC Report has been so disclosed.

(iv) Since December 31, 2014, neither the Company nor any of its subsidiaries has received any material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or
methods of the Company or any of its subsidiaries or their respective internal accounting controls.

(v) Each of the principal executive officer of the Company and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company, as applicable) has made all certifications required by Rules 13a-14 and 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended (“SOX”), with respect to the SEC Reports, and the statements contained in such certifications were true and complete on the date such certifications were made. For purposes of this Agreement, “principal executive officer” and “principal financial officer” shall have the meanings given to such terms in SOX.


(g) Reports.

(i) Since December 31, 2014, the Company has complied in all material respects with the filing requirements of Sections 13(a), 14(a) and 15(d) of the Exchange Act, and of the Securities Act.

(ii) The SEC Reports, when they became effective or were filed with the Commission, as the case may be, complied in all material respects with the requirements of the Securities Act, the Exchange Act and SOX, as applicable, and none of such documents, when they became effective or were filed with the Commission, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(h) Anti-takeover Provisions and No Rights Plan.

(i) The actions taken by the Board of Directors of the Company to approve this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby, assuming the accuracy of the representations and warranties of Amazon set forth in Section 2.3(c), constitute all the action necessary to render inapplicable to this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby the provisions of any potentially applicable anti-takeover, control share, fair price, moratorium, interested shareholder or similar Law (including, for the avoidance of doubt, Section 203 of the Delaware General Corporation Law) and any potentially applicable provision of the Company’s certificate of incorporation or bylaws (collectively, the “Anti-takeover Provisions”).
(ii) The Company does not have any “poison pill” or similar shareholder rights plan or agreement in effect.

(i) No Change in Control. Except as set forth in Section 2.2(i) of the Company Disclosure Letter, neither the execution and delivery of this Agreement or any of the other Transaction Documents, nor the consummation of the transactions contemplated hereby and thereby will (i) result in any payment (including severance, unemployment compensation, forgiveness of indebtedness or otherwise) becoming due to any director or any employee of the Company or any of its subsidiaries under any employment, compensation or benefit plan, program, policy, agreement or arrangement that is sponsored, maintained or contributed to by the Company or any of its subsidiaries (each, a “Company Benefit Plan”) or otherwise; (ii) increase any benefits otherwise payable under any Company Benefit Plan; (iii) result in any acceleration of the time of payment or vesting of any such benefits; (iv) require the funding or acceleration of funding of any trust or other funding vehicle; or (v) constitute a “change in control,” “change of control” or other similar term under any Company Benefit Plan.

(j) Brokers; Fees and Expenses. No broker, investment banker, financial advisor or other person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement or the other Transaction Documents based upon arrangements made by or on behalf of the Company.

2.3 Representations and Warranties of Amazon. Amazon hereby represents and warrants as of the date of this Agreement to the Company that:

(a) Organization. Amazon has been duly incorporated and is validly existing as a corporation in good standing under the Laws of the State of Delaware, with the corporate power and authority to own its properties and conduct its business in all material respects as currently conducted.

(b) Authorization, Enforceability.

(i) Amazon and each of its subsidiaries that is a party to any other Transaction Document have the corporate or analogous power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Amazon, and by each of its subsidiaries that is a party to any other Transaction Document, as applicable, of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or analogous action on its, or such subsidiary’s or part, as applicable, and no further approval or authorization is required on its, or such subsidiary’s part, as applicable. This Agreement and the other Transaction Documents, assuming the due authorization, execution and delivery by the other parties hereto and thereto, are valid and binding obligations of Amazon, and such subsidiary, as applicable, enforceable against it, and such subsidiary,
applicable, in accordance with their respective terms, except as the same may be limited by Bankruptcy Exceptions. Notwithstanding anything to the contrary contained herein, the exercise of the Warrants may require further board of director (or analogous) approvals or authorizations on the part of Amazon (the “Exercise Approval”).

(ii) The execution, delivery and performance by Amazon, or any such subsidiary, as applicable, of this Agreement and the other Transaction Documents to which it, or any such subsidiary is a party and the consummation of the transactions contemplated hereby and thereby and compliance by it, and such subsidiary, as applicable, with any of the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of its properties or assets under any of the terms, conditions or provisions of (x) subject to Exercise Approval, its, or such subsidiary’s, as applicable, organizational documents or (y) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which it, or such subsidiary, as applicable, is a party or by which it, or such subsidiary, as applicable, may be bound, or to which it, or such subsidiary, as applicable, or any of its, or such subsidiary’s, as applicable, properties or assets is subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any Law or any Order applicable to it, or such subsidiary, as applicable, or any of its, or such subsidiary’s, as applicable, properties or assets except, in the case of clauses (A)(y) and (B), for those occurrences that, individually or in the aggregate, have not had and would not reasonably be expected to have, a material adverse effect on the ability of Amazon to complete the transactions contemplated by the Transaction Documents or to perform its obligations under the Transaction Documents.

(iii) Other than (A) such notices, filings, exemptions, reviews, authorizations, consents or approvals as have been made or obtained as of the date hereof, and (B) notices, filings, exemptions, reviews, authorizations, consents or approvals as may be required under, and other applicable requirements of (1) the HSR Act, (2) any other Antitrust Laws, (3) the Exchange Act, (4) the Securities Act and (5) DOT Regulations, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by it or any of its subsidiaries in connection with the consummation by Amazon or any of its subsidiaries of any Warrant Issuance and the other transactions contemplated hereby and by the other Transaction Documents, except for any such notices, filings, exemptions, reviews, authorizations, consent and approvals the failure of which to make or obtain have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Amazon to complete the
transactions contemplated by the Transaction Documents or to perform its obligations under the Transaction Documents.

(c) **Ownership.** Other than pursuant to the Other Amazon Warrants this Agreement and the other Transaction Documents, Amazon is not the Beneficial Owner of (i) any Common Stock or (ii) any securities or other instruments representing the right to acquire Common Stock. “Beneficial Ownership” shall have the meaning assigned to such term in the A&R Stockholders Agreement. “Beneficial Owner” and “Beneficially Own” shall have conforming definitions. “Other Amazon Warrants” shall mean the Issued Amazon Warrants and any other warrant that may be issued pursuant to the 2016 Investment Agreement.

(d) **Brokers; Fees and Expenses.** No broker, investment banker, financial advisor or other person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement or the other Transaction Documents based upon arrangements made by or on behalf of Amazon.

**ARTICLE III**

**COVENANTS**

3.1 **Efforts.**

(a) Subject to the terms and conditions hereof (including the remainder of this Section 3.1) and the other Transaction Documents, each party shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or desirable under applicable Law to carry out the provisions hereof and thereof and give effect to the transactions contemplated hereby and thereby. In furtherance and not in limitation of the foregoing, each of the parties shall (i) subject to the provisions of this Section 3.1, including Section 3.1(d), use its reasonable best efforts to obtain as promptly as reasonably practicable and advisable (as determined in good faith by Amazon in accordance with the first sentence of Section 3.1(d)) all exemptions, authorizations, consents or approvals from, and to make all filings with and to give all notices to, all third parties, including any Governmental Entities, required in connection with the transactions contemplated by this Agreement and the other Transaction Documents, which, for the avoidance of doubt, shall include providing, as promptly as reasonably practicable and advisable, such information to any Governmental Entity as such Governmental Entity may request in connection therewith, and (ii) cooperate fully with the other party in promptly seeking to obtain all such exemptions, authorizations, consents or approvals and to make all such filings and give such notices; provided, that nothing in this Section 3.1(a), shall require Amazon to expend any money, bring any claim, action or proceeding or offer or grant any accommodation (financial or otherwise) to any third party to obtain any such exemptions, authorizations, consents or approvals or to make any such filings or notices.

(b) Without limiting the generality of the foregoing, (i) as promptly as reasonably practicable after written notice from Amazon, the parties shall file the Notification and Report Forms required under the HSR Act with the Federal Trade Commission and the United States Department of Justice (the date on which all such Notification and Report Forms
required under the HSR Act have been initially filed, the “HSR Filing Date”) and (ii) as promptly as reasonably practicable after written notice from Amazon, file, make or give, as applicable, all other filings, requests or notices required under any other Antitrust Laws, in each case with respect to the issuance of the Warrant Shares (the “Initial Filing Transaction”) (the filings, requests and notices described in the foregoing clauses (i) and (ii), collectively, the “Initial Antitrust Filings”). In addition, following the receipt of the Initial Antitrust Clearance, to the extent required by applicable Law (including, for the avoidance of doubt any Antitrust Law) in connection with any further issuance of Warrant Shares (in each case, whether in full or in part), the parties shall file, make or give, as applicable, as promptly as reasonably practicable and advisable (as determined in good faith by Amazon in accordance with the first sentence of Section 3.1(d)), any further required filings, requests or notices required under any Antitrust Laws, including the HSR Act (collectively, the “Other Antitrust Filings”). Without limiting the generality of the foregoing, each party shall supply as promptly as reasonably practicable to the appropriate Governmental Entities any information and documentary material that may be requested pursuant to the HSR Act or any other Antitrust Laws. For purposes of this Agreement, the term “Initial Antitrust Clearance” as of any time means (x) prior to such time, the expiration or termination of the waiting period under the HSR Act and the receipt of all exemptions, authorizations, consents or approvals, the making of all filings and the giving of all notices, and the expiration of all waiting periods, pursuant to any other Antitrust Laws, in each case to the extent required with respect to the Initial Filing Transaction, and (y) the absence at such time of any applicable Law or temporary restraining order, preliminary or permanent injunction or other Order, or legally binding agreement with a Governmental Entity, stipulation, decision or decree issued by any court of competent jurisdiction or other legal restraint or prohibition under any Antitrust Law, in each case that has the effect of preventing the consummation of the Initial Filing Transaction.

(c) Subject to the terms and conditions hereof (including the remainder of this Section 3.1) and the other Transaction Documents, each of the parties shall use its reasonable best efforts to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any Governmental Entity, so as to enable the parties to give effect to the transactions contemplated hereby and by the other Transaction Documents in accordance with the terms hereof and thereof; provided, that notwithstanding anything to the contrary contained herein or in any of the other Transaction Documents, nothing in this Section 3.1 shall require, or be construed to require, any party or any of its Affiliates to agree to (and no party or any of its Affiliates shall agree to, without the prior written consent of the other parties): (i) sell, hold separate, divest, discontinue or limit (or any conditions relating to, or changes or restrictions in, the operation of) any assets, businesses or interests of it or its Affiliates (irrespective of whether or not such assets, businesses or interests are related to, are the subject matter of or could be affected by the transactions contemplated by the Transaction Documents); (ii) without limiting clause (i) in any respect, any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests that would reasonably be expected to adversely impact (x) the business of, or the financial, business or strategic benefits of the transactions contemplated hereby or by any of the other Transaction Documents to it or its Affiliates, or (y) any other assets, businesses or interests of it or its Affiliates; or (iii) without limiting clause (i) in any respect, any modification or waiver of the terms and conditions of this Agreement or any of the other Transaction Documents that would reasonably be expected to adversely impact
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

(x) the business of, or financial, business or strategic benefits of the transactions contemplated hereby or by any of the other Transaction Documents to it or its Affiliates, or (y) any other assets, businesses or interests of it or its Affiliates.

(d) Amazon shall have the principal responsibility for devising and implementing the strategy (including with respect to the timing of filings) for obtaining any exemptions, authorizations, consents or approvals required under the HSR Act or any other Antitrust Laws in connection with the transactions contemplated hereby and by the other Transaction Documents; provided, however, that Amazon shall consult in advance with the Company and in good faith take the Company’s views into account regarding the overall antitrust strategy. Each of the parties shall promptly notify the other party of, and if in writing furnish the other with copies of (or, in the case of oral communications, advise the other of), any substantive communication that it or any of its Affiliates receives from any Governmental Entity, whether written or oral, relating to the matters that are the subject of this Agreement or any of the other Transaction Documents and, to the extent reasonably practicable, permit the other party to review in advance any proposed substantive written communication by such party to any Governmental Entity and consider in good faith the other party’s reasonable comments on any such proposed substantive written communications prior to their submission. No party shall, and each party shall cause its Affiliates not to, participate or agree to participate in any substantive meeting or communication with any Governmental Entity in respect of any Governmental Entity in respect of the subject matter of the Transaction Documents, including on a “no names” or hypothetical basis, unless (to the extent practicable) it or they consult with the other party in advance and, to the extent practicable and permitted by such Governmental Entity, give the other party the opportunity to jointly prepare for, attend and participate in such meeting or communication. The parties shall (and shall cause their Affiliates to) coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the matters described in this Section 3.1, including (x) furnishing to each other all information reasonably requested to determine the jurisdictions in which a filing or submission under any Antitrust Law is required or advisable, (y) furnishing to each other all information required for any filing or submission under any Antitrust Law and (z) keeping each other reasonably informed with respect to the status of each exemption, authorization, consent, approval, filing and notice under any Antitrust Law, in each case, in connection with the matters that are the subject of this Agreement or any of the other Transaction Documents. The parties shall provide each other with copies of all substantive correspondence, filings or communications between them or any of their Affiliates or representatives, on the one hand, and any Governmental Entity or members of its staff, on the other hand, relating to the matters that are the subject of this Agreement or any of the other Transaction Documents; provided that such material may be redacted as necessary to (1) comply with contractual arrangements, (2) address good faith legal privilege or confidentiality concerns and (3) comply with applicable Law.

(e) Subject to the other provisions of this Agreement, including in this Section 3.1, in the event that any arbitral, administrative, judicial or analogous action, claim or proceeding is instituted (or threatened to be instituted) by a Governmental Entity or any other party challenging the transactions contemplated hereby or by any of the other Transaction Documents (“Transaction Litigation”), each party shall use its reasonable best efforts to contest and resist any such Transaction Litigation and to have vacated, lifted, reversed or overturned any
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation or implementation of the transactions contemplated hereby or by any of the other Transaction Documents. Each party shall keep the other party reasonably informed unless doing so would reasonably be likely to jeopardize any privilege of such party regarding any such Transaction Litigation (subject to such party using reasonable best efforts to, and cooperating in good faith with the other party in, developing and implementing reasonable alternative arrangements to provide such other party with such information). Subject to the immediately preceding sentence, each party shall promptly advise the other party orally and in writing and shall cooperate fully in connection with, and shall consult with each other with respect to, any Transaction Litigation and shall in good faith give consideration to each other’s advice with respect to such Transaction Litigation.

(f) Without limiting the generality of the foregoing, as promptly as practicable after written notice from Amazon that Amazon intends to exercise any Warrant that would result in Amazon having beneficial control of 10% or more of the Common Stock, Amazon and the Company shall jointly file a “Notice of Substantial Change of Ownership” with the DOT. Amazon and the Company shall cooperate fully in promptly responding to any associated information requests of the DOT in seeking its approval of the substantial change in the Company’s ownership (the “DOT Approval”).

(g) As promptly as practicable following the date hereof, the Company shall adopt such amendments and take such further actions and do or cause to be done all things necessary, proper or advisable under applicable Law, to prevent the execution and delivery of the Transaction Documents and the consummation of the transactions contemplated thereby from constituting a “change in control,” “change of control” or other similar term under any Company Benefit Plan.

(h) Notwithstanding anything herein to the contrary, from and after the earlier of (i) the exercise of the Warrants in full and (ii) the expiration, termination or cancellation of the Warrants without the Warrants having been exercised in full, no party shall have any further obligations under this Section 3.1; provided, that this Section 3.1(h) shall in no way relieve any party with respect to any breach by such party of this Section 3.1 prior to such time.

3.2 Public Announcements. The parties acknowledge that the communication plan (including the initial press release of each party) regarding the initial announcement of the transactions contemplated by this Agreement and the other Transaction Documents to customers, suppliers, investors and employees and otherwise (the “Initial Communications Materials”) has been agreed by the parties. After the transmission of the Initial Communications Materials, except as required by applicable Law or by the rules or requirements of any stock exchange on which the securities of a party are listed or as contemplated by Section 3.4, no party shall make, or cause to be made, or permit any of its Affiliates to make, any press release or public announcement or other similar communications in respect of the Transaction Documents or the transactions contemplated thereby without prior written consent (not to be unreasonably withheld, conditioned or delayed) of the other party, to the extent such release, announcement or communication relates to the transactions contemplated hereby or by any of the other Transaction Documents; provided that no party shall have the right to consent to any release, announcement or communication of the other party (including any filing required to be made
under the Exchange Act or the Securities Act) made in the ordinary course of business unless and to the extent such release, announcement or communication (x) relates specifically to the signing or completion of the transactions contemplated hereby or by any of the other Transaction Documents or (y) includes information with respect to the transactions contemplated hereby or by any of the other Transaction Documents that is inconsistent with the Initial Communications Materials; provided, further, that the immediately foregoing clauses (x) and (y) shall not apply to any release, announcement or other communication to the extent containing information that is consistent with releases, announcements or other communications previously consented to by the other party in accordance with this Section 3.2.

3.3 Expenses. Unless otherwise provided in any Transaction Document, each of the parties shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under the Transaction Documents, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.4 Stockholder Approval.

(a) As promptly as reasonably practicable following the date of this Agreement, and in any event no later than the first regularly scheduled annual meeting of the stockholders of the Company following the date of this Agreement, the Company shall convene and hold a meeting (the “Initial Stockholder Meeting”) of the stockholders of the Company (the “Company Stockholders”) to obtain the Charter Amendment Approval and the NASDAQ Approval (collectively, the “Stockholder Approval”); provided that the parties acknowledge that such meeting may be postponed or adjourned in accordance with the Company’s certificate of incorporation or by-laws if (x) there is an insufficient number of shares of the Common Stock present or represented by a proxy at the Initial Stockholder Meeting to conduct business at the Initial Stockholder Meeting, (y) the Company is required to postpone or adjourn the Initial Stockholder Meeting by applicable Law or a request from the Commission or its staff, or (z) the Company determines in good faith that it is necessary or appropriate to postpone or adjourn the Initial Stockholder Meeting in order to give the Company Stockholders sufficient time to evaluate any information or disclosure that the Company has sent or otherwise made available to them.

(b) The Company shall use its reasonable best efforts to obtain the Stockholder Approval. Without limiting the foregoing, the Company shall (x) recommend that the Company Stockholders vote in favor of the Stockholder Approval (and not withdraw or modify in any adverse respect such recommendation), (y) solicit proxies in favor of the Stockholder Approval in accordance with this Section 3.4(b), and (z) obtain commitments from each of the directors and executive officers of the Company to vote in favor of the Stockholder Approval. In connection with the Initial Stockholder Meeting, the Company shall promptly prepare (and Amazon shall reasonably cooperate with the Company to prepare) and file with the Commission a preliminary proxy statement, shall use its reasonable best efforts to respond to any comments of the Commission or its staff and to cause a definitive proxy statement related to such meeting to be mailed to the Company Stockholders as promptly as practicable after clearance thereof by the Commission. The Company shall notify Amazon promptly of the receipt of any comments from the Commission or its staff with respect to the proxy statement and of any request by the Commission or its staff for amendments or supplements to such proxy statement.
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

or for additional information and shall supply Amazon with copies of all correspondence between the Company or any of its representatives, on the one hand, and the Commission or its staff, on the other hand, with respect to such proxy statement. If at any time prior to the Initial Stockholder Meeting there shall occur any event that is required to be set forth in an amendment or supplement to the proxy statement, the Company shall as promptly as reasonably practicable prepare and mail to the Company Stockholders such an amendment or supplement. Each of the parties shall promptly correct any information provided by it or on its behalf for use in the proxy statement if and to the extent that such information shall have become false or misleading in any material respect, and the Company shall as promptly as reasonably practicable prepare and furnish to the Company Stockholders an amendment or supplement to correct such information to the extent required by applicable Laws. The Company shall consult with Amazon prior to filing any proxy statement, or any amendment or supplement thereto, or responding to any comments from the Commission or its staff with respect thereto, and provide Amazon with a reasonable opportunity to comment thereon, and consider in good faith any comments proposed by Amazon.

(c) Amazon shall furnish the Company all information reasonably requested by the Company concerning itself, its Affiliates, directors, officers, stockholders and such other matters as may be reasonably necessary or advisable in connection with the proxy statement in connection with the Initial Stockholder Meeting.

(d) In the event that (i) the Stockholder Approval is not obtained at the Initial Stockholder Meeting (or any postponement or adjournment thereof) and (ii) Amazon has not exercised its right to terminate this Agreement pursuant to Section 5.1(a)(iii), the Company shall convene and hold additional meetings of the Company Stockholders (each such meeting, an “Additional Meeting” and, together with the Initial Stockholder Meeting, the “Company Stockholder Meetings”) to obtain the Stockholder Approval; provided that (x) the Company shall not be required to convene and hold more than three Company Stockholder Meetings for the purpose of obtaining the Stockholder Approval in the aggregate, and (y) the Company shall reasonably cooperate with Amazon in determining the timing of convening any Additional Meetings. The provisions of this Section 3.4 shall apply, mutatis mutandis, to any Additional Meeting and any proxy statement related thereto. The Company’s obligations under this Section 3.4 shall terminate and expire immediately following the second Additional Meeting (or, in the event of any adjournment or postponement thereof, immediately following the date on which the second Additional Meeting shall have concluded).

3.5 Tax Treatment.

(a) No later than 90 days after the date of this Agreement, Amazon shall provide the Company with a proposed valuation of Warrant-C for tax purposes, together with reasonable supporting documentation, taking into account the vesting schedule and any other relevant economic assumptions or inputs with respect to such Warrant as determined by Amazon. Amazon shall provide the Company with a reasonable opportunity to review such proposed valuation, and shall in good faith take the Company’s views into account in finalizing such proposed valuation. Such valuation as finally determined by Amazon in its sole discretion pursuant to this Section 3.5(a) shall be binding on Amazon and the Company for all tax purposes. Amazon and the Company shall treat the issuance of Warrant-C as a closed, taxable
transaction occurring on the date of this Agreement, rather than as an open transaction, for tax purposes. Neither Amazon nor the Company shall take any position for tax purposes that is inconsistent with the foregoing, unless required by applicable Law; provided that the foregoing shall not prevent the Company from taking a deduction with respect to any Warrant Issuance in a year (or years) later than the year in which such Warrant Issuance occurs or in an aggregate amount that is less than the valuation of the applicable Warrant.

(b) Each of the parties shall value each Subsequent Warrant in accordance with the principles set forth on Annex E.

(c) If any Governmental Entity issues to either party a notice of its intent to issue an assessment or raises any tax issue, in each case with respect to the valuation of any Warrants adopted by the parties pursuant to this Section 3.5, such party shall notify the other party of its receipt of such notice within thirty (30) days of receipt, and (i) such party shall control such audit, investigation or contest in good faith; (ii) to the extent relating to the valuation of the Warrants, such party shall keep the other party reasonably informed regarding the status of such audit, investigation or contest; (iii) to the extent relating to the valuation of the Warrants, the other party shall have the right, at the other party’s sole cost and expense, to participate in such audit, investigation or contest; and (iv) to the extent relating to the valuation of the Warrants, such party shall not settle or otherwise resolve such audit, investigation or contest without the prior written consent of the other party (which consent will not be unreasonably withheld, conditioned or delayed).

ARTICLE IV

ADDITIONAL AGREEMENTS

4.1 Acquisition for Investment. Amazon acknowledges that the issuance of the Warrants and any Warrant Shares pursuant thereto has not been registered under the Securities Act or under any state securities Laws. Amazon (i) acknowledges that it is acquiring the Warrants and any Warrant Shares pursuant thereto under an exemption from registration under the Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any other applicable securities Laws, (ii) agrees that it shall not (and shall not permit its Affiliates to) sell or otherwise dispose of any Warrant or any Warrant Shares pursuant thereto, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable securities Laws, (iii) acknowledges that it has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of any Warrant Issuance and of making an informed investment decision, and has conducted a review of the business and affairs of the Company that it considers sufficient and reasonable for purposes of consummating such Warrant Issuance, (iv) acknowledges that it is able to bear the economic risk of such Warrant Issuance and is able to afford a complete loss of such investment and (v) acknowledges that it is an “accredited investor” (as that term is defined by Rule 501 under the Securities Act).

4.2 Legend. Amazon agrees that all certificates or other instruments representing any Warrant and any Warrant Shares pursuant thereto shall bear a legend substantially to the following effect:
“THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF (1) AN INVESTMENT AGREEMENT, DATED AS OF DECEMBER 20, 2018 BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC., A DELAWARE CORPORATION, A COPY OF WHICH IS ON FILE WITH THE ISSUER AND (2) AN AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF DECEMBER 20, 2018 (AS THE SAME MAY BE AMENDED, RESTATED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME), BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENTS. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENTS WILL BE VOID.”

In the event that any Warrant Shares become registered under the Securities Act or the Company is presented with an opinion of counsel reasonably satisfactory, in form and substance, to the Company that the Warrant Shares are eligible to be transferred without restriction in accordance with Rule 144 under the Securities Act, the Company shall issue new certificates or other instruments representing such Warrant Shares which shall not contain such portion of the above legend that is no longer applicable; provided that the holder of such Warrant Shares surrenders to the Company the previously issued certificates or other instruments.

4.3 **Anti-takeover Provisions and Rights Plan.** The Company shall not take any action that would cause this Agreement or any of the other Transaction Documents, or any of the transactions contemplated hereby or thereby, to be subject to any requirements imposed by any Anti-takeover Provision, or subject in any manner to any “poison pill” or similar shareholder rights plan or agreement, and shall take all necessary steps within its control to exempt (or ensure the continued exemption of) the Transaction Documents and such transactions from, or if necessary challenge the validity or applicability of, any applicable Anti-takeover Provisions, as now or hereafter in effect.

4.4 **Adjustments and Other Rights.** From time to time prior to the applicable Warrant Issuance with respect to any Subsequent Warrant that may be issued hereunder, (x) the Warrant Shares that would be issuable and (y) with respect to any such Subsequent Warrant issued on or prior to March 31, 2019, the Exercise Price that would be payable, upon the issuance and exercise of any such Subsequent Warrant, shall in each case be subject to adjustment as follows;
provided that if more than one subsection of this Section 4.4 is applicable to a single event, the subsection shall be applied that would produce the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 4.4 so as to result in duplication.

(a) Stock Splits, Subdivisions, Reclassifications or Combinations. If the Company shall at any time or from time to time (i) declare, order, pay or make a dividend or make a distribution on its Common Stock in shares of the Common Stock, (ii) split, subdivide or reclassify the outstanding shares of the Common Stock into a greater number of shares or (iii) combine or reclassify the outstanding shares of the Common Stock into a smaller number of shares, the number of Warrant Shares that would be issuable upon the issuance and exercise of any Subsequent Warrant, at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification, shall be proportionately adjusted so that Amazon, or any of its permitted assigns under the Warrant (the “Warrantholder”), immediately after such record date or effective date, as the case may be, would be entitled to purchase the number of shares of the Common Stock which such holder would have owned or been entitled to receive in respect of the shares of the Common Stock subject to such Subsequent Warrant after such date had such Subsequent Warrant been issued and exercised in full immediately prior to such record date or effective date, as the case may be (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time). In the event of such adjustment, solely with respect to any such Subsequent Warrant issued on or prior to March 31, 2019, the Exercise Price that would be payable at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification shall be immediately adjusted to the number obtained by dividing (x) the product of (A) the number of Warrant Shares issuable upon issuance and exercise of such Subsequent Warrant in full before the adjustment determined pursuant to the immediately preceding sentence (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time) and (B) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, split, subdivision, combination or reclassification giving rise to such adjustment by (y) the new number of Warrant Shares issuable upon issuance and exercise of such Subsequent Warrant in full determined pursuant to the immediately preceding sentence (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time).

(b) Certain Issuances of Common Shares or Convertible Securities. Solely with respect to any such Subsequent Warrant issued on or prior to March 31, 2019, if the Company shall at any time or from time to time issue shares of the Common Stock (or rights or warrants or any other securities or rights exercisable or convertible into or exchangeable (collectively, a “conversion”) for shares of the Common Stock (collectively, “convertible securities”)) (other than in Permitted Transactions or a transaction to which the adjustments set forth in Section 4.4(a) are applicable), without consideration or at a consideration per share (or having a conversion price per share) that is less than one-hundred percent (100%) of the Market Price of the Common Stock immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) (such date of agreement, the “Pricing Date”) then, in such event:
(i) the number of Warrant Shares that would be issuable upon the issuance and exercise of such Subsequent Warrant immediately prior to the Pricing Date (the “Initial Number”) shall be increased to the number obtained by multiplying the Initial Number by a fraction (A) the numerator of which shall be the sum of (x) the number of shares of the Common Stock outstanding immediately prior to the Pricing Date and (y) the number of additional shares of the Common Stock issued (or into which convertible securities may be converted) and (B) the denominator of which shall be the sum of (x) the number of shares of the Common Stock outstanding immediately prior to the Pricing Date and (y) the number of shares of the Common Stock (rounded to the nearest whole share) which the Aggregate Consideration in respect of such issuance of shares of the Common Stock (or convertible securities) would purchase at the Market Price of the Common Stock immediately prior to the Pricing Date; and

(ii) the Exercise Price that would be payable upon the issuance and exercise of such Subsequent Warrant shall be adjusted by multiplying such Exercise Price that was applicable immediately prior to the Pricing Date by a fraction, the numerator of which shall be the number of shares of the Common Stock issuable upon the issuance and exercise of such Subsequent Warrant in full immediately prior to the adjustment pursuant to clause (i) above when such Subsequent Warrant is issued (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time), and the denominator of which shall be the number of shares of the Common Stock issuable upon the issuance and exercise of such Subsequent Warrant in full immediately after the adjustment pursuant to clause (i) above (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time).

For purposes of the foregoing: (i) the “Aggregate Consideration” in respect of such issuance of shares of the Common Stock (or convertible securities) shall be deemed to be equal to the sum of the net offering price (before deduction of any related expenses payable to third parties, including discounts and commissions) of all such shares of the Common Stock and convertible securities, plus the aggregate amount, if any, payable upon conversion of any such convertible securities (assuming conversion in accordance with their terms immediately following their issuance (and further assuming for this purpose that such convertible securities are convertible at such time)); (ii) in the case of the issuance of such shares of the Common Stock or convertible securities for, in whole or in part, any non-cash property (or in the case of any non-cash property payable upon conversion of any such convertible securities), the consideration represented by such non-cash property shall be deemed to be the Market Price (in the case of securities) and/or Fair Market Value (in all other cases), as applicable, of such non-cash property as of immediately prior to the Pricing Date (before deduction of any related expenses payable to third parties, including discounts and commissions); (iii) on any increase in the number of shares of the Common Stock deliverable upon conversion of any such issued convertible securities, and/or any decrease in the consideration receivable by the Company in respect of any such conversion (each, a “Post-Issuance Adjustment”), then, to the extent that, in respect of the same facts and events, the adjustment provisions set forth in this Section 4.4
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

(excluding this clause (iii)) do not result in a proportionate increase in the number of Warrant Shares that would be issuable upon the exercise of the Subsequent Warrant, and/or proportionate decrease in the Exercise Price that would be payable upon exercise of such Subsequent Warrant, in each case equal to or greater than the proportionate increase and/or decrease, respectively, in respect of such convertible securities, then the number of Warrant Shares that would be issuable, and the Exercise Price that would be payable, upon exercise of such Subsequent Warrant, in each case as set forth in the form of such Subsequent Warrant, shall forthwith be readjusted to such number of Warrant Shares and such Exercise Price as would have been obtained had the Post-Issuance Adjustment been effective in respect of such convertible securities as of immediately prior to the Pricing Date of such convertible securities; (iv) if the Exercise Price that would be payable and the number of Warrant Shares that would be issuable upon exercise of such Subsequent Warrant shall have been adjusted upon the issuance of any convertible securities in accordance with this Section 4.4, subject to clause (iii) above, no further adjustment of the Exercise Price that would be payable and the number of Warrant Shares that would be issuable upon exercise of such Subsequent Warrant shall be made for the actual issuance of shares of the Common Stock upon the actual conversion of such convertible securities in accordance with their terms; and (v) “Permitted Transactions” shall include (A) issuances of shares of the Common Stock (including upon exercise of options) to directors, advisors, employees or consultants of the Company pursuant to a stock option plan, employee stock purchase plan, restricted stock plan, other employee benefit plan or other similar compensatory agreement or arrangement approved by the Board of Directors of the Company, (B) issuances of shares of the Common Stock in accordance with or pursuant to any Existing Convertible Notes or any Existing Convertible Note Warrants (C) the issuance of any warrant that has been or may be issued pursuant to the 2016 Investment Agreement or this Agreement (the “Amazon Warrants” or shares of Common Stock in accordance with or pursuant to the Amazon Warrants, including in connection with exercise of any Warrant.

Any adjustment made pursuant to this Section 4.4(b) shall become effective immediately upon the date of such issuance. For the avoidance of doubt, no increase to the Exercise Price that would be payable or decrease in the number of Warrant Shares that would be issuable upon the issuance and exercise of any Subsequent Warrant shall be made pursuant to this Section 4.4(b).

(c) Distributions.

(i) If the Company shall fix a record date for the making of a dividend or other distribution (by spin-off or otherwise) on shares of the Common Stock, whether in cash, Equity Interests of the Company, other securities of the Company, evidences of indebtedness of the Company or any other Person or any other property (including Equity Interests, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, excluding (A) dividends or distributions subject to adjustment pursuant to Section 4.4(a) or (B) dividends or distributions of rights in connection with the adoption of a stockholder rights plan in customary form (including with respect to the receipt of such rights in respect of shares of the Common Stock (including Warrant Shares) issued subsequent to the initial dividend or distribution of such rights), then in
each such case, the number of Warrant Shares that would be issuable upon the issuance and exercise of any Subsequent Warrant in full (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time) shall be increased by multiplying such number of Warrant Shares by a fraction, the numerator of which is the Market Price per share of the Common Stock on such record date and the denominator of which is the Market Price per share of the Common Stock on such record date less the Fair Market Value of the cash and/or any other property, as applicable, to be so paid or distributed in such dividend or distribution in respect of one (1) share of the Common Stock (in each case as of the record date of such dividend or distribution); such adjustment shall take effect on the record date for such dividend or distribution. In the event of such adjustment, but solely with respect to any such Subsequent Warrant issued on or prior to March 31, 2019, the Exercise Price that would be payable upon the issuance and exercise of such Subsequent Warrant shall immediately be decreased by multiplying such Exercise Price by a fraction, the numerator of which is the number of Warrant Shares that would be issuable upon the issuance and exercise of such Subsequent Warrant in full immediately prior to such adjustment (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time), and the denominator of which is the new number of Warrant Shares that would be issuable upon the issuance and exercise of such Subsequent Warrant determined in accordance with the immediately preceding sentence. Notwithstanding the foregoing, in the event that the Fair Market Value of the cash and/or any other property, as applicable, to be so paid or distributed in such dividend or distribution in respect of one (1) share of the Common Stock (in each case as of the record date of such dividend or distribution) is equal to or greater than the Market Price per share of the Common Stock on such record date, then proper provision shall be made such that upon the issuance and exercise of such Subsequent Warrant, the Warrantholder shall receive, in addition to the applicable Warrant Shares, the amount and kind of such cash and/or any other property such Warrantholder would have received had such Warrantholder been issued and exercised such Subsequent Warrant immediately prior to such record date (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time). For purposes of the foregoing, in the event that such dividend or distribution in question is ultimately not so made, the Exercise Price and the number of Warrant Shares issuable upon the issuance and exercise of such Subsequent Warrant then in effect shall be readjusted, effective as of the date when the Board of Directors of the Company determines not to make such dividend or distribution, to the Exercise Price that would then be in effect and the number of Warrant Shares that would then be issuable upon the issuance and exercise of such Subsequent Warrant if such record date had not been fixed. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of any Subsequent Warrant shall be made pursuant to this Section 4.4(c).

(ii) Notwithstanding the foregoing provisions of this Section 4.4(c), in the event that all or any portion of any such dividend or other...
distribution is in Other Voting Securities, then with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), Amazon shall have the option, exercisable in writing delivered to the Company within seven (7) Business Days of such Amazon’s receipt of the Company’s notice pursuant to Section 4.4(i) relating to such dividend or other distribution, to elect (A) for the foregoing adjustments set forth in this Section 4.4(c) to apply with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable) or (B) in lieu of the foregoing adjustments set forth in this Section 4.4(c) with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), but, for all purposes of this clause (B), after giving effect to the foregoing adjustments set forth in this Section 4.4(c) with respect to any portion of such dividend or distribution that is in securities, cash and/or any other property, in each case other than Other Voting Securities, for its right to receive Warrant Shares upon the issuance and exercise of the Subsequent Warrant to be converted, effective as of the record date of such dividend or distribution, into the right to exercise such Subsequent Warrant (upon issuance) to acquire such Warrant Shares plus the Other Voting Securities that such Warrant Shares would have been entitled to receive upon consummation of such dividend or distribution, assuming the issuance and exercise in full of such Subsequent Warrant immediately prior to such record date (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time); provided that for purposes of this clause (B), (i) the number and type of Other Voting Securities that would be so deliverable upon any exercise of such Subsequent Warrant shall be adjusted to take into account any stock or security dividends, splits, reverse splits, spin-offs, split-ups, mergers, reclassifications, reorganizations, recapitalizations, combinations or exchanges of securities and the like from and after the consummation of such dividend or distribution in question and at or prior to such exercise of such Subsequent Warrant, and (ii) with respect to any such Other Voting Securities that are described in clause (B) of the definition of Other Voting Securities, the terms of such Other Voting Securities, as issued upon exercise of such Subsequent Warrant, shall take into account any antidilution or other adjustments that would have been applicable to such Other Voting Securities had such Other Voting Securities been outstanding from and after the consummation of such dividend or distribution in question. In the event that such dividend or distribution in question (or such portion thereof that is in Other Voting Securities, as applicable) is ultimately not so made, such Subsequent Warrant shall be readjusted, effective as of the date when the Board of Directors of the Company determines not to make such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), as though the record date thereof had not been fixed.

(d) Repurchases. If the Company or any subsidiary thereof shall at any time or from time to time effect Repurchases (other than a Permitted Repurchase), then, solely with respect to any Subsequent Warrant issued on or prior to March 31, 2019, the Exercise Price that would be payable and the number of Warrant Shares that would be issuable upon the issuance
and exercise of such Subsequent Warrant shall be immediately adjusted, in each case in accordance with the foregoing provisions of this Section 4.4, as if, in lieu of such Repurchases, the Company had (i) first, declared and paid a dividend, in cash, on shares of the Common Stock in an aggregate amount equal to the Assumed Payment Amount, with a record date as of the trading day immediately preceding the first public disclosure of the Company’s (or such subsidiary’s) intent to effect such Repurchase, and (ii) second, effected a reverse-split of the Common Stock, in the proportion required to reduce the number of shares of the Common Stock outstanding from (A) the number of such shares outstanding immediately prior to the first purchase of Equity Interests comprising such Repurchases to (B) the number of such shares outstanding immediately following the last purchase of Equity Interests comprising such Repurchases (in the case of this clause (ii), with such adjustments as are appropriate to exclude the effect of any issuances of Equity Interests, and any dividends, distributions, splits, subdivisions, reclassifications and combinations subject to adjustment pursuant to Section 4.4(a), in each case from and after the first purchase of Equity Interests comprising such Repurchases and at or prior to the last purchase of Equity Interests comprising such Repurchases). For the avoidance of doubt, no increase to the Exercise Price that would be payable or decrease in the number of Warrant Shares that would be issuable upon exercise of any Subsequent Warrant shall be made pursuant to this Section 4.4(d). For purposes of this Agreement, the “Assumed Payment Amount” with respect to any Repurchases shall mean the aggregate Market Price (in the case of securities) and/or Fair Market Value (in the case of cash and/or any other property), as applicable, of the aggregate consideration paid to effect such Repurchases. For purposes of this Agreement, “Repurchases” means any transaction or series of related transactions to purchase Equity Interests of the Company or any of its subsidiaries by the Company or any subsidiary thereof for a purchase price greater than Fair Market Value pursuant to any tender offer or exchange offer (whether or not subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder), whether for cash, Equity Interests of the Company, evidences of indebtedness of the Company or any other Person or any other property (including Equity Interests, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected from and after the date of this Agreement; and “Permitted Repurchase” means (a) a Repurchase of up to 10,000,000 shares of the Common Stock in the aggregate pursuant to one or more “Dutch Auction” tender offers at a price no greater than ten percent (10%) above the Fair Market Value of the Common Stock at the time of such Repurchase or (b) a purchase of Equity Interests of the Company by the Company or any Affiliate thereof pursuant to and in compliance with the requirements of Rule 10b-18 under the Exchange Act.

(e) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 4.4 shall be made to the nearest one-hundredth (1/100th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 4.4 to the contrary notwithstanding, no adjustment in the Exercise Price that would be payable or the number of Warrant Shares into which any Subsequent Warrant would exercisable shall be made if the amount of such adjustment would be less than $0.01 or one-hundredth (1/100th) of a share of the Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or 1/100th of a share of the Common Stock, or more.
Timing of Issuance of Additional Securities Upon Certain Adjustments. In any case in which (a) the provisions of this Section 4.4 shall require that an adjustment (the “Subject Adjustment”) shall become effective immediately after a record date (the “Subject Record Date”) for an event and (b) the Warrantholder has been issued and exercises the Subsequent Warrant after the Subject Record Date and before the consummation of such event, the Company may defer until the consummation of such event (i) issuing to such Warrantholder the incrementally additional shares of the Common Stock or other property issuable upon such exercise by reason of the Subject Adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of the Common Stock; provided, however, that the Company upon request shall promptly deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder’s right to receive such additional shares (or other property, as applicable), and such cash, upon the consummation of such event.

Statement Regarding Adjustments. Whenever the Exercise Price or the Warrant Shares into which the Subsequent Warrant is exercisable shall be adjusted as provided in Section 4.4, the Company shall forthwith prepare a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the Warrant Shares into which such Subsequent Warrant shall be exercisable after such adjustment, and cause a copy of such statement to be delivered to Amazon as promptly as practicable.

Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type described in this Section 4.4 (but only if the action of the type described in this Section 4.4 would result in an adjustment in the Exercise Price that would be payable or the Warrant Shares into which a Subsequent Warrant would be exercisable or a change in the type of securities or property to be delivered upon exercise of such Subsequent Warrant), the Company shall provide written notice to Amazon, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of such Subsequent Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least ten (10) days prior to the date so fixed. In case of all other action, such notice shall be given at least ten (10) days prior to the taking of such proposed action unless the Company reasonably determines in good faith that, given the nature of such action, the provision of such notice at least ten (10) days in advance is not reasonably practicable from a timing perspective, in which case such notice shall be given as far in advance prior to the taking of such proposed action as is reasonably practicable from a timing perspective.

Adjustment Rules. Any adjustments pursuant to this Section 4.4 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

No Impairment. The Company shall not, by amendment of its certificate of incorporation, bylaws or any other organizational document, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other
voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Agreement. In furtherance and not in limitation of the foregoing, the Company shall not take or permit to be taken any action which would entitle Amazon to an adjustment under this Section 4.4 if the total number of shares of the Common Stock issuable after such action upon exercise of a Subsequent Warrant in full (disregarding whether or not such Subsequent Warrant had been issued or become exercisable by its terms at such time), together with all shares of the Common Stock then outstanding and all shares of the Common Stock then issuable upon the exercise in full of any and all outstanding Equity Interests (disregarding whether or not any such Equity Interests had been issued or become exercisable by their terms at such time) would exceed the total number of shares of the Common Stock then authorized by its certificate of incorporation.

(k) **Proceedings Prior to Any Action Requiring Adjustment.** As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 4.4, the Company shall take any and all action which may be necessary, including obtaining regulatory or other governmental, NASDAQ or other applicable securities exchange, corporate or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of the Common Stock, or all other securities or other property, that the Warrantholder is entitled to receive upon exercise of the Subsequent Warrant pursuant to this Section 4.4.

(l) **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

(i) **“Appraisal Procedure”** means a procedure whereby two (2) independent, nationally recognized appraisers, one (1) chosen by the Company and one (1) by Amazon, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within fifteen (15) days after the Appraisal Procedure is invoked. If within thirty (30) days after appointment of the two (2) appraisers they are unable to agree upon the amount in question, a third (3rd) independent, nationally recognized appraiser shall be chosen within ten (10) days thereafter by the mutual consent of such first two (2) appraisers or, if such two (2) first appraisers fail to agree upon the appointment of a third (3rd) appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in appraisal of the subject matter to be appraised. In such event, the decision of the third (3rd) appraiser so appointed and chosen shall be given within thirty (30) days after the selection of such third appraiser. If three (3) appraisers shall be appointed and the determination of one (1) appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two (2) determinations shall be averaged and such average shall be binding and conclusive upon the Company and Amazon; otherwise, the average of all three (3) determinations shall be binding upon the
Company and Amazon. The costs of conducting any Appraisal Procedure shall be borne fifty percent (50%) by the Company and fifty percent (50%) by Amazon.

(ii) “Equity Interests” means any and all (A) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (B) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (C) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination and (B) “Person” or “Persons” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

(iii) “Fair Market Value” means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors of the Company, acting in good faith and evidenced by a written notice delivered promptly to Amazon (which written notice shall include certified resolutions of the Board of Directors of the Company in respect thereof). If Amazon objects in writing to the Board of Directors of the Company’s calculation of fair market value within ten (10) Business Days of receipt of written notice thereof and Amazon and the Company are unable to agree on fair market value during the 10-day period following the delivery of Amazon’s objection, the Appraisal Procedure may be invoked by either the Company or Amazon to determine Fair Market Value by delivering written notification thereof not later than the thirtieth (30th) day after delivery of Amazon objection. For the avoidance of doubt, the Fair Market Value of cash shall be the amount of such cash.

(iv) “Market Price” shall mean with respect to the Common Stock or any other security, on any given day, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, of the Common Stock or of such security, as applicable, on The NASDAQ Global Select Market on such day. If the Common Stock or such security, as applicable, is not listed on The NASDAQ Global Select Market as of any date of determination, the Market Price of the Common Stock or such security, as applicable, on such date of determination means the closing sale price on such date as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such security, as applicable, is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on such date on the principal U.S. national or regional securities exchange on which the Common Stock or such security, as applicable, is so listed or quoted, or if the Common Stock or such security, as
applicable, is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price on such date for the Common Stock or such security, as applicable, in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the Market Price of the Common Stock or such security, as applicable, on that date shall mean the Fair Market Value per share as of such date of the Common Stock or such security. For the purposes of determining the Market Price of the Common Stock or any such security, as applicable, on the Trading Day preceding, or on or following the occurrence of an event, (A) that Trading Day shall be deemed to commence immediately after the regular scheduled closing time of trading on the applicable exchange, market or organization, or, if trading is closed at an earlier time, such earlier time and (B) that Trading Day shall end at the next regular scheduled closing time, or if trading is closed at an earlier time, such earlier time (for the avoidance of doubt, and as an example, if the Market Price is to be determined as of the last Trading Day preceding a specified event and the closing time of trading on a particular day is 4:00 p.m. and the specified event occurs at 5:00 p.m. on that day, the Market Price would be determined by reference to such 4:00 p.m. closing price).

(v) “Other Voting Securities” means, other than (A) the Common Stock (and, for the avoidance of doubt, the Common Stock expressly excludes, and Other Voting Securities expressly includes, any separate class or series of common stock of the Company with the right to vote in the election of any directors of the Company or otherwise on any other matters (whether separately as a class or series, or together with shares of the Common Stock) with respect to which the Common Stock is entitled to vote), (B) any rights issued (or any securities issued in respect of such rights) in connection with the adoption of a stockholder rights plan in customary form (including with respect to the receipt of such rights in respect of shares of the Common Stock (including Warrant Shares) issued subsequent to the initial dividend or distribution of such rights), or (C) any securities issued to directors, advisors, employees or consultants of the Company pursuant to a stock option plan, employee stock purchase plan, restricted stock plan, other employee benefit plan or similar compensatory arrangement or agreement approved by the Board of Directors of the Company, any (X) securities with the right to vote in the election of any directors of the Company or otherwise on any other matters (whether separately as a class or series, or together with shares of the Common Stock) with respect to which the Common Stock is entitled to vote, and (Y) securities convertible into or exchangeable for any such securities, and any and all warrants, rights or options to purchase any of the foregoing.

4.5 Exercise Price of Certain Subsequent Warrants. With respect to any Warrant Issuance in connection with a Subsequent Issuance Event occurring (x) after March 31, 2019 or (y) during any Notice Period (as defined in the A&R Stockholders Agreement), if the applicable Exercise Price with respect to the Subsequent Warrant then issued cannot be obtained because the VWAP for the Common Stock cannot be calculated with respect to such dates, the VWAP of
such Common Stock shall be the fair market value of the Common Stock as reasonably determined in good faith jointly by the Board of Directors of the Company and Amazon. All such determinations shall be appropriately adjusted for any dilutive transaction during such period. “VWAP” means the volume weighted average price per share of Common Stock on The NASDAQ Global Select Market (as reported by Bloomberg L.P. (or its successor) or, if not available, by another authoritative source mutually agreed by the Company and Amazon) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day.

ARTICLE V

MISCELLANEOUS

5.1 Termination of This Agreement; Other Triggers.

(a) This Agreement may be terminated at any time:

   (i) with the prior written consent of each of Amazon and the Company;

   (ii) if the Initial Antitrust Clearance shall not have been obtained on or prior to the date that is six months after the latest date of the Initial Antitrust Filings, by Amazon, provided that Amazon may not exercise the termination right pursuant to this Section 5.1(a)(ii) if a breach by Amazon of any obligation, representation or warranty under this Agreement has been the cause of, or resulted in, the failure of the Initial Antitrust Clearance to have been obtained on or prior to the date that is six (6) months after the latest date of the Initial Antitrust Filings;

   (iii) if the Stockholder Approval shall not have been obtained at the Initial Meeting or any postponement or adjournment thereof, by Amazon giving notice to the Company of termination not later than the ninetieth (90th) day after the date of such meeting (or, in the event of any adjournment or postponement thereof, the ninetieth (90th) day after the latest date to which such meeting is postponed or adjourned in accordance the Company’s certificate of incorporation or by-laws);

   (iv) prior to the receipt of Stockholder Approval, if the Board of Directors of the Company withdraws or modifies in any adverse respect its recommendation that the Company Stockholders vote in favor of the Stockholder Approval, by Amazon (without any prejudice to any rights and remedies Amazon may have if the change of recommendation is made);

   (v) if the DOT Approval shall not have been obtained on or prior to the date that is six (6) months after the latest date of the Notice of Substantial Change in Ownership with the DOT as described in Section 3.1(f), by Amazon; or
(vi) if the Company fails to maintain the Operating Authority in good standing or no longer qualifies as a Citizen of the United States, by Amazon.

(b) In the event that (i) the Stockholder Approval is not obtained at the Initial Stockholder Meeting (or any postponement or adjournment thereof), (ii) Amazon has not exercised its right to terminate this Agreement pursuant to Section 5.1(a)(iii) and (iii) the Company is required to convene and hold an Additional Meeting pursuant to Section 3.4(d), the termination right set forth in Section 5.1(a)(iii) shall be reinstated with respect to such Additional Meeting at which the Stockholder Approval is not obtained until, and shall expire on, the 90th day after such Additional Meeting (or, in the event of any adjournment or postponement thereof, on the 90th day after the latest date to which such Additional Meeting shall have been adjourned or postponed).

(c) In the event of termination of this Agreement as provided in this Section 5.1, this Agreement (other than Section 1.4 (Interpretation), Section 3.1 (Efforts), Section 3.2 (Public Announcements), Section 3.3 (Expenses), Section 3.5 (Tax Treatment) (to the extent any Warrant has been issued prior to termination), Section 4.1 (Acquisition for Investment) (to the extent any Warrant Shares have been issued prior to termination) and Section 4.2 (Legend) (to the extent any Warrant Shares have been issued prior to termination) and this Article V, each of which shall survive any termination of this Agreement, and other than the Confidentiality Agreement, which shall survive in accordance with the terms thereof) shall forthwith become void and there shall be no liability on the part of any party, except that nothing herein shall relieve any party from liability for any breach of this Agreement prior to such termination.

(d) Without affecting in any manner any prior exercise of the Warrants, in the event of termination of this Agreement as provided in this Section 5.1, the unvested portion of the Warrants shall be canceled and terminated and shall forthwith become void and the Company shall have no subsequent obligation to issue, and the Warrantherholder shall have no subsequent right to acquire, any Warrant Shares pursuant to such canceled portion of the Warrants. For the avoidance of doubt, the Warrants shall remain in full force and effect with respect to the vested portion thereof, and nothing in this Section 5.1 shall affect the ability of the Amazon to exercise such vested portion of the Warrants following termination of this Agreement.

5.2 Amendment. No amendment of any provision of this Agreement shall be effective unless made in writing and signed by a duly authorized officer of each party.

5.3 Waiver of Conditions. The conditions to any party’s obligation to consummate any transaction contemplated herein are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Law. No waiver shall be effective unless it is in writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.4 Counterparts and Facsimile. This Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. Executed signature pages to this Agreement may be delivered by facsimile or transmitted electronically by “pdf” file and such
facsimiles or pdf files shall be deemed as sufficient as if actual signature pages had been delivered.

5.5 Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL. This Agreement shall be governed by, and construed and enforced in accordance with, the Laws of the State of Delaware, without regard to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware. In addition, each of the parties (a) submits to the personal jurisdiction of the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such dispute, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such dispute, any Delaware State court sitting in New Castle County, in the event any dispute (whether in contract, tort or otherwise) arises out of this Agreement or the transactions contemplated hereby, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it shall not bring any claim, action or proceeding relating to this Agreement or the transactions contemplated hereby in any court other than the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such claim, action or proceeding, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such claim, action or proceeding, any Delaware State court sitting in New Castle County. Each party agrees that service of process upon such party in any such claim, action or proceeding shall be effective if notice is given in accordance with the provisions of this Agreement. EACH PARTY HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM, ACTION OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.5.

5.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt, (b) if sent by nationally recognized overnight air courier, one (1) Business Day after mailing, (c) if sent by email or facsimile transmission, with a copy mailed on the same day in the manner provided in clauses (a) or (b) of this Section 5.6 when transmitted and receipt is confirmed, or (d) if otherwise actually personally delivered, when delivered. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.
If to the Company, to:

Name: Air Transport Services Group, Inc.
Address: 145 Hunter Drive
        Wilmington, OH 45177
Fax: [*]
Email: [*]
Attn: W. Joseph Payne

with a copy to (which copy alone shall not constitute notice):

Name: Winston & Strawn LLP
Address: 333 South Grand Avenue
        Los Angeles, CA 90071
Fax: (213) 615-1750
Email: jlevin@winston.com
Attn: C. James Levin

if to Amazon, to:

Name: Amazon.com, Inc.
Address: 410 Terry Avenue North
        Seattle, WA 98109-5210
Fax: [*]
Attn: General Counsel

with a copy to (which copy alone shall not constitute notice):

Name: Sullivan & Cromwell LLP
Address: 1888 Century Park East, Suite 2100
        Los Angeles, CA 90067
Attn: Eric M. Krautheimer
Fax: (212) 558-3588
Email: krautheimere@sullcrom.com

5.7 Entire Agreement, Etc. This Agreement (including the Annexes hereto), the other Transaction Documents and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. No party shall take, or cause to be taken, including by entering into agreements or other arrangements with provisions or obligations that conflict, or purport to conflict, with the terms of the Transaction Documents or any of the transactions contemplated thereby, any action with either an intent or effect of impairing any such other person’s rights under any of the Transaction Documents. “Confidentiality Agreement” means that certain Mutual Nondisclosure Agreement, dated as of May 2, 2018, by and between Amazon and the Company.
5.8 Definitions of “subsidiary” and “Affiliate”.

(a) When a reference is made in this Agreement to a subsidiary of a person, the term “subsidiary” means, with respect to such person, any foreign or domestic entity, whether incorporated or unincorporated, of which (i) such person or any other subsidiary of such person is a general partner, (ii) at least a majority of the voting power to elect a majority of the directors or others performing similar functions with respect to such other entity is directly or indirectly owned or controlled by such person or by any one or more of such person’s subsidiaries, or (iii) at least fifty percent (50%) of the equity interests of which are directly or indirectly owned or controlled by such person or by any one or more of such person’s subsidiaries.

(b) The term “Affiliate” means, with respect to any person, any other person (for all purposes hereunder, including any entities or individuals) that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first person. It is expressly agreed that, for purposes of this definition, none of the Company or any of its subsidiaries is an Affiliate of Amazon or any of its subsidiaries (and vice versa). “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of securities, by contract, management control, or otherwise. “Controlled” and “Controlling” shall be construed accordingly.

5.9 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except that Amazon may transfer or assign, in whole or from time to time in part, to one or more of its direct or indirect wholly owned domestic subsidiaries, its rights and/or obligations under this Agreement, but any such transfer or assignment shall not relieve Amazon of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

5.10 Severability. If any provision of this Agreement or a Transaction Document, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.11 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person other than the parties (and any wholly owned subsidiary of Amazon to which an assignment is made in accordance with this Agreement) any benefits, rights, or remedies.
5.12 **Specific Performance.** The parties agree that failure of any party to perform its agreements and covenants hereunder, including a party’s failure to take all actions as are necessary on such party’s part in accordance with the terms and conditions of this Agreement to consummate the transactions contemplated hereby, will cause irreparable injury to the other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a party’s obligations and to the granting by any court of the remedy of specific performance of such party’s obligations hereunder, this being in addition to any other remedies to which the parties are entitled at Law or equity.

***

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties as of the date first herein above written.

**AIR TRANSPORT SERVICES GROUP, INC.**

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

**AMAZON.COM, INC.**

By: /s/ Alex Ceballos Encarnacion
Name: Alex Ceballos Encarnacion
Title: Vice President
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

ANNEX A

Form of Air Transportation Agreements
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

ANNEX B

Form of Amended and Restated Stockholders Agreement
ANNEX C

Form of Warrant-C
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

ANNEX D

Form of Subsequent Warrant
ANNEX E

Calculation of Subsequent Warrant Value

To the extent that any party determines the value of any Subsequent Warrant by utilizing a Black-Scholes-Merton or similar option pricing model, such party shall use the components and principles set forth on this Annex E. For purposes of this Annex E, “Valuation Date” means the date as of which a party calculates the value of any Subsequent Warrant pursuant to Section 3.5(b) of the Agreement. Capitalized terms used but not defined in this Annex E have the meanings ascribed to such terms in the Agreement.

1. The expected dividend yield of the Company shall be deemed to equal, as of the Valuation Date, any dividend expected to be declared and made by the Company with respect to the Common Stock on a regular or periodic basis. In the event that the Company declares a quarterly or annual dividend for two consecutive quarters or years, as applicable, then the expected dividend yield will be calculated based on (1) the expected annualized dividend amount for a period from the Valuation Date to the date that is seven years after the date of the Agreement, divided by (2) the Market Price of a share of Common Stock as of the Valuation Date. The parties understand and agree that as of the date of the Agreement, the expected dividend yield is zero (0).

2. The Treasury rate shall be deemed to equal, in respect of any Valuation Date, the daily yield on actually traded United States Treasury securities adjusted to a constant maturity equal to the time to expiration of the applicable Subsequent Warrant as of the Valuation Date (as compiled and published in the most recent Federal Reserve statistical release H.15 (519) as of such Valuation Date (available at: https://www.federalreserve.gov/datadownload/Choose.aspx?rel=H15 [federalreserve.gov]), or, if such statistical release is no longer published as of the Valuation Date, as reported by Bloomberg L.P. (or its successor) or another authoritative source mutually agreed by the Company and Amazon), and in the event that such yield as of such date is not publicly available with respect to such Valuation Date, such yield as of the most recent date that is publicly available prior to such Valuation Date.

3. The volatility factor shall be deemed to equal, as of any Valuation Date, the historical annualized daily equity volatility of the Common Stock, looking back a number of years equal to the time to expiration of the applicable Subsequent Warrant as of the Valuation Date, or any successor security to the Common Stock (as reported by Bloomberg L.P. (or its successor)) or, if not available, by another authoritative source mutually agreed by the Company and Amazon; provided, that if the volatility factor is determined to exceed sixty-five percent (65%), then the volatility factor shall be deemed to be sixty-five percent (65%).
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

WARRANT TO PURCHASE COMMON STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF (1) AN INVESTMENT AGREEMENT, DATED AS OF DECEMBER 20, 2018, BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC., A DELAWARE CORPORATION, A COPY OF WHICH IS ON FILE WITH THE ISSUER AND (2) AN AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF DECEMBER 20, 2018 (AS THE SAME MAY BE AMENDED, RESTATED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME), BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENTS. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENTS WILL BE VOID.

WARRANT
to purchase
14,801,369
Shares of Common Stock of
Air Transport Services Group, Inc.
a Delaware Corporation

Issue Date: December 20, 2018

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

“2016 Investment Agreement” means the Investment Agreement, dated as of March 8, 2016, as amended from time to time, by and between the Corporation and Amazon, including all annexes, schedules and exhibits thereto.

“2018 Investment Agreement” means the Investment Agreement, dated as of December 20, 2018, as it may be amended from time to time, by and between the Corporation and Amazon, including all annexes, schedules and exhibits thereto.
“A&R ATSA” means that certain Amended and Restated Air Transportation Services Agreement, by and between the Corporation and Amazon.com Services, Inc. dated as of December 20, 2018, as the same may be amended, restated, modified or supplemented from time to time.

“Affiliate” has the meaning ascribed to it in the 2018 Investment Agreement.

“Aggregate Consideration” has the meaning ascribed to it in Section 12(ii).

“Air Transportation Agreements” has the meaning ascribed to it in the 2018 Investment Agreement.

“Aircraft Lease Agreement” means an Aircraft Lease Agreement by and between Amazon or one of its Affiliates and the Corporation or one of its Affiliates in the form attached to the Air Transportation Agreements.

“Amazon” means Amazon.com, Inc., a Delaware corporation.

“Amazon Warrants” means any warrant that has been or may be issued pursuant to the 2016 Investment Agreement or the 2018 Investment Agreement.

“Antitrust Law” has the meaning ascribed to it in the 2018 Investment Agreement.

“Appraisal Procedure” means a procedure whereby two independent, nationally recognized appraisers, one chosen by the Corporation and one by the Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 15 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent, nationally recognized appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers or, if such two first appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in appraisal of the subject matter to be appraised. In such event, the decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Corporation and the Warrantholder; otherwise, the average of all three determinations shall be binding upon the Corporation and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne 50% by the Corporation and 50% by the Warrantholder.

“Assumed Payment Amount” has the meaning ascribed to it in Section 12(iv).

“Attribution Parties” has the meaning ascribed to it in Section 14(a).
“Board of Directors” means the board of directors of the Corporation.

“Business Combination” means a merger, consolidation, statutory share exchange, reorganization, recapitalization or similar extraordinary transaction (which may include a reclassification) involving the Corporation.

“Business Day” has the meaning ascribed to it in the 2018 Investment Agreement.

“Cash Exercise” has the meaning set forth in Section 3.

“Cashless Exercise” has the meaning set forth in Section 3.

“Cashless Exercise Ratio” with respect to any exercise of this Warrant means a fraction (i) the numerator of which is the excess of (x) the VWAP for the Common Stock for the 30 Trading Days immediately preceding such exercise date over (y) the Exercise Price, and (ii) the denominator of which is the VWAP for the Common Stock for the 30 Trading Days immediately preceding such exercise date.

“Change of Control Transaction” means (a) any transaction or series of related transactions as a result of which any Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding the Warrantholder or any of its Affiliates) becomes the beneficial owner, directly or indirectly, of 35% or more of the outstanding Equity Interests (measured by either voting power or economic interests) of the Corporation, (b) any transaction or series of related transactions in which the stockholders of the Corporation immediately prior to such transaction or series of related transactions (the “Pre-Transaction Stockholders”) cease to beneficially own, directly or indirectly, at least 65% of the outstanding Equity Interests (measured by either voting power or economic interests) of the Corporation; provided that this clause (b) shall not apply if (i) such transaction or series of related transactions is an acquisition by the Corporation effected, in whole or in part, through the issuance of Equity Interests of the Corporation, (ii) such acquisition does not result in a Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act beneficially owning, directly or indirectly, a greater percentage of the outstanding Equity Interests (measured by either voting power or economic interests) of the Corporation than the Warrantholder, and (iii) the Pre-Transaction Stockholders continue to beneficially own, directly or indirectly, at least 65% of the outstanding Equity Interests (measured by voting power and economic interests) of the Corporation, (c) any Business Combination as a result of which at least 35% ownership of the Corporation is transferred to another Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding the Warrantholder or any of its Affiliates), (d) individuals who constitute the Continuing Directors, taken together, ceasing for any reason to constitute at least a majority of the Board of Directors, or (e) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute 35% or more of the consolidated assets, business, revenues, net income, assets or deposits of the Corporation.

“Charter Amendment Approval” has the meaning ascribed to it in the 2018 Investment Agreement.
“Citizen of the United States” has the meaning ascribed to it in the 2018 Investment Agreement.

“Committed Aircraft” has the meaning ascribed to it in the A&R ATSA.

“Common Stock” means the Common Stock, $0.01 par value per share, of the Corporation.

“Company Stockholder Meeting” has the meaning ascribed to it in the 2018 Investment Agreement.

“Company Stockholders” has the meaning ascribed to it in the 2018 Investment Agreement.

“Confidentiality Agreement” has the meaning ascribed to it in the 2018 Investment Agreement.

“Continuing Directors” means the directors of the Corporation on the date hereof and each other director, if, in each case, such other director’s nomination for election to the Board of Directors is recommended by more than 50% of the Continuing Directors or more than 50% of the members of the Nominating and Governance Committee of the Board of Directors that are Continuing Directors.

“conversion” has the meaning ascribed to it in Section 12(ii).

“Convertible Securities” has the meaning ascribed to it in Section 12(ii).

“Corporation” means Air Transport Services Group, Inc., a Delaware corporation.

“DOT Approval” has the meaning ascribed to it in the 2018 Investment Agreement.

“Election Approval” has the meaning set forth in Section 12(v).

“Equity Interests” means any and all (a) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (b) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (c) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.


“Exercise Period” has the meaning set forth in Section 3.

“ExistingConvertibleNoteWarrants” has the meaning ascribed to it in the 2018 Investment Agreement.

“ExistingConvertibleNotes” has the meaning ascribed to it in the 2018 Investment Agreement.

“Existing Lease” has the meaning ascribed to it in the 2018 Investment Agreement.

“Expiration Time” has the meaning set forth in Section 3.

“Fair Market Value” means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors, acting in good faith and evidenced by a written notice delivered promptly to the Warrantholder (which written notice shall include certified resolutions of the Board of Directors in respect thereof). If the Warrantholder objects in writing to the Board of Director’s calculation of fair market value within 10 Business Days of receipt of written notice thereof and the Warrantholder and the Corporation are unable to agree on fair market value during the 10-day period following the delivery of the Warrantholder objection, the Appraisal Procedure may be invoked by either the Corporation or the Warrantholder to determine Fair Market Value by delivering written notification thereof not later than the 30th day after delivery of the Warrantholder objection. For the avoidance of doubt, the Fair Market Value of cash shall be the amount of such cash.

“Governmental Entities” has the meaning ascribed to it in the 2018 Investment Agreement.

“HSR Act” has the meaning ascribed to it in the 2018 Investment Agreement.

“Initial Number” has the meaning ascribed to it in Section 12(ii).

“Initial Stockholder Meeting” has the meaning ascribed to it in the 2018 Investment Agreement.

“Market Price” means, with respect to the Common Stock or any other security, on any given day, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, of the Common Stock or of such security, as applicable, on The NASDAQ Global Select Market on such day. If the Common Stock or such security, as applicable, is not listed on The NASDAQ Global Select Market as of any date of determination, the Market Price of the Common Stock or such security, as applicable, on such date of determination means the closing sale price on such date as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock or such security, as applicable, is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on such date on the principal U.S. national or regional securities exchange on which the
Common Stock or such security, as applicable, is so listed or quoted, or if the Common Stock or such security, as applicable, is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price on such date for the Common Stock or such security, as applicable, in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization, or, if that bid price is not available, the Market Price of the Common Stock or such security, as applicable, on that date shall mean the Fair Market Value per share as of such date of the Common Stock or such security. For the purposes of determining the Market Price of the Common Stock or any such security, as applicable, on the Trading Day preceding, on or following the occurrence of an event, (a) that Trading Day shall be deemed to commence immediately after the regular scheduled closing time of trading on the applicable exchange, market or organization, or, if trading is closed at an earlier time, such earlier time and (b) that Trading Day shall end at the next regular scheduled closing time, or if trading is closed at an earlier time, such earlier time (for the avoidance of doubt, and as an example, if the Market Price is to be determined as of the last Trading Day preceding a specified event and the closing time of trading on a particular day is 4:00 p.m. and the specified event occurs at 5:00 p.m. on that day, the Market Price would be determined by reference to such 4:00 p.m. closing price).

“NASDAQ Approval” has the meaning ascribed to it in the 2018 Investment Agreement.

“Other Voting Securities” means, other than (a) Common Stock (and, for the avoidance of doubt, Common Stock expressly excludes, and “Other Voting Securities” expressly includes, any separate class or series of common stock of the Corporation with the right to vote in the election of any directors of the Corporation or otherwise on any other matters (whether separately as a class or series, or together with shares of Common Stock) with respect to which Common Stock is entitled to vote), (b) any rights issued (or any securities issued in respect of such rights) in connection with the adoption of a stockholder rights plan in customary form (including with respect to the receipt of such rights in respect of shares of Common Stock (including Warrant Shares) issued subsequent to the initial dividend or distribution of such rights), or (c) any securities issued to directors, advisors, employees or consultants of the Corporation pursuant to a stock option plan, employee stock purchase plan, restricted stock plan, other employee benefit plan or similar compensatory arrangement or agreement approved by the Board of Directors, any (i) securities with the right to vote in the election of any directors of the Corporation or otherwise on any other matters (whether separately as a class or series, or together with shares of Common Stock) with respect to which Common Stock is entitled to vote, and (ii) securities convertible into or exchangeable for any such securities, and any and all warrants, rights or options to purchase any of the foregoing.

“Other Voting Security Event” means the earliest to occur of the authorization, designation or issuance by the Corporation of, approval or authorization by the Corporation of the issuance of, or agreement or other commitment by the Corporation to issue, any Other Voting Securities.

“Permitted Repurchase” means (a) a Repurchase of up to 10,000,000 shares of Common Stock in the aggregate pursuant to one or more “Dutch Auction” tender offers at a price no greater
than 10% above the Fair Market Value of the Common Stock at the time of such Repurchase or (b) a purchase of Equity Interests of the Corporation by the Corporation or any Affiliate thereof pursuant to and in compliance with the requirements of Rule 10b-18 under the Exchange Act.

“Permitted Transactions” has the meaning ascribed to it in Section 12(ii).

“Person” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

“Post-Issuance Adjustment” has the meaning ascribed to it in Section 12(ii).

“Pricing Date” has the meaning ascribed to it in Section 12(ii).

“Repurchases” means any transaction or series of related transactions to purchase Equity Interests of the Corporation or any of its subsidiaries by the Corporation or any subsidiary thereof for a purchase price greater than Fair Market Value pursuant to any tender offer or exchange offer (whether or not subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder), whether for cash, Equity Interests of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other Person or any other property (including Equity Interests, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected while this Warrant is outstanding.

“Restricted Warrant Exercise” has the meaning ascribed to it in the 2018 Investment Agreement.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“Stockholders Agreement” means the Amended and Restated Stockholders Agreement, dated as of December 20, 2018, as it may be amended from time to time, by and between the Corporation and Amazon, including all annexes, schedules and exhibits thereto.

“Subject Adjustment” has the meaning set forth in Section 12(vii).

“subsidiary” has the meaning ascribed to it in the 2018 Investment Agreement.

“Subject Record Date” has the meaning set forth in Section 12(vii).

“Trading Day” means a day on which The NASDAQ Global Select Market is open for trading.
“Transaction Documents” has the meaning ascribed to it in the 2018 Investment Agreement.

“Vesting Event” means (a) with respect to increments of 589,829 Warrant Shares, each time Amazon or one of its Affiliates executes an Aircraft Lease Agreement with the Corporation or one of its Affiliates for a Committed Aircraft in accordance with the terms of the A&R ATSA, (b) with respect to increments of 278,221 Warrant Shares, each time Amazon or one of its Affiliates executes an extension of an Existing Lease for a Boeing 767-200 model Aircraft or Boeing 767-300 model Aircraft in accordance with the terms of the A&R ATSA or (c) with respect to increments of 333,865 Warrant Shares, each time a Committed Aircraft commences operations in accordance with the terms of the A&R ATSA. For the avoidance of doubt, Vesting Events will stop occurring once the total number of Warrant Shares authorized under Section 2 have vested pursuant to Vesting Events and if a given Vesting Event would cause the number of shares vested to increase over this threshold then only the number of shares up to and including the total number of Warrant Shares authorized under Section 2 shall vest during the final such Vesting Event.

“VWAP” means the volume weighted average price per share of Common Stock on The NASDAQ Global Select Market (as reported by Bloomberg L.P. (or its successor) or, if not available, by another authoritative source mutually agreed by the Corporation and Amazon) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day. If the VWAP cannot be calculated for such Common Stock with respect to such dates, the VWAP of such security shall be the fair market value of the Common Stock as reasonably determined in good faith jointly by the Board of Directors and the Warrantholder. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period to the extent not taken into account in the reported calculation.

“Warrant” means this Warrant, issued pursuant to the 2018 Investment Agreement.

“Warrant Shares” has the meaning set forth in Section 2.

“Warrantholder” has the meaning set forth in Section 2.

2. Number of Warrant Shares; Exercise Price. This certifies that, for value received, Amazon or its permitted assigns (the “Warrantholder”) is entitled, upon the terms hereinafter set forth, to acquire from the Corporation, in whole or in part, up to an aggregate of 14,801,369 fully paid and nonassessable shares of Common Stock (the “Warrant Shares”), at a purchase price per share of Common Stock equal to the Exercise Price. The Warrant Shares and Exercise Price are subject to adjustment as provided herein, and all references to “Common Stock,” “Warrant Shares” and “Exercise Price” herein shall be deemed to include any such adjustment or series of adjustments.
3. **Exercise of Warrant; Term; Other Agreements; Cancellation.**

(i) Promptly following the occurrence of a Vesting Event, the Corporation shall deliver to the Warrantholder a Notice of Vesting Event in the form attached as Annex A hereto; provided that neither the delivery, nor the failure of the Corporation to deliver, such Notice of Vesting Event shall affect or impair the rights of the parties hereunder.

(ii) Subject to Section 2, Section 3(iii), Section 12(v) and Section 13, as well as the Charter Amendment Approval, the DOT Approval and the expiration or termination of any applicable waiting period pursuant to the HSR Act, each if applicable, the right to purchase Warrant Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time from and after the applicable Vesting Event, but in no event later than 5:00 p.m., New York City time, on December 20, 2025 (such time, the “Expiration Time” and such period from and after the applicable Vesting Event through the Expiration Time, the “Exercise Period”), by (A) the surrender of this Warrant and the Notice of Exercise attached as Annex B hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Corporation located at 145 Hunter Drive, Wilmington, OH 45177, Attn: W. Joseph Payne (or such other office or agency of the Corporation in the United States as it may designate by notice in writing to the Warrantholder), and (B) payment of the Exercise Price for the Warrant Shares thereby purchased by, at the sole election of the Warrantholder, either: (i) tendering in cash, by certified or cashier’s check payable to the order of the Corporation, or by wire transfer of immediately available funds to an account designated by the Corporation (such manner of exercise, a “Cash Exercise”) or (ii) without payment of cash, by reducing the number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in part, as applicable) and payment of the Exercise Price in cash so as to yield a number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in part, as applicable) equal to the product of (x) the number of Warrant Shares issuable upon the exercise of this Warrant (either in full or in part, as applicable) (if payment of the Exercise Price were being made in cash) and (y) the Cashless Exercise Ratio (such manner of exercise, a “Cashless Exercise”).

(iii) Notwithstanding anything herein to the contrary, this Warrant may not be exercised with respect to any Warrant Shares, and the Corporation shall not be required to issue any Warrant Shares pursuant to this Warrant, until the Initial Stockholder Meeting shall have been held and the Company Stockholders shall have voted on the authorization of the Restricted Warrant Exercise. Unless and until the NASDAQ Approval is obtained, (a) the Warrantholder shall not have the right to acquire any Warrant Shares (including, for the avoidance of doubt, upon the consummation of a Change of Control Transaction), and the Corporation shall not be required to issue any Warrant Shares, in excess of [*] (subject to applicable adjustments) pursuant to any warrant that has been or may be issued pursuant to the 2018 Investment Agreement, and (b) the Warrantholder shall not vote any shares of the Common Stock issuable upon exercise of this Warrant in respect of the Nasdaq Approval at any subsequent meeting of the Company Stockholders.
(iv) Notwithstanding the foregoing, if at any time during the Exercise Period (I) the Warrantholder has not obtained the approval, exemption, authorization or consent (including the expiration or termination of any waiting periods, as applicable) from any Governmental Entity required pursuant to the HSR Act, any other Antitrust Law or otherwise in connection with the exercise of this Warrant in full, or (II) the Warrantholder has not exercised this Warrant in full as a result of there being insufficient Warrant Shares available for issuance or the lack of any required corporate approval, then the Expiration Time shall be deemed for all purposes hereunder not to have occurred until the later of (x) December 20, 2025 and (y) the date that is 180 days following the first date on which the Warrantholder has obtained all such approvals, exemptions, authorizations or consents (including any applicable expirations or terminations of applicable waiting periods) and is able to exercise this Warrant in respect of all vested Warrant Shares.

(v) If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder shall be entitled to receive from the Corporation, upon request, a new warrant of like tenor in substantially identical form for the purchase of that number of Warrant Shares equal to the difference between the number of Warrant Shares subject to this Warrant and the number of Warrant Shares as to which this Warrant is so exercised.

(vi) This Warrant, including with respect to its cancelation, is subject to the terms and conditions of the 2018 Investment Agreement and the Stockholders Agreement. Without affecting in any manner any prior exercise of this Warrant (or any Warrant Shares previously issued hereunder), if (a) the 2018 Investment Agreement is terminated in accordance with Section 5.1 thereof or (b) the Warrantholder delivers to the Corporation a written, irrevocable commitment not to exercise this Warrant, the Corporation shall have no obligation to issue, and the Warrantholder shall have no right to acquire, the unvested portion of any Warrant Shares under this Warrant.

4. Issuance of Warrant Shares; Authorization; Listing. Certificates for Equity Interests issued upon exercise of this Warrant shall be issued on the third Business Day following the date of exercise of this Warrant in accordance with its terms in the name of the Warrantholder and shall be delivered to the Warrantholder. The Corporation hereby represents and warrants that any Equity Interests issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will (subject to obtaining the Charter Amendment Approval) be validly issued, fully paid and nonassessable and free of any liens or encumbrances (other than liens or encumbrances created by the Transaction Documents, arising as a matter of applicable law or created by or at the direction of the Warrantholder or any of its Affiliates). The Equity Interests so issued shall be deemed for all purposes to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Corporation in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Corporation may then be closed or certificates representing such Equity Interests may not be actually delivered on such date. The Corporation shall at all times reserve and keep available, out of its authorized but unissued Equity Interests, solely for the purpose of providing for the exercise of this Warrant, the
aggregate Equity Interests issuable upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at any such time); provided, that the authorization of any Warrant Shares in excess of [*] will require the Charter Amendment Approval. The Corporation shall, at its sole expense, procure, subject to issuance or notice of issuance, the listing of any Equity Interests issuable upon exercise of this Warrant on the principal stock exchange on which such Equity Interests are then listed or traded, promptly after such Equity Interests are eligible for listing thereon.

5. **No Fractional Shares or Scrip.** No fractional Warrant Shares or other Equity Interests or scrip representing fractional Warrant Shares or other Equity Interests shall be issued upon any exercise of this Warrant. In lieu of any fractional share to which a Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock or such other Equity Interests on the last trading day preceding the date of exercise less the Exercise Price for such fractional share.

6. **No Rights as Stockholders; Transfer Books.** Without limiting in any respect the provisions of the 2018 Investment Agreement or the Stockholders Agreement and except as otherwise provided by the terms of this Warrant, this Warrant does not entitle the Warrantholder to (i) receive dividends or other distributions, (ii) consent to any action of the stockholders of the Corporation, (iii) receive notice of or vote at any meeting of the stockholders, (iv) receive notice of any other proceedings of the Corporation, or (v) exercise any other rights whatsoever, in any such case, as a stockholder of the Corporation prior to the date of exercise hereof.

7. **Charges, Taxes and Expenses.** Issuance of this Warrant and issuance of certificates for Equity Interests to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax (other than taxes in respect of any transfer occurring contemporaneously therewith) or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Corporation.

8. **Transfer/Assignment.**

(i) This Warrant may only be transferred to an Affiliate of Amazon. The Warrant Shares may only be transferred in accordance with the terms of the Stockholders Agreement. Subject to compliance with the first two sentences of this **Section 8**, the legend as set forth on the cover page of this Warrant and the terms of the Stockholders Agreement, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Corporation by the registered holder hereof in person or by duly authorized attorney, and a new Warrant shall be made and delivered by the Corporation, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Corporation described in **Section 3**. If the transferring holder does not transfer the entirety of its rights to purchase all Warrant Shares hereunder, such holder shall be entitled to receive from the Corporation a new Warrant in substantially identical form for the purchase of that number of Warrant Shares as to which the right to purchase was not transferred. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the
new Warrants pursuant to this Section 8 shall be paid by the Corporation, other than the costs and expenses of counsel or any other advisor to the Warrantholder and its transferee.

(ii) If and for so long as required by the 2018 Investment Agreement, this Warrant Certificate shall contain a legend as set forth in Section 4.2 of the 2018 Investment Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, subject to applicable securities laws, upon the surrender hereof by the Warrantholder to the Corporation, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Warrant Shares. The Corporation shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Corporation, and the Corporation shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Corporation of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Corporation, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Corporation shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Warrant Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. Adjustments and Other Rights. The Exercise Price and Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; provided that if more than one subsection of this Section 12 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 12 so as to result in duplication.

(i) Stock Splits, Subdivisions, Reclassifications or Combinations. If the Corporation shall at any time or from time to time (a) declare, order, pay or make a dividend or make a distribution on its Common Stock in shares of Common Stock, (b) split, subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or (c) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder immediately after such
record date or effective date, as the case may be, shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive in respect of the shares of Common Stock subject to this Warrant after such date had this Warrant been exercised in full immediately prior to such record date or effective date, as the case may be (disregarding whether or not this Warrant had been exercisable by its terms at such time). In the event of such adjustment, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification shall be immediately adjusted to the number obtained by dividing \((x)\) the product of \((1)\) the number of Warrant Shares issuable upon the exercise of this Warrant in full before the adjustment determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant was exercisable by its terms at such time) and \((2)\) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, split, subdivision, combination or reclassification giving rise to such adjustment by \((y)\) the new number of Warrant Shares issuable upon exercise of the Warrant in full determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant is exercisable by its terms at such time).

(ii) Certain Issuances of Common Shares or Convertible Securities. If the Corporation shall at any time or from time to time issue shares of Common Stock (or rights or warrants or any other securities or rights exercisable or exchangeable into or exchangeable (collectively, a “conversion”) for shares of Common Stock (collectively, “convertible securities”)) (other than in Permitted Transactions or a transaction to which the adjustments set forth in subsection (i) of this Section 12 are applicable), without consideration or at a consideration per share (or having a conversion price per share) that is less than 100% of the Market Price of Common Stock immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) (such date of agreement, the “Pricing Date”) then, in such event:

(A) the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to the Pricing Date (the “Initial Number”) shall be increased to the number obtained by multiplying the Initial Number by a fraction (I) the numerator of which shall be the sum of \((x)\) the number of shares of Common Stock outstanding immediately prior to the Pricing Date and \((y)\) the number of additional shares of Common Stock issued (or into which convertible securities may be converted) and (II) the denominator of which shall be the sum of \((x)\) the number of shares of Common Stock outstanding immediately prior to the Pricing Date and \((y)\) the number of shares of Common Stock (rounded to the nearest whole share) which the Aggregate Consideration in respect of such issuance of shares of Common Stock (or convertible securities) would purchase at the Market Price of Common Stock immediately prior to the Pricing Date; and

(B) the Exercise Price payable upon exercise of this Warrant shall be adjusted by multiplying such Exercise Price in effect immediately prior to the Pricing Date by a fraction, the numerator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant in full immediately prior to the adjustment pursuant to
clause (A) above (disregarding whether or not this Warrant was exercisable by its terms at such time), and the denominator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant in full immediately after the adjustment pursuant to clause (A) above (disregarding whether or not this Warrant is exercisable by its terms at such time).

For purposes of the foregoing, (1) the “Aggregate Consideration” in respect of such issuance of shares of Common Stock (or convertible securities) shall be deemed to be equal to the sum of the net offering price (before deduction of any related expenses payable to third parties, including discounts and commissions) of all such shares of Common Stock and convertible securities, plus the aggregate amount, if any, payable upon conversion of any such convertible securities (assuming conversion in accordance with their terms immediately following their issuance (and further assuming for this purpose that such convertible securities are convertible at such time)); (2) in the case of the issuance of such shares of Common Stock or convertible securities for, in whole or in part, any non-cash property (or in the case of any non-cash property payable upon conversion of any such convertible securities), the consideration represented by such non-cash property shall be deemed to be the Market Price (in the case of securities) and/or Fair Market Value (in all other cases), as applicable, of such non-cash property as of immediately prior to the Pricing Date (before deduction of any related expenses payable to third parties, including discounts and commissions); (3) on any increase in the number of shares of Common Stock deliverable upon conversion of any such issued convertible securities, and/or any decrease in the consideration receivable by the Corporation in respect of any such conversion (each, a “Post-Issuance Adjustment”), then, to the extent that, in respect of the same facts and events, the adjustment provisions set forth in this Section 12 (excluding this clause (3)) do not result in a proportionate increase in the number of Warrant Shares issuable upon the exercise of this Warrant, and/or proportionate decrease in the Exercise Price payable upon exercise of this Warrant, in each case equal to or greater than the proportionate increase and/or decrease, respectively, in respect of such convertible securities, then the number of Warrant Shares issuable, and the Exercise Price payable, upon exercise of this Warrant, in each case then in effect, shall forthwith be readjusted to such number of Warrant Shares and such Exercise Price as would have been obtained had the Post-Issuance Adjustment been effective in respect of such convertible securities as of immediately prior to the Pricing Date of such convertible securities; (4) if the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant shall have been adjusted upon the issuance of any convertible securities in accordance with this Section 12, subject to clause (3) above, no further adjustment of the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant shall be made for the actual issuance of shares of Common Stock upon the actual conversion of such convertible securities in accordance with their terms; and (5) “Permitted Transactions” shall include (a) issuances of shares of Common Stock (including upon exercise of options) to directors, advisors, employees or consultants of the Corporation pursuant to a stock option plan, employee stock purchase plan, restricted stock plan, other employee benefit plan or other similar compensatory agreement or arrangement approved by the Board of Directors, (b) issuances of shares of Common Stock in accordance with or pursuant to any Existing
Convertible Notes or Existing Convertible Note Warrants and (c) issuances of any Amazon Warrants or shares of Common Stock in accordance with or pursuant to the Amazon Warrants, including in connection with the exercise of this Warrant. Any adjustment made pursuant to this Section 12(ii) shall become effective immediately upon the date of such issuance. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 12(ii).

(iii) Distributions. If the Corporation shall fix a record date for the making of a dividend or other distribution (by spin-off or otherwise) on shares of Common Stock, whether in cash, Equity Interests of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other Person or any other property (including Equity Interests, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, excluding (A) dividends or distributions subject to adjustment pursuant to Section 12(i) or (B) dividends or distributions of rights in connection with the adoption of a stockholder rights plan in customary form (including with respect to the receipt of such rights in respect of shares of Common Stock (including Warrant Shares) issued subsequent to the initial dividend or distribution of such rights), then in each such case, the number of Warrant Shares issuable upon exercise of this Warrant in full (disregarding whether or not this Warrant had been exercisable by its terms at such time) shall be increased by multiplying such number of Warrant Shares by a fraction, the numerator of which is the Market Price per share of Common Stock on such record date and the denominator of which is the Market Price per share of Common Stock on such record date less the Fair Market Value of the cash and/or any other property, as applicable, to be so paid or distributed in such dividend or distribution in respect of one share of Common Stock (in each case as of the record date of such dividend or distribution); such adjustment shall take effect on the record date for such dividend or distribution. In the event of such adjustment, the Exercise Price shall immediately be decreased by multiplying such Exercise Price by a fraction, the numerator of which is the number of Warrant Shares issuable upon the exercise of this Warrant in full immediately prior to such adjustment (disregarding whether or not this Warrant was exercisable by its terms at such time), and the denominator of which is the new number of Warrant Shares issuable upon exercise of this Warrant determined in accordance with the immediately preceding sentence. Notwithstanding the foregoing, in the event that the Fair Market Value of the cash and/or any other property, as applicable, to be so paid or distributed in such dividend or distribution in respect of one share of Common Stock (in each case as of the record date of such dividend or distribution) is equal to or greater than the Market Price per share of Common Stock on such record date, then proper provision shall be made such that upon exercise of this Warrant, the Warrantholder shall receive, in addition to the applicable Warrant Shares, the amount and kind of such cash and/or any other property such Warrantholder would have received had such Warrantholder exercised this Warrant immediately prior to such record date (disregarding whether or not this Warrant had been exercisable by its terms at such time). For purposes of the foregoing, in the event that such dividend or distribution in question is ultimately not so made, the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

make such dividend or distribution, to the Exercise Price that would then be in effect and the number of Warrant Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 12(iii).

Notwithstanding the foregoing provisions of this Section 12(iii), in the event that all or any portion of any such dividend or other distribution is in Other Voting Securities, then with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), the Warrantherholder shall have the option, exercisable in writing delivered to the Corporation within seven Business Days of such Warrantherholder’s receipt of the Corporation’s notice pursuant to Section 12(ix) relating to such dividend or other distribution, to elect (1) for the foregoing adjustments set forth in this Section 12(iii) to apply with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable) or (2) in lieu of the foregoing adjustments set forth in this Section 12(iii) with respect to such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), but, for all purposes of this clause (2), after giving effect to the foregoing adjustments set forth in this Section 12(iii) with respect to any portion of such dividend or distribution that is in securities, cash and/or any other property, in each case other than Other Voting Securities, for its right to receive Warrant Shares upon exercise of this Warrant to be converted, effective as of the record date of such dividend or distribution, into the right to exercise this Warrant to acquire such Warrant Shares plus the Other Voting Securities that such Warrant Shares would have been entitled to receive upon consummation of such dividend or distribution, assuming the exercise in full of this Warrant immediately prior to such record date (disregarding whether or not this Warrant was exercisable by its terms at such time); provided that for purposes of this clause (2), (x) the number and type of Other Voting Securities so deliverable upon any exercise of this Warrant shall be adjusted to take into account any stock or security dividends, splits, reverse splits, spin-offs, split-ups, mergers, reclassifications, reorganizations, recapitalizations, combinations or exchanges of securities and the like from and after the consummation of such dividend or distribution in question and at or prior to such exercise of this Warrant, and (y) with respect to any such Other Voting Securities that are described in clause (b) of the definition of Other Voting Securities, the terms of such Other

Voting Securities, as issued upon exercise of this Warrant, shall take into account any anti-dilution or other adjustments that would have been applicable to such Other Voting Securities had such Other Voting Securities been outstanding from and after the consummation of such dividend or distribution in question. In the event that such dividend or distribution in question (or such portion thereof that is in Other Voting Securities, as applicable) is ultimately not so made, this Warrant shall be readjusted, effective as of the date when the Board of Directors determines not to make such dividend or distribution (or such portion thereof that is in Other Voting Securities, as applicable), as though the record date thereof had not been fixed.

(iv) Repurchases. If the Corporation or any subsidiary thereof shall at any time or from time to time effect Repurchases (other than a Permitted Repurchase), the Exercise Price
then in effect and the number of Warrant Shares issuable upon the exercise of this Warrant shall be immediately adjusted, in each case in accordance with the foregoing provisions of this Section 12, as if, in lieu of such Repurchases, the Corporation had (A) first, declared and paid a dividend, in cash, on shares of Common Stock in an aggregate amount equal to the Assumed Payment Amount, with a record date as of the trading day immediately preceding the first public disclosure of the Corporation’s (or such subsidiary’s) intent to effect such Repurchase, and (B) second, effected a reverse-split of Common Stock, in the proportion required to reduce the number of shares of Common Stock outstanding from (1) the number of such shares outstanding immediately prior to the first purchase of Equity Interests comprising such Repurchases to (2) the number of such shares outstanding immediately following the last purchase of Equity Interests comprising such Repurchases (in the case of this clause (B), with such adjustments as are appropriate to exclude the effect of any issuances of Equity Interests, and any dividends, distributions, splits, subordinations, recapitalizations and combinations subject to adjustment pursuant to Section 12(i), in each case from and after the first purchase of Equity Interests comprising such Repurchases and at or prior to the last purchase of Equity Interests comprising such Repurchases). For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 12(iv). For purposes of the foregoing, the “Assumed Payment Amount” with respect to any Repurchases shall mean the aggregate Market Price (in the case of securities) and/or Fair Market Value (in the case of cash and/or any other property), as applicable, as of such Repurchases, of the aggregate consideration paid to effect such Repurchases.

(v) Change of Control Transactions. In case of any Change of Control Transaction or reclassification of Common Stock (other than a reclassification of Common Stock subject to adjustment pursuant to Section 12(i)), notwithstanding anything to the contrary contained herein, (a) the Corporation shall notify the Warrantholder in writing of such Change of Control Transaction or reclassification as promptly as practicable, (b) subject to clause (c) below, solely in the event of a Change of Control Transaction that is a Business Combination or a reclassification, the Warrantholder’s right to receive Warrant Shares upon exercise of this Warrant shall be converted, effective upon the occurrence of such Business Combination or reclassification, into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) that the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification, and (c) all Warrant Shares which are not then vested shall vest fully and become non-forfeitable and immediately exercisable upon consummation of such Change of Control Transaction or reclassification. In determining the kind and amount of stock, securities or the property receivable upon exercise of this Warrant upon and following adjustment pursuant to this paragraph, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination (an “Election Mechanic”), then the Warrantholder shall have the right to make the same election upon exercise of this Warrant with respect to the number of shares of stock or other
securities or property which the Warrantholder shall receive upon exercise of this Warrant. The Corporation, or the Person or Persons formed by the applicable Business Combination or reclassification, or that acquire(s) the applicable shares of Common Stock, as the case may be, shall make lawful provisions to establish such rights and to provide for such adjustments that, for events from and after such Business Combination or reclassification, shall be as nearly equivalent as possible to the rights and adjustments provided for herein, and the Corporation shall not be a party to or permit any such Business Combination or reclassification to occur unless such provisions are made as a part of the terms thereof.

(vi) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 12 shall be made to the nearest one-hundredth (1/100th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 12 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Warrant Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than $0.01 or one-hundredth (1/100th) of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or 1/100th of a share of Common Stock, or more.

(vii) Timing of Issuance of Additional Securities Upon Certain Adjustments. In any case in which (a) the provisions of this Section 12 shall require that an adjustment (the “Subject Adjustment”) shall become effective immediately after a record date (the “Subject Record Date”) for an event and (b) the Warrantholder exercises this Warrant after the Subject Record Date and before the consummation of such event (i) issuing to such Warrantholder the incrementally additional shares of Common Stock or other property issuable upon such exercise by reason of the Subject Adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; provided, however, that the Corporation upon request shall promptly deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder’s right to receive such additional shares (or other property, as applicable), and such cash, upon the consummation of such event.

(viii) Statement Regarding Adjustments. Whenever the Exercise Price or the Warrant Shares into which this Warrant is exercisable shall be adjusted as provided in Section 12, the Corporation shall forthwith prepare a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the Warrant Shares into which this Warrant shall be exercisable after such adjustment, and cause a copy of such statement to be delivered to the Warrantholder as promptly as practicable.

(ix) Notice of Adjustment Event. In the event that the Corporation shall propose to take any action of the type described in this Section 12 (but only if the action of the type described in this Section 12 would result in an adjustment in the Exercise Price or the Warrant Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Corporation shall provide written notice to the Warrantholder,
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed. In case of all other action, such notice shall be given at least 10 days prior to the taking of such proposed action unless the Corporation reasonably determines in good faith that, given the nature of such action, the provision of such notice at least 10 days in advance is not reasonably practicable from a timing perspective, in which case such notice shall be given as far in advance prior to the taking of such proposed action as is reasonably practicable from a timing perspective.

(x) Adjustment Rules. Any adjustments pursuant to this Section 12 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

(xi) No Impairment. The Corporation shall not, by amendment of its certificate of incorporation, bylaws or any other organizational document, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant. In furtherance and not in limitation of the foregoing, the Corporation shall not take or permit to be taken any action which would entitle the Warrantholder to an adjustment under this Section 12 if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at such time), together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise in full of any and all outstanding Equity Interests (disregarding whether or not any such Equity Interests are exercisable by their terms at such time) would exceed the total number of shares of Common Stock then authorized by its certificate of incorporation.

(xii) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 12, the Corporation shall take any and all action which may be necessary, including obtaining regulatory or other governmental, NASDAQ or other applicable securities exchange, corporate or stockholder approvals or exemptions, in order that the Corporation may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock, or all other securities or other property, that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 12.

13. Mandatory Exercise Upon Business Combination. Notwithstanding anything to the contrary contained herein, in the event of the consummation prior to the Expiration Time of a
Business Combination where all outstanding shares of Common Stock are exchanged solely for cash consideration, the Corporation shall have the right to cause the Warrantholder to exercise this Warrant; provided that the Corporation must give written notice to the Warrantholder at least 10 Business Days prior to the date of consummation of such qualifying Business Combination, which notice shall specify the expected date on which such qualifying Business Combination is to take place and set forth the facts with respect thereto as shall be reasonably necessary to indicate the amount of cash deliverable upon exercise of this Warrant and to each outstanding share of Common Stock; provided, further that the Corporation may only cause this Warrant to be exercised concurrently with the consummation of such qualifying Business Combination and the Warrantholder shall be entitled to receive the cash consideration as determined pursuant to Section 12(v). If the Warrantholder is required to exercise this Warrant pursuant to this Section 13, the Warrantholder shall notify the Corporation within five Business Days after receiving the Corporation’s written notice described above in this Section 13 whether it is electing to exercise this Warrant through a Cash Exercise or a Cashless Exercise. If the Warrantholder (i) does not provide such notice within five Business Days after receiving the Corporation’s written notice described above in this Section 13, or (ii) elects a Cash Exercise but does not pay the applicable Exercise Price for the Warrant Shares thereby purchased to the Corporation upon the consummation of such qualifying Business Combination then, in either such case, the Corporation shall effect the exercise of this Warrant through a Cashless Exercise.

14. **Beneficial Ownership Limitation.**

(a) Notwithstanding anything in this Warrant to the contrary, the Corporation shall not honor any exercise of this Warrant, and a Warrantholder shall not have the right to exercise any portion of this Warrant, to the extent that, after giving effect to an attempted exercise set forth on an applicable Notice of Exercise, such Warrantholder (together with such Warrantholder’s Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Warrantholder’s for purposes of Section 13(d) or Section 16 of the Exchange Act, and any other applicable regulations of the SEC, including any “group” of which the Warrantholder is a member (the foregoing, “Attribution Parties”)) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation. Except as set forth in the immediately preceding sentence, for purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Warrantholder and its Attribution Parties shall include the number of Warrant Shares issuable under the Notice of Exercise with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (a) exercise of the remaining, unexercised portion of any Warrant beneficially owned by such Warrantholder or any of its Attribution Parties, and (b) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Warrantholder or any of its Attribution Parties that are subject to a limitation on conversion or exercise similar to the limitation contained herein. Except as set forth in the immediately preceding sentence, for purposes of this Section 14, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and any other applicable regulations of the SEC. In addition, for
purposes hereof, “group” has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the SEC. For purposes of this Section 14, in determining the number of outstanding shares of Common Stock, a Warrantholder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (x) the Corporation’s most recent periodic or annual filing with the SEC, as the case may be, (y) a more recent public announcement by the Corporation that is filed with the SEC, or (z) a more recent notice by the Corporation or the Corporation’s transfer agent to the Warrantholder setting forth the number of shares of Common Stock then outstanding. Upon the written request of a Warrantholder (which may be by email), the Corporation shall, within three (3) Trading Days thereof, confirm in writing to such Warrantholder (which may be via email) the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Corporation, including exercise of this Warrant, by such Warrantholder or its Attribution Parties since the date as of which such number of outstanding shares of Common Stock was last publicly reported or confirmed to the Warrantholder. The Corporation shall be entitled to rely on representations made to it by the Warrantholder in any Notice of Exercise regarding its Beneficial Ownership Limitation. The Warrantholder acknowledges that the Warrantholder is solely responsible for any schedules or statements required to be filed by it in accordance with Section 13(d) or Section 16(a) of the Exchange Act.

(b) The “Beneficial Ownership Limitation” shall initially be 4.999% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock pursuant to such Notice of Exercise (to the extent permitted pursuant to this Section 14); provided, however, that by written notice to the Corporation, which will not be effective until the 61st day after such notice is given by the Warrantholder to the Corporation, the Warrantholder may waive or amend the provisions of this Section 14 to change the Beneficial Ownership Limitation to any other number, and the provisions of this Section 14 shall continue to apply. Upon any such waiver or amendment to the Beneficial Ownership Limitation, the Beneficial Ownership Limitation may not be further waived or amended by the Warrantholder without first providing the minimum written notice required by the immediately preceding sentence. Notwithstanding the foregoing, at any time following notice of a Change of Control Transaction under Section 12(v) with respect to a Change of Control Transaction that is pursuant to any tender offer or exchange offer (by the Corporation or another Person (other than the Warrantholder or any Affiliate of the Warrantholder)), the Warrantholder may waive or amend the Beneficial Ownership Limitation effective immediately upon written notice to the Corporation and may reinstitute a Beneficial Ownership Limitation at any time thereafter effective immediately upon written notice to the Corporation.

(c) Notwithstanding the provisions of this Section 14, none of the provisions of this Section 14 shall restrict in any way the number of shares of Common Stock which the Warrantholder may receive or beneficially own in order to determine the amount of securities or other consideration that the Warrantholder may receive in the event of a Change of Control Transaction as contemplated in Section 12(v) of this Warrant.
15. **Governing Law and Jurisdiction.** This Warrant shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. In addition, each of the parties (a) submits to the personal jurisdiction of the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such dispute, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such dispute, any Delaware State court sitting in New Castle County, in the event any dispute (whether in contract, tort or otherwise) arises out of this Warrant or the transactions contemplated hereby, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it shall not bring any claim, action or proceeding relating to this Warrant or the transactions contemplated hereby in any court other than the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such claim, action or proceeding the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such claim, action or proceeding, any Delaware State court sitting in New Castle County. Each party agrees that service of process upon such party in any such claim, action or proceeding shall be effective if notice is given in accordance with the provisions of this Warrant.

16. **Binding Effect.** This Warrant shall be binding upon any successors or assigns of the Corporation.

17. **Amendments.** This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Corporation and the Warrantheholder.

18. **Notices.** Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt, (b) if sent by nationally recognized overnight air courier, one Business Day after mailing, (c) if sent by email or facsimile transmission, with a copy mailed on the same day in the manner provided in clauses (a) or (b) of this Section 18 when transmitted and receipt is confirmed, or (d) if otherwise personally delivered, when delivered. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

If to the Corporation, to:

Name: Air Transport Services Group, Inc.
Address: 145 Hunter Drive
          Wilmington, OH 45177
Attn: W. Joseph Payne
Fax: [*]
Email: [*]

with a copy to (which copy alone shall not constitute notice):

Name: Winston & Strawn LLP
Address: 333 S. Grand Avenue
        38th Floor
        Los Angeles, CA 90071
Attn: C. James Levin
Fax: (213) 615-1570
Email: jlevin@winston.com

If to the Warrantholder, to:

Name: Amazon.com, Inc.
Address: 410 Terry Avenue North
        Seattle, WA 98109-5210
Attn: General Counsel
Fax: [*]

with a copy to (which copy alone shall not constitute notice):

Name: Sullivan & Cromwell LLP
Address: 1888 Century Park East, Suite 2100
        Los Angeles, CA 90067
Attn: Eric M. Krautheimer
Fax: (212) 558-3588
Email: krautheimere@sullcrom.com

19. Entire Agreement. This Warrant and the form attached hereto, the 2018 Investment Agreement, the other Transaction Documents (as defined in the 2018 Investment Agreement) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof.

20. Specific Performance. The parties agree that failure of any party to perform its agreements and covenants hereunder, including a party’s failure to take all actions as are necessary on such party’s part in accordance with the terms and conditions of this Warrant to consummate the transactions contemplated hereby, will cause irreparable injury to the other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a
party’s obligations and to the granting by any court of the remedy of specific performance of such party’s obligations hereunder, this being in addition to any other remedies to which the parties are entitled at law or equity.

21. **Limitation of Liability.** No provision hereof, in the absence of any affirmative action by the Warrantholder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Warrantholder, shall give rise to any liability of the Warrantholder for the purchase price of any Common Stock or as a stockholder of the Corporation, whether such liability is asserted by the Corporation or by creditors of the Corporation.

[Remainder of page intentionally left blank]
IN WITNESS WHEREOF, the Corporation has caused this Warrant to be duly executed by a duly authorized officer.

Dated: December 20, 2018

AIR TRANSPORT SERVICES GROUP, INC.

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

Acknowledged and Agreed

AMAZON.COM, INC.

By: /s/ Alex Ceballos Encarnacion
   Name: Alex Ceballos Encarnacion
   Title: Vice President

[Signature Page to Warrant]
TO: Amazon.com, Inc.

RE: Notice of Vesting Event

Reference is made to that certain Warrant to Purchase Common Stock, dated as of December 20, 2018 (the “Warrant”), issued to Amazon.com, Inc., representing a warrant to purchase 14,801,369 shares of common stock of Air Transport Services Group, Inc. (the “Corporation”). Capitalized terms used herein without definition are used as defined in the Warrant.

The undersigned hereby delivers notice to you that a Vesting Event has occurred under the terms of the Warrant.

A. Vesting Event. The following Vesting Event has occurred on or around _________________, 20___:

_____ Amazon or one of its Affiliates has executed an Aircraft Lease Agreement with the Corporation or one of its Affiliates for a Committed Aircraft in accordance with the terms of the A&R ATSA.

_____ Amazon or one of its Affiliates has executed an extension of an Existing Lease for a Boeing 767-200 model Aircraft or Boeing 767-300 model Aircraft in accordance with the terms of the A&R ATSA.

_____ A Committed Aircraft has commenced operations in accordance with the terms of the A&R ATSA.

B. Vested Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested under the terms of the Warrant is:

____________________________.

C. Exercised Warrant Shares. The aggregate number of Warrant Shares issuable upon exercise of the Warrant that have been exercised as of the date hereof is:

____________________________.

D. Unexercised Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested but remain unexercised under the Warrant is:
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

AIR TRANSPORT SERVICES GROUP, INC.

By:
Name:
Title:
Annex B

[Form of Notice of Exercise]

Date:

TO: Air Transport Services Group, Inc.

RE: Election to Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name of the Warrantholder.

Number of shares of Common Stock with respect to which the Warrant is being exercised (including shares to be withheld as payment of the Exercise Price pursuant to Section 3(ii)(B)(ii) of the Warrant, if any):

____________________________________

Method of Payment of Exercise Price (note if cashless exercise pursuant to Section 3(ii)(B)(ii) of the Warrant or cash exercise pursuant to Section 3(ii)(B)(i) of the Warrant):

___________________________________

Aggregate Exercise Price: _________________________________

Holder:
By:
Name:
Title:
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

Dated as of December 20, 2018

by and between

AIR TRANSPORT SERVICES GROUP, INC.

and

AMAZON.COM, INC.
TABLE OF CONTENTS

Article I Governance

1.1 Composition of the Board of Directors 1
1.2 Objection to Amazon Designee 3
1.3 No Adverse Action; Voting Agreement 3
1.4 Board Observer 4
1.5 Termination of Board Designation Rights 5
1.6 Information Rights 5
1.7 Tax Reporting Requirements 9
1.8 Acquisitions 9

Article II Transfers; Standstill Provisions

2.1 Transfer Restrictions 10
2.2 Standstill Provisions 11
2.3 Outside Activities 14

Article III Representations and Warranties

3.1 Representations and Warranties of Amazon 14
3.2 Representations and Warranties of the Company 15

Article IV Registration

4.1 Demand Registrations 16
4.2 Piggyback Registrations 18
4.3 Shelf Registration Statement 20
4.4 Withdrawal Rights 22
4.5 Hedging Transactions 23
4.6 Holdback Agreements 24
4.7 Registration Procedures 24
4.8 Registration Expenses 30
4.9 Miscellaneous 31
4.10 Registration Indemnification 32
4.11 Free Writing Prospectuses 34

Article V Definitions

5.1 Defined Terms 35
5.2 Interpretation 42

Article VI Miscellaneous

6.1 Term 43
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

6.2 Notices 44
6.3 Amendment 44
6.4 Waivers 45
6.5 Assignment 45
6.6 Severability 45
6.7 Counterparts and Facsimile 45
6.8 Entire Agreement 45
6.9 **Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL** 45
6.10 Specific Performance 46
6.11 No Third Party Beneficiaries 46
This AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, dated as of December 20, 2018 (this “Agreement”), is by and between Air Transport Services Group, Inc., a Delaware corporation (the “Company”), and Amazon.com, Inc., a Delaware corporation (“Amazon”).

WITNESSETH:

WHEREAS, on March 8, 2016, the Company and Amazon entered into an Investment Agreement (as it may be amended from time to time, the “2016 Investment Agreement”) pursuant to which, among other things, the Company issued a Warrant to Purchase 12,810,629 shares of Company Common Stock (subject to adjustment in accordance with its terms) on the date thereof (“Warrant-A”) and a Warrant to Purchase 1,591,333 shares of Company Common Stock (subject to adjustment in accordance with its terms) on March 8, 2018 (“Warrant-B”) and shall issue an additional Warrant to Purchase 1,591,333 shares of Company Common Stock (subject to adjustment in accordance with its terms) on September 8, 2020 (the “Future Warrant”, and collectively with Warrant-A and Warrant-B, the “2016 Warrants”);

WHEREAS, the Company and Amazon have entered into an Investment Agreement, dated as of December 20, 2018 (the “2018 Investment Agreement” and together with the 2016 Investment Agreement, the “Investment Agreements”) pursuant to which, among other things, the Company shall issue on the date hereof Warrant-C (“Warrant-C”) and shall issue in the future additional warrants on the terms and subject to the conditions set forth therein (the “Subsequent Warrants”, and together with Warrant-C and the 2016 Warrants, the “Warrants”) to Amazon; and

WHEREAS, each of the parties wishes to set forth in this Agreement certain terms and conditions regarding, among other things, Amazon’s ownership of the Warrants and Warrant Shares, as applicable (the “Shares”);

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, and intending to be legally bound, the parties agree as follows:

Article I

Governance

1.1 Composition of the Board of Directors.

(a) Upon the occurrence of the Amazon Investor Rights Initiation Event, the Company’s board of directors (the “Board”) shall promptly (and in any case within fifteen (15) Business Days) after receiving an Amazon Investor Rights Initiation Event Notice take all action necessary (including by amending the organizational documents of the Company, if necessary) to cause one (1) Amazon Designee to be appointed to the Board. For the avoidance of doubt, the Amazon Investor Rights Initiation Event Notice shall be delivered in Amazon’s sole discretion, and nothing herein obligates Amazon to deliver such notice.
(b) During the Amazon Investor Rights Period, subject to the other provisions of this Section 1.1, including Section 1.1(c), and Section 1.2, at each annual or special meeting of the stockholders of the Company at which directors are to be elected to the Board, the Company shall nominate and use its reasonable best efforts (which shall, subject to Applicable Law, include including in any proxy statement used by the Company to solicit the vote of its stockholders in connection with any such meeting the recommendation of the Board that stockholders of the Company vote in favor of the slate of directors) to cause the election to the Board of a slate of directors that includes one (1) Amazon Designee.

(c) The Board or the Nominating and Governance Committee shall notify Amazon at least sixty (60) days prior to the time the Company requires information with respect to any proposed Amazon Designee for inclusion in a proxy statement for a meeting of stockholders. At least thirty (30) days prior to such time, Amazon shall (i) notify the Company of the identity of any proposed Amazon Designee, in writing; (ii) furnish all information about such proposed Amazon Designee as shall be reasonably requested by the Board or the Nominating and Governance Committee (including, at a minimum, any information regarding such proposed Amazon Designee to the extent required by applicable securities laws or for any other person nominated for election to the Board); and (iii) use reasonable best efforts to cause the Amazon Designee to (x) meet with the Board and Nominating and Governance Committee (to the extent requested by the Board or the Nominating and Governance Committee), and (y) provide the Board or the Nominating and Governance Committee with a completed director and officer questionnaire in the form reasonably requested by the Board or Nominating and Governance Committee.

(d) Subject to Section 1.1(c) and Section 1.2, so long as no Amazon Investor Rights Termination Event has occurred, in the event of (i) the death, disability, removal or resignation of an Amazon Director, the Board shall promptly appoint as a replacement Amazon Director the Amazon Designee designated by Amazon to fill the resulting vacancy, or (ii) the failure of an Amazon Designee to be elected to the Board at any annual or special meeting of the stockholders of the Company at which such Amazon Designee stood for election but was nevertheless not elected (such Amazon Designee, an “Amazon Specified Designee”), the Board shall promptly appoint another Amazon Designee designated by Amazon to serve in lieu of such Amazon Specified Designee as an Amazon Director during the term that such Amazon Specified Designee would have served had such Amazon Specified Designee been elected at such meeting of the stockholders of the Company, and, in each case of clause (i) and clause (ii), such individual shall then be deemed an Amazon Director for all purposes hereunder. Neither the Company nor the Board shall remove any Amazon Director without the prior written consent of Amazon, unless such Amazon Director is no longer eligible for designation as a member of the Board pursuant to Section 1.2 or if to the extent necessary to remedy a breach of Section 1.5.

(e) The Company shall at all times provide each Amazon Director (in his or her capacity as a member of the Board) with the same rights to indemnification and exculpation that it provides to the other members of the Board. The Company
acknowledges and agrees that any such indemnification obligations to indemnify or advance expenses to each Amazon Director in his or her capacity as such, for the matters covered by such indemnification obligations, shall be the primary source of indemnification and advancement of such Amazon Director in connection therewith, and any obligation on the part of any Amazon Indemnitor under any Amazon Indemnification Agreement to indemnify or advance expenses to such Amazon Director shall be secondary to the Company’s obligation. If there are Unpaid Indemnitee Amounts with respect to such Amazon Director, and any Amazon Indemnitor makes any payment to such Amazon Director in respect of indemnification or advancement of expenses under any Amazon Indemnification Agreement on account of such Unpaid Indemnitee Amounts, such Amazon Indemnitor shall be subrogated to the rights of such Amazon Director under this Agreement in respect of such Unpaid Indemnitee Amounts.

1.2 Objection to Amazon Designee. Notwithstanding the provisions of this Article I, Amazon shall not be entitled to designate a particular Amazon Designee (or, for the avoidance of doubt, any Amazon Director) to the Board pursuant to this Article I in the event that the Board reasonably determines that (i) the election of such Amazon Designee to the Board would cause the Company to not be in compliance with Applicable Law, (ii) such Amazon Designee would be required to disclose any of the events enumerated in Item 2(d) or (e) of Schedule 13D under the Exchange Act or Item 401(f) of Regulation S-K under the Securities Act or is subject to any order, decree or judgment of any Governmental Authority prohibiting service as a director of any public company, (iii) such Amazon Designee is a director, officer, employee, equityholder or other Affiliate of a competitor of the Company, or (iv) such Amazon Designee is not reasonably acceptable to the independent members of the Board. [*] In any such case described in clauses (i) through (iv) of the first sentence of this Section 1.2, Amazon shall withdraw the designation of such proposed Amazon Designee and, so long as no Amazon Investor Rights Termination Event has occurred, be permitted to designate a replacement therefor (which replacement Amazon Designee shall also be subject to the requirements of this Section 1.2).

1.3 No Adverse Action; Voting Agreement.

(a) Until the occurrence of the Amazon Investor Rights Termination Event, without the prior consent of Amazon (which consent shall not be unreasonably withheld, conditioned or delayed), except as required by Applicable Law, neither the Company nor the Board shall (i) increase the size of the Board such that the number of directors on the Board is greater than nine (9) or (ii) take any action to cause the amendment of its charter, bylaws or other organizational documents such that Amazon’s rights under this Article I would not be given effect.

(b) Amazon shall be entitled to vote the shares of Company Common Stock owned by it or any of its Permitted Transferees or over which it or any of its Permitted Transferees has voting control, up to 14.9% of the Company’s outstanding shares of Company Common Stock (the “Voting Threshold”), in its sole and absolute discretion. During any time in which the Standstill Period is in effect, Amazon shall cause the shares of Company Common Stock owned by it or any of its Permitted Transferees or over which it or any of its Permitted Transferees has voting control in excess of the Voting
Threshold to be voted (including, if applicable, through the execution of one or more written consents if stockholders of the Company are requested to vote through the execution of an action by written consent in lieu of any such annual or special meeting of stockholders of the Company): (x) in favor of all those persons nominated to serve as directors of the Company by the Board or its Nominating and Governance Committee and (y) with respect to any other action, proposal or other matter to be voted upon by the stockholders of the Company, in accordance with the recommendation of the Board.

(c) For so long as it is subject to the voting requirements of Section 1.3(b), Amazon hereby appoints the Chairman of the Board and any designee thereof, and each of them individually, its proxy and attorney-in-fact, with full power of substitution and resubstitution, to vote or act by written consent during the term of this Agreement with respect to shares of Company Common Stock owned by Amazon or any of its Permitted Transferees or over which Amazon or any of its Permitted Transferees has voting control to be voted in accordance with Section 1.3(b). This proxy and power of attorney is given to secure the performance of the duties of Amazon under this Agreement. Amazon shall take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy; this proxy and power of attorney granted by Amazon shall be irrevocable during the term of this Agreement (but subject to Section 1.3(b)), shall be deemed to be coupled with an interest sufficient under Applicable Law to support an irrevocable proxy and shall revoke any and all prior proxies granted by Amazon with respect to shares of Company Common Stock. The power of attorney granted by Amazon herein is a durable power of attorney and shall survive the dissolution or bankruptcy of Amazon.

1.4 Board Observer.

(a) During the period from the date of this Agreement until the Amazon Investor Rights Initiation Event, Amazon shall have the right to designate one individual (the “Amazon Observer”) to attend all meetings of the Board in a non-voting, observer capacity. The Amazon Observer shall be subject to the same criteria for acceptability as that of the Amazon Designee set forth in Section 1.2. The Company shall provide to the Amazon Observer notice of such meetings and a copy of all materials provided to all the members of the Board in their capacity as such, except to the extent otherwise provided in Section 1.6 hereof. During the Amazon Investor Rights Period, Amazon shall be entitled to designate the Amazon Observer to the Board in lieu of the Amazon Director. The Company acknowledges and agrees that the Amazon Observer shall not owe to the Company, its Subsidiaries or their respective stockholders any fiduciary or similar duty, including any duty of loyalty or duty of care, provided that the Amazon Observer shall comply with the terms of the Confidentiality Agreement and any other confidentiality agreement between the Amazon Observer and the Company.

(b) The Company shall at all times provide or otherwise make available to the Amazon Observer to the fullest extent permitted under Applicable Law, the same rights to indemnification and exculpation that it provides to members of the Board. The Company acknowledges and agrees that any such indemnification obligations to indemnify or advance expenses to such Amazon Observer in his or her capacity as such,
for the matters covered by such indemnification obligations, shall be the primary source of indemnification and advancement of such Amazon Observer in connection with his or her status as an Amazon Observer, and any obligation on the part of any Amazon Indemnitor under any Amazon Indemnification Agreement to indemnify or advance expenses to such Amazon Observer shall be secondary to the Company’s obligation. In the event that there are Unpaid Indemnitee Amounts and any Amazon Indemnitor makes any payment to such Amazon Observer in respect of indemnification or advancement of expenses under any Amazon Indemnification Agreement on account of such Unpaid Indemnitee Amounts, such Amazon Indemnitor shall be subrogated to the rights of such Amazon Observer under this Agreement in respect of such Unpaid Indemnitee Amounts.

1.5 Termination of Board Designation Rights. Promptly upon the occurrence of the Amazon Investor Rights Termination Event, all obligations of the Company with respect to Amazon and the Amazon Director, the Amazon Designee or the Amazon Observer pursuant to this Article I shall terminate and, unless otherwise consented to by a majority of the members of the Board (in each case, excluding the Amazon Director, if any), Amazon shall cause the Amazon Director to immediately resign from the Board and the Amazon Observer to cease attending meetings of the Board.

1.6 Information Rights.

(a) For the avoidance of doubt, subject to Applicable Law, prior to the Amazon Investor Rights Termination Event, the Company and its Subsidiaries shall prepare and provide, or cause to be prepared and provided, to the Amazon Director (in his or her capacity as such) or the Amazon Observer, if applicable, any materials or other information prepared for or given to the Board or any committee of the Board (excluding any such materials or other information prepared for and given solely to the Chief Executive Officer or the Chairman of the Board), as and when prepared for or given to any such other member, or any other materials or other information relating to the management, operations and finances of the Company and its Subsidiaries as and when generally provided to directors of the Company or as and when reasonably requested by the Amazon Director (in his or her capacity as such) or the Amazon Observer, if applicable; provided that the Company shall not be required to provide any materials or other information to the Amazon Director or to the Amazon Observer if the Company determines in good faith that (i) such materials or other information relates to Amazon, this Agreement, any other Transaction Documents or the transactions contemplated hereby or thereby, (ii) such materials or other information is competitively sensitive information, including company pricing, sales, strategic, promotional or other data, in each case, about specific Company customers, (iii) providing such materials or other information would adversely affect the Company (taking into account the nature of the request and the facts and circumstances at such time), (iv) a conflict of interest exists between the Company and Amazon with respect to such materials or other information, (v) providing such materials or other information would violate Applicable Law (in which case the Company shall notify Amazon of such belief and the Company and Amazon shall consult and cooperate in good faith in determining whether the Company is legally prohibited from providing such information to the Amazon Director or the Amazon Observer, as applicable), or (vi) based upon written advice from outside counsel,
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

providing such materials or other information would (A) reasonably be expected to jeopardize an attorney-client privilege or cause a loss of attorney work product protection or (B) violate a confidentiality obligation to any Person (the foregoing clauses (i), (ii), (iii), (iv), (v) and (vi), collectively, the “Information Rights Limitations”); provided, further, that, subject to Section 1.6(b), with respect to clauses (ii) through (vi) of the Information Rights Limitations, the Company shall use reasonable best efforts, and cooperate in good faith with the Amazon Director or the Amazon Observer, to develop and implement reasonable alternative arrangements to provide such Person with the intended benefits of this Section 1.6(a). The Amazon Director and the Amazon Observer, if applicable, shall solely be bound by and subject to the confidentiality obligations set forth in Section 1.6(f) as if they were Representatives of Amazon; provided, however, that the Amazon Director or the Amazon Observer may share such materials or other information with Amazon, subject to the provisions of Section 1.6(f). During the term of this Agreement, the Company shall provide to Amazon within ten (10) days after the end of each fiscal quarter a capitalization table of the Company setting forth the number of outstanding shares at the end of such fiscal quarter calculated on a fully diluted basis without regard to exercise or conversion prices of derivative securities. If the Company is at any time not subject to Section 13(a) or 15(d) under the Exchange Act other than during the Amazon Investor Rights Period, it shall furnish Amazon with the information set forth on Schedule 1.6(a) hereto.

(b) If the Company has determined in good faith that any materials or other information generally prepared for or given to members of the Board or any committee of the Board in connection with any meeting of the Board or any such committee involves competitively sensitive information, including company pricing, sales, strategic, promotional or other data, in each case, about specific Company customers, the Company (i) shall not provide the Amazon Director or the Amazon Observer such materials or other information, (ii) shall notify the Amazon Director or the Amazon Observer before such materials or other information are discussed at any meeting and (iii) shall excuse the Amazon Director or the Amazon Observer from such meeting for the duration of the discussion of such materials or other information. If the Company has determined in good faith that any materials or other information generally prepared for or given to members of the Board or any committee of the Board in connection with any meeting of the Board or any such committee is subject to any of the Information Rights Limitations, the Company shall be entitled to excuse the Amazon Director or the Amazon Observer from such meeting for the duration of the discussion of such materials or other information, subject to the obligation of the Company to use reasonable best efforts and cooperate in good faith with Amazon to develop and implement reasonable alternative arrangements (other than with respect to such information or materials that is subject to clause (i) of the Information Rights Limitations). The Company shall notify the Amazon Director or the Amazon Observer when such materials or other information are no longer being discussed so that the Amazon Director or the Amazon Observer may rejoin any such meeting.

(c) The parties acknowledge and agree that neither the Amazon Director nor the Amazon Observer, as applicable, shall be under any obligation to determine whether
a matter being discussed or to be discussed at a meeting of the Board or any committee thereof requires his or her recusal from such meeting.

(d) During the Amazon Investor Rights Period:

(i) The Company and its Subsidiaries shall prepare and provide, or cause to be prepared and provided, to Amazon:

(A) within the time periods applicable to the Company under Section 13(a) or 15(d) of the Exchange Act, all quarterly and annual financial statements required to be contained in a filing with the Commission on Forms 10-Q and 10-K; and

(B) if the Company is at any time not subject to Section 13(a) or 15(d) under the Exchange Act, the information set forth on Schedule 1.6(d)(i)(B) hereto.

(ii) The Company shall consider and respond in good faith to reasonable requests for information, to the extent already existing or that can be prepared without excessive cost or management time, regarding the Company and its Subsidiaries from Amazon (to the extent such requests are made in its capacity as a stockholder of the Company), it being understood that the Company shall have discretion as to (1) whether or not to provide, in whole or in part, any such requested information and (2) whether or not to impose restrictions on Amazon with respect to the types or categories of Representatives to whom such information may be disclosed (including, for example, requiring that any such information be disclosed only to corporate staff of Amazon, and not to employees with operational responsibility), in each case in light of the nature of the request and the facts and circumstances at the time. Without limiting the generality of the foregoing, the Company and its Subsidiaries shall not be required to provide any such information if the Company determines in good faith that such information is subject to any of the Information Rights Limitations; provided, that, subject to Section 1.6(b), to the extent such information is subject to clauses (ii) through (vi) of the Information Rights Limitations, the Company agrees to use reasonable efforts, and cooperate in good faith with Amazon, to develop and implement reasonable alternative arrangements to provide Amazon (and its Representatives) with the intended benefits of this Section 1.6.

(e) In furtherance and not in limitation of the foregoing, during the Amazon Investor Rights Period, the Company shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to prepare and provide, or to cause to be prepared and provided, including, if requested and reasonably available, in electronic data format, to Amazon, or to assist Amazon with preparing (at the expense of Amazon), in a reasonably timely fashion upon reasonable prior request by Amazon any (i) financial information (including those described in clauses (A)-(B) of Section 1.6(d)(i)) or other data relating to the Company and its Subsidiaries and (ii) any other relevant information or data, in each case to the extent necessary, as reasonably determined in good faith by Amazon for
Amazon to (x) comply with GAAP or to comply with its reporting, filing, tax, accounting or other obligations under Applicable Law or (y) apply the equity method of accounting, in the event Amazon is required to account for its investment in the Company under the equity method of accounting under GAAP. The Company shall use reasonable best efforts to cause its and its Subsidiaries’ representatives to cooperate in good faith with Amazon in connection with the foregoing; provided, however, that notwithstanding anything in this Agreement to the contrary, in no event shall Amazon or its Affiliates disclose (including by reflecting such information on their financial statements) any financial information or other financial data provided to Amazon pursuant to this Section 1.6 prior to the Company first publicly disclosing such information in its ordinary course of business, other than pursuant to the terms of Section 1.6(f)(i) or Section 1.6(f)(iv). Amazon shall promptly, upon request by the Company, reimburse the Company for all reasonable out of pocket costs and expenses incurred by the Company or any of its Subsidiaries in connection with any actions taken by the Company or any of its Subsidiaries pursuant to this Section 1.6(e).

(f) In furtherance of and not in limitation of any other similar agreement Amazon or any of its Representatives may have with the Company or its Subsidiaries, Amazon hereby agrees that all Confidential Information with respect to the Company shall be kept confidential by it and shall not be disclosed (including by reflecting such information on its financial statements) by it in any manner whatsoever, except as permitted by this Section 1.6(f). Any Confidential Information may be disclosed:

(i) by Amazon (x) to any of its Affiliates, or to its or its Affiliate’s respective directors, managers, officers, employees, provided that to the extent any such Affiliate is not a Subsidiary of Amazon, Amazon shall only be permitted to disclose Confidential Information to such Affiliate or its directors, managers, officers, employees solely if and to the extent any such Person needs to be provided such Confidential Information to assist Amazon or its Affiliates in evaluating or reviewing its existing or prospective commercial arrangements and/or direct or indirect investment in the Company, including in connection with the disposition of any such investment or (y) to its or its Affiliate’s authorized representatives (including attorneys, accountants, consultants, bankers and financial advisors thereof) (each of the Persons described in clauses (x) and (y), collectively, “Representatives” of Amazon). Each Representative shall be deemed to be bound by the provisions of this Section 1.6(f) and Amazon shall be responsible for any breach of this Section 1.6(f) (or such other agreement or obligation, as applicable) by any of its Representatives;

(ii) by Amazon or any of its Representatives to the extent the Company consents in writing;

(iii) by Amazon or any of its Representatives to a potential Transferee (so long as such Transfer is permitted hereunder); provided, that such Transferee agrees to be bound by the provisions of this Section 1.6(f) (or a confidentiality agreement having restrictions substantially similar to this Section 1.6(f)) and

Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.
Amazon shall be responsible for any breach of this Section 1.6(f) (or such confidentiality agreement) by any such Transferee; or

(iv) by Amazon or any of its Representatives to the extent that Amazon or such Representative has been advised by its outside counsel that such disclosure is required to be made by it under Applicable Law or by a Governmental Authority; provided, that prior to making such disclosure, such Person uses commercially reasonable efforts to preserve the confidentiality of the Confidential Information to the extent permitted by Applicable Law, including, to the extent practicable and permitted by Applicable Law, consulting with the Company regarding such disclosure and, if reasonably requested by the Company, assisting the Company, at the Company’s expense, in seeking a protective order to prevent the requested disclosure; provided, further, that Amazon or such Representative, as the case may be, uses commercially reasonable efforts to disclose only that portion of the Confidential Information as is requested by the applicable Governmental Authority or as is, based on the advice of its outside counsel, legally required or compelled; and provided, further, that the parties hereto expressly agree that notwithstanding anything in the Confidentiality Agreement or any other confidentiality agreement between or among the Company, Amazon or its Affiliates or Representatives, to the contrary, any Confidential Information that is permitted to be disclosed or used in any manner pursuant to either this Agreement or the Confidentiality Agreement can be so disclosed or used.

1.7 Tax Reporting Requirements. The Company shall comply with all reporting requirements under Sections 6038, 6038B, and 6046 of the U.S. Internal Revenue Code of 1986 (or any successor thereto). To the extent that Amazon is subject to the same reporting requirements, the Company shall file on Amazon’s behalf. The Company also shall provide Amazon with any filings under such sections for Amazon’s review two months prior to the due date for filing (including extensions). To the extent that the Company does not have a filing requirement under such sections, the Company shall, upon a request from Amazon, provide such information to Amazon as may be necessary to fulfill Amazon’s obligations thereunder.

1.8 Acquisitions. [*]
(ii) any Shares to any Person that, prior to the date of such Transfer, has filed a Schedule 13D or Schedule 13G with respect to the Company Common Stock; provided that this Section 2.1(a)(ii) shall not apply to any open market sale of Company Common Stock or any bona fide Underwritten Offering; or

(iii) Shares that represent greater than 10% of the outstanding Company Common Stock in a single transaction; provided that this Section 2.1(a)(iii) shall not apply to any open market sale of Company Common Stock or any bona fide Underwritten Offering.

(b) “Permitted Transfers” means, in each case so long as such Transfer is in accordance with Applicable Law (including with respect to U.S. citizenship of air carriers) and the provisions of the Company’s certificate of incorporation:

(i) a Transfer of the Warrants or Shares to a wholly owned Subsidiary of Amazon, so long as such Transferee, to the extent it has not already done so, executes a customary joinder to this Agreement, in form and substance reasonably acceptable to the Company, in which such Transferee agrees to be subject to all covenants and agreements of Amazon under this Agreement;

(ii) a Transfer of Shares in connection with an Acquisition Transaction approved by the Board (including if the Board (A) recommends that its stockholders tender in response to a tender or exchange offer that, if consummated, would constitute an Acquisition Transaction, or (B) does not recommend that its stockholders reject any such tender or exchange offer within the ten (10) Business Day period specified in Rule 14e-2(a) under the Exchange Act);

(iii) a Transfer of Shares that constitutes a tender into a tender or exchange offer commenced by the Company or any of its Affiliates;

(iv) a Transfer of Shares if required by, or reasonably necessary in order for, Amazon to obtain Governmental Approval for any acquisition (whether direct or indirect, including by way of merger, share exchange, share purchase, consolidation or any similar transaction); or

(v) a Transfer of Shares to the extent required under Applicable Law.

(c) Any Transfer or attempted Transfer of the Warrants or shares of Company Common Stock in violation of this Section 2.1 shall, to the fullest extent permitted by law, be null and void ab initio, and the Company shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported transaction on the share register or other books and records of the Company.

2.2 Standstill Provisions.

(a) Amazon agrees that from the date of this Agreement until the later of (x) the expiration or termination of the A&R ATSA, and (y) an Amazon Investor Rights
Termination Event (such period, the “Standstill Period”), without the prior written approval of the Board, Amazon shall not, directly or indirectly, and shall cause its Subsidiaries not to:

(i) acquire, agree to acquire, propose or offer to acquire, by purchase or otherwise, Equity Securities or Derivative Instruments of the Company, other than:

(A) Warrant Shares acquired by Amazon in accordance with the Investment Agreements;

(B) as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction involving Equity Securities of the Company in accordance with the Investment Agreements; or

(C) pursuant to and in accordance with Section 2.1(b)(i) and Section 2.1(b)(ii);

(ii) make, or in any way participate or engage in, any “solicitation” of “proxies” (as such terms are used in the proxy rules of the Commission) (whether or not relating to the election or removal of directors) to vote any Voting Securities, or disclose how Amazon intends to vote its Shares on any contested election of directors or any contested proposal relating to an Acquisition Proposal;

(iii) call, or seek to call, a meeting of the stockholders of the Company or initiate any stockholder proposal for action by stockholders of the Company;

(iv) nominate or seek to nominate, directly or indirectly, any person to the Board (except pursuant to Article I);

(v) deposit any Voting Securities in a voting trust or similar contract or agreement or subject any Voting Securities to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any Voting Securities (in each case, other than (A) pursuant to Section 1.3(b) and Section 1.3(c), or (B) otherwise to the Company or a Person specified by the Company in a proxy card (paper or electronic) provided to stockholders of the Company by or on behalf of the Company);

(vi) make any public announcement with respect to, enter, agree to enter, propose or offer to enter into any merger, business combination, recapitalization, restructuring, change in control transaction or other similar extraordinary transaction involving the Company or any of its Subsidiaries, or purchase of a material portion of the assets, properties or Equity Securities of the Company, other than acquisitions of Equity Securities as follows:

(A) Warrant Shares acquired by Amazon in accordance with the Investment Agreements;
(B) as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction involving Equity Securities of the Company in accordance with the Investment Agreements; or

(C) pursuant to and in accordance with Section 2.1(b)(i) and Section 2.1(b)(ii);

(vii) otherwise act, alone or in concert with others, to seek to control or influence the management or the policies of the Company (for the avoidance of doubt, excluding (A) any such act to the extent in its capacity as a commercial counterparty, customer, supplier, industry participant or the like and (B) any such act by the Amazon Director or the Amazon Observer pursuant to the rights granted to such Person under Article I);

(viii) take any action that would reasonably be expected to require the Company to make a public announcement regarding any of the events described above;

(ix) advise or knowingly assist or knowingly encourage or enter into any discussions, negotiations, agreements or arrangements with any other Persons in connection with the foregoing;

(x) form, join or in any way participate in a Group (other than with its Subsidiary that is bound by the restrictions of this Section 2.2(a) or a Group that consists solely of Amazon and/or any of its Affiliates), with respect to any Voting Securities or otherwise in connection with any of the foregoing; or

(xi) publicly disclose any intention, plan or proposal with respect to any of the foregoing.

In addition, Amazon shall not, directly or indirectly, and shall not permit any of its Subsidiaries, directly or indirectly, to, contest the validity of this Section 2.2 or, subject to Section 2.2(b), seek a waiver, amendment or release of any provisions of this Section 2.2 (whether or not in connection with such Acquisition Proposal) (whether by legal action or otherwise).

(b) Notwithstanding anything to the contrary contained herein or in any of the other Transaction Documents, including Section 2.2(a) hereof, Amazon shall not be prohibited or restricted from making and submitting:

(i) to the Company and/or the Board, any Acquisition Proposal that is intended by Amazon to be made and submitted on a non-publicly disclosed or announced basis, or any confidential request for the Company and/or the Board to waive, amend or provide a release of any provision of this Section 2.2 (whether or not in connection with such Acquisition Proposal); provided that Amazon shall not be permitted to submit more than one (1) such Acquisition Proposal and/or confidential request in any consecutive twelve (12) month period; provided, further, that (x) Amazon shall be permitted to discuss such Acquisition Proposal
and/or confidential request with the Company and/or the Board, and to make
modifications thereto, for a period not to exceed three (3) months following the
submission of such Acquisition Proposal and/or confidential request and (y) any
such Acquisition Proposal and/or confidential request shall by its terms terminate
if it is publicly disclosed or announced by Amazon without the prior approval of
the Board; and

(ii) to the Company, the Board, and/or the Company’s stockholders,
following any Acquisition Proposal received (or entered into) by the Company,
the Board or the Company’s stockholders by any Person or Group other than
Amazon or any of its Subsidiaries that is, was or becomes, publicly disclosed or
announced (including as a result of being approved by the Board or otherwise the
subject of any agreement, contract or understanding with the Company) (the
“Original Public Acquisition Proposal”), a Qualifying Public Acquisition Proposal
(which such Qualifying Public Acquisition Proposal may, for the avoidance of
doubt, include requests for the Company and/or the Board to waive, amend or
provide a release of any provision of this Section 2.2), or from taking any other
action, whether or not otherwise restricted by Section 2.2(a), in connection with
evaluating, making, submitting, negotiating, effectuating or implementing any
such Qualifying Public Acquisition Proposal (or any amendment, supplement or
modification thereto).

(c) Notwithstanding the foregoing, the provisions of this Section 2.2 shall not,
and are not intended to, restrict the manner in which any Amazon Director may (i) vote
on any matter submitted to the Board, (ii) participate in deliberations or discussions of the
Board (including making suggestions or raising issues to the Board) in his or her capacity
as a member of the Board, or (iii) take actions required by his or her exercise of legal
duties and obligations as a member of the Board or refrain from taking any action
prohibited by his or her legal duties and obligations as a member of the Board. For
purposes of clarity, any Amazon Director may participate fully in discussions,
deliberations, negotiations or determinations, or other actions or matters with respect to
which any other members of the Board participate, regarding any Acquisition Proposal or
any Acquisition Transaction: provided, that (x) such Acquisition Proposal or Acquisition
Transaction is not made or submitted by Amazon and (y) Amazon has committed to the
Company in writing not to make (directly or through its Subsidiaries) a Qualifying Public
Acquisition Proposal with respect to such Acquisition Proposal or Acquisition
Transaction.

(d) Notwithstanding anything to the contrary herein, the provisions of this
Section 2.2 shall become void and of no further force and effect upon the Company’s
publicly announcing the commencement of a process to evaluate strategic alternatives for
the Company.

2.3 Outside Activities.

(a) Subject to the provisions of Section 1.6 of this Agreement, each of
Amazon, any of its Affiliates, the Amazon Director and the Amazon Observer may
engage in or possess any interest in other investments, business ventures or Persons of any nature or description, independently or with others, similar or dissimilar to, or that competes with, the investments or business of the Company, and may provide advice and other assistance to any such investment, business venture or Person. The Company shall have no rights by virtue of this Agreement in and to such investments, business ventures or Persons or the income or profits derived therefrom.

(b) The pursuit of any such investment or venture, including any investment or venture relating to any air freight, air charter or air transportation services, even if competitive with the business of the Company, shall not be deemed wrongful or improper and shall not constitute a conflict of interest or breach of fiduciary or other duty in respect of the Company, its Subsidiaries or Amazon. None of Amazon, any of its Affiliates, the Amazon Director (to the extent permitted by law) and the Amazon Observer shall be obligated to present any particular investment or business opportunity to the Company, including any opportunity relating to any air freight, air charter or air transportation services, even if such opportunity is of a character that, if presented to the Company, could be pursued by the Company, and each of Amazon, any of its Affiliates, the Amazon Director and the Amazon Observer shall have the right to pursue for its own account (individually or as a partner or a fiduciary) or to recommend to any other Person any such investment opportunity.

Article III

Representations and Warranties

3.1 Representations and Warranties of Amazon. Amazon hereby represents and warrants to the Company as follows as of the date hereof:

(a) Amazon does not Beneficially Own any shares of Company Common Stock or any Derivative Instruments of the Company.

(b) Amazon has been duly incorporated, is validly existing and is in good standing under the laws of the State of Delaware. Amazon has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(c) The execution and delivery by Amazon of this Agreement and the performance by it of its obligations under this Agreement do not and will not conflict with or violate any provision of, or require the consent or approval of any Person (except for any such consents or approvals which have been obtained) under, (x) Applicable Law, (y) the organizational documents of Amazon or (z) any contract or agreement to which Amazon is a party.

(d) The execution and delivery by Amazon of this Agreement and the performance by it of its obligations under this Agreement have been duly authorized by all necessary corporate action on the part of it. This Agreement has been duly executed and delivered by Amazon and, assuming the due authorization, execution and delivery by
the Company, constitutes a legal, valid and binding obligation of Amazon, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors’ rights and to general principles of equity.

3.2 Representations and Warranties of the Company. The Company hereby represents and warrants to Amazon as of the date hereof as follows:

(a) The Company has been duly incorporated, is validly existing and is in good standing under the laws of the State of Delaware. The Company has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) The execution and delivery by the Company of this Agreement and the performance of the obligations of the Company under this Agreement do not and will not conflict with or violate any provision of, or require the consent or approval of any Person (except for any such consents or approvals which have been obtained) under, (x) Applicable Law, (y) the organizational documents of the Company (following any actions taken pursuant to Section 1.1(a) or Section 1.1(b)) or (z) any contract or agreement to which the Company is a party.

(c) The execution and delivery by the Company of this Agreement and the performance of the obligations of the Company under this Agreement have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Amazon, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors’ rights and to general principles of equity.

Article IV

Registration

4.1 Demand Registrations.

(a) Subject to the terms and conditions hereof, (x) solely during any period that the Company is then ineligible under Applicable Law to register Registrable Securities on Form S-3, or if the Company is so eligible but has failed to comply with its obligations under Section 4.3 or (y) following the expiration of the Company’s obligation to keep the Shelf Registration Statement continuously effective pursuant to Section 4.3(c), but only if there is no Shelf Registration Statement then in effect, any Demand Shareholders (“Requesting Shareholders”) shall be entitled to make an unlimited number of written requests of the Company (each, a “Demand”) for registration under the Securities Act of an amount of Registrable Securities then held by such Requesting Shareholders that equals or is greater than the Registrable Amount (a “Demand Registration” and such registration statement, a “Demand Registration Statement”).
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Thereupon, the Company shall, subject to the terms of this Agreement, use its commercially reasonable efforts to effect the registration as promptly as practicable (but no later than forty-five (45) days after receipt of the Demand) under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by the Requesting Shareholders for disposition in accordance with the intended method of disposition stated in such Demand;

(ii) all other Registrable Securities which the Company has been requested to register pursuant to Section 4.1(b), but subject to Section 4.1(g); and

(iii) all shares of Company Common Stock which the Company may elect to register in connection with any offering of Registrable Securities pursuant to this Section 4.1, but subject to Section 4.1(g);

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof) of the Registrable Securities and the additional shares of Company Common Stock, if any, to be so registered.

(b) A Demand shall specify: (i) the aggregate number of Registrable Securities requested to be registered in such Demand Registration, (ii) the intended method of disposition in connection with such Demand Registration, to the extent then known, and (iii) the identity of the Requesting Shareholder(s). Within ten (10) days after receipt of a Demand, the Company shall give written notice of such Demand to all other holders of Registrable Securities. The Company shall include in the Demand Registration covered by such Demand all Registrable Securities with respect to which the Company has received a written request for inclusion therein within ten (10) days after the Company’s notice required by this paragraph has been given, subject to Section 4.1(g). Each such written request shall comply with the requirements of a Demand as set forth in this Section 4.1(b).

(c) A Demand Registration shall not be deemed to have been effected (i) unless the Demand Registration Statement with respect thereto has become effective and has remained effective for a period of at least one hundred five (105) days or such shorter period in which all Registrable Securities included in such Demand Registration have actually been sold or otherwise disposed of thereunder (provided, that such period shall be extended for a period of time equal to the period the holders of Registrable Securities refrain from selling any securities included in such registration statement at the request of the Company or the lead managing underwriter(s) pursuant to the provisions of this Agreement) or (ii) if, after it has become effective, such Demand Registration becomes subject, prior to one hundred five (105) days after effectiveness, to any stop order, injunction or other order or requirement of the Commission or other Governmental Authority, other than by reason of any act or omission by the applicable Selling Shareholders.

(d) Demand Registrations shall be on such appropriate registration form of the Commission as shall be selected by the Company and reasonably acceptable to the Requesting Shareholders.
(e) The Company shall not be obligated to (i) subject to Section 4.1(c), maintain the effectiveness of a registration statement under the Securities Act filed pursuant to a Demand Registration for a period longer than one hundred five (105) days or (ii) effect any Demand Registration (A) within ninety (90) days of a “firm commitment” Underwritten Offering in which all Demand Shareholders were offered “piggyback” rights pursuant to Section 4.2 (subject to Section 4.2(b)) and at least fifty percent (50%) of the number of Registrable Securities requested by such Demand Shareholders to be included in such Demand Registration were included, (B) within ninety (90) days of the completion of any other Demand Registration (including, for the avoidance of doubt, any Underwritten Offering to any Shelf Registration Statement) or (C) if, in the Company’s good faith determination, it is not feasible for the Company to proceed with the Demand Registration because of the unavailability of audited or other required financial statements of the Company or any other Person; provided, that the Company shall use its commercially reasonable efforts to obtain such financial statements as promptly as practicable.

(f) The Company shall be entitled to (i) postpone (upon written notice to the Demand Shareholders) the filing or the effectiveness of a registration statement for any Demand Registration, (ii) cause any Demand Registration Statement to be withdrawn and its effectiveness terminated and (iii) suspend the use of the prospectus forming the part of any registration statement, in each case in the event of a Blackout Period until the expiration of the applicable Blackout Period. In the event of a Blackout Period under clause (ii) of the definition thereof, the Company shall deliver to the Demand Shareholders requesting registration a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the Company, the conditions described in clause (ii) of the definition of Blackout Period are met. Such certificate shall contain an approximation of the anticipated delay. Upon notice by the Company to the Demand Shareholders of any such determination, each Demand Shareholder covenants that, subject to Applicable Law, it shall keep the fact of any such notice strictly confidential, and, in the case of a Blackout Period pursuant to clause (ii)(y) of the definition of Blackout Period, promptly halt any offer, sale, trading or other Transfer by it or any of its Affiliates of any Registrable Securities for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of the Demand Registration Statement, each prospectus included therein, and any amendment or supplement thereto by it and any of its Affiliates for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed in writing by the Company, will deliver to the Company any copies then in the Demand Shareholder’s possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice.

(g) If, in connection with a Demand Registration that involves an Underwritten Offering, the lead managing underwriter(s) advise(s) the Company that, in its (their) good faith opinion, the inclusion of all of the securities sought to be registered in connection with such Demand Registration would adversely affect the success thereof, then the Company shall include in such registration statement only such securities as the
Company is advised by such lead managing underwriter(s) can be sold without such adverse effect as follows and in the following order of priority: (i) first, up to the number of Registrable Securities requested to be included in such Demand Registration by the Demand Shareholders, which, in the opinion of the lead managing underwriter(s), can be sold without adversely affecting the success thereof, pro rata among such Demand Shareholders on the basis of the number of such Registrable Securities requested to be included by such Demand Shareholders; (ii) second, securities the Company proposes to sell; and (iii) third, all other securities of the Company duly requested to be included in such registration statement, pro rata on the basis of the amount of such other securities requested to be included or such other allocation method determined by the Company.

(h) Any time that a Demand Registration involves an Underwritten Offering, the Requesting Shareholder(s) shall select the investment banker(s) and manager(s) that will serve as managing underwriters (including which such managing underwriters will serve as lead or co-lead) and underwriters with respect to the offering of such Registrable Securities; provided, that such investment banker(s) and manager(s) shall be reasonably acceptable to the Company (such acceptance not to be unreasonably withheld, conditioned or delayed).

4.2 Piggyback Registrations.

(a) Subject to the terms and conditions hereof, whenever the Company proposes to register any Company Common Stock (or any other securities that are of the same class or series as any Registrable Securities that are not shares of Company Common Stock) under the Securities Act (other than a registration by the Company (i) on Form S-4 or any successor form thereto, (ii) on Form S-8 or any successor form thereto, (iii) on a Shelf Registration Statement or (iv) pursuant to Section 4.1) (a “Piggyback Registration”), whether for its own account or for the account of others, the Company shall give all Demand Shareholders prompt written notice thereof (but not less than ten (10) Business Days prior to the filing by the Company with the Commission of any registration statement with respect thereto). Such notice (a “Piggyback Notice”) shall specify the number of shares of Company Common Stock (or other securities, as applicable) proposed to be registered, the proposed date of filing of such registration statement with the Commission, the proposed means of distribution and the proposed managing underwriter(s) (if any) and a good faith estimate by the Company of the proposed minimum offering price of such shares of Company Common Stock (or other securities, as applicable), in each case to the extent then known. Subject to Section 4.2(b), the Company shall include in each such Piggyback Registration all Registrable Securities held by Demand Shareholders (a “Piggyback Seller”) with respect to which the Company has received written requests (which written requests shall specify the number of Registrable Securities requested to be disposed of by such Piggyback Seller) for inclusion therein within ten (10) days after such Piggyback Notice is received by such Piggyback Seller.

(b) If, in connection with a Piggyback Registration that involves an Underwritten Offering, the lead managing underwriter(s) advise(s) the Company that, in its opinion, the inclusion of all the securities sought to be included in such Piggyback
Registration by (w) the Company, (x) other Persons who have sought to have shares of Company Common Stock registered in such Piggyback Registration pursuant to rights to demand (other than pursuant to so-called “piggyback” or other incidental or participation registration rights) such registration (such Persons being “Other Demanding Sellers”), (y) the Piggyback Sellers and (z) any other proposed sellers of shares of Company Common Stock (such Persons being “Other Proposed Sellers”), as the case may be, would adversely affect the success thereof, then the Company shall include in the registration statement applicable to such Piggyback Registration only such securities as the Company is so advised by such lead managing underwriter(s) can be sold without such an effect, as follows and in the following order of priority:

(i) if the Piggyback Registration relates to an offering for the Company’s own account, then (A) first, such number of shares of Company Common Stock (or other securities, as applicable) to be sold by the Company as the Company, in its reasonable judgment, shall have determined, (B) second, Registrable Securities of Piggyback Sellers, pro rata on the basis of the number of Registrable Securities proposed to be sold by such Piggyback Sellers, (C) third, shares of Company Common Stock sought to be registered by Other Demanding Sellers, pro rata on the basis of the number of shares of Company Common Stock proposed to be sold by such Other Demanding Sellers and (D) fourth, other shares of Company Common Stock proposed to be sold by any Other Proposed Sellers; or

(ii) if the Piggyback Registration relates to an offering other than for the Company’s own account, then (A) first, such number of shares of Company Common Stock (or other securities, as applicable) sought to be registered by each Other Demanding Seller pro rata in proportion to the number of securities sought to be registered by all such Other Demanding Sellers, (B) second, Registrable Securities of Piggyback Sellers, pro rata on the basis of the number of Registrable Securities proposed to be sold by such Piggyback Sellers, (C) third, shares of Company Common Stock to be sold by the Company and (D) fourth, other shares of Company Common Stock proposed to be sold by any Other Proposed Sellers.

(c) For clarity, in connection with any Underwritten Offering under this Section 4.2 for the Company’s account, the Company shall not be required to include the Registrable Securities of a Piggyback Seller in the Underwritten Offering unless such Piggyback Seller accepts the terms of the underwriting as agreed upon between the Company and the lead managing underwriter(s), which shall be selected by the Company.

(d) If, at any time after giving written notice of its intention to register any shares of Company Common Stock (or other securities, as applicable) as set forth in this Section 4.2 and prior to the time the registration statement filed in connection with such Piggyback Registration is declared effective, the Company shall determine for any reason not to register such shares of Company Common Stock (or other securities, as applicable), the Company may, at its election, give written notice of such determination to the Piggyback Sellers within five (5) Business Days thereof and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such
particular withdrawn or abandoned Piggyback Registration; provided, that, if permitted pursuant to Section 4.1, the Demand Shareholders may continue the registration as a Demand Registration pursuant to the terms of Section 4.1.

4.3 Shelf Registration Statement.

(a) Subject to the terms and conditions hereof, and further subject to the availability of a registration statement on Form S-3 or any successor form thereto (“Form S-3”) to the Company, any of the Demand Shareholders may by written notice delivered to the Company (the “Shelf Notice”) require the Company to file as soon as reasonably practicable, and to use commercially reasonable efforts to cause to be declared effective by the Commission as soon as reasonably practicable after such filing date, a Form S-3 providing for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act relating to the offer and sale, from time to time, of an amount of Registrable Securities then held by such Demand Shareholders that equals or is greater than the Registrable Amount (the “Shelf Registration Statement”). To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act), the Company shall file the Shelf Registration Statement in the form of an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) or any successor form thereto. If registering a number of Registrable Securities, the Company shall pay the registration fee for all Registrable Securities to be registered pursuant to an automatic shelf registration statement at the time of filing of the automatic shelf registration statement and shall not elect to pay any portion of the registration fee on a deferred basis.

(b) Within ten (10) days after receipt of a Shelf Notice pursuant to Section 4.3(a), the Company will deliver written notice thereof to all other holders of Registrable Securities. Each other holder of Registrable Securities may elect to participate with respect to its Registrable Securities in the Shelf Registration Statement in accordance with the plan and method of distribution set forth, or to be set forth, in such Shelf Registration Statement by delivering to the Company a written request to so participate within ten (10) days after the Shelf Notice is received by any such holder of Registrable Securities.

(c) Subject to Section 4.3(d), the Company shall use its commercially reasonable efforts to keep the Shelf Registration Statement continuously effective until the earlier of (i) three (3) years after the Shelf Registration Statement has been declared effective; and (ii) the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold thereunder in accordance with the plan and method of distribution disclosed in the prospectus included in the Shelf Registration Statement, or otherwise cease to be Registrable Securities.

(d) Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled, from time to time, by providing written notice to the holders of Registrable Securities who elected to participate in the Shelf Registration Statement, to require such holders of Registrable Securities to suspend the use of the prospectus for sales of Registrable Securities under the Shelf Registration Statement during any
Blackout Period. In the event of a Blackout Period under clause (ii) of the definition thereof, the Company shall deliver to the Demand Shareholders requesting registration a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the Company, the conditions described in clause (ii) of the definition of Blackout Period are met. Such certificate shall contain an approximation of the anticipated delay. Upon notice by the Company to the Demand Shareholders of any such determination, each Demand Shareholder covenants that it shall, subject to Applicable Law, keep the fact of any such notice strictly confidential, and, in the case of a Blackout Period pursuant to clause (ii)(y) of the definition of Blackout Period, promptly halt any offer, sale, trading or other Transfer by it or any of its Affiliates of any Registrable Securities for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of the Shelf Registration Statement, each prospectus included therein, and any amendment or supplement thereto by it and any of its Affiliates for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed in writing by the Company, will deliver to the Company any copies then in the Demand Shareholder’s possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice.

(e) After the expiration of any Blackout Period and without any further request from a holder of Registrable Securities, the Company, to the extent necessary, shall as promptly as reasonably practicable prepare a post-effective amendment or supplement to the Shelf Registration Statement or the prospectus, or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) At any time that a Shelf Registration Statement is effective, if any Demand Shareholder delivers a notice to the Company (a “Take-Down Notice”) stating that it intends to sell all of part of its Registrable Securities included by it on the Shelf Registration Statement (a “Shelf Offering”), then the Company shall amend or supplement the Shelf Registration Statement as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Offering (taking into account, solely in connection with a Marked Underwritten Shelf Offering, the inclusion of Registrable Securities by any other holders pursuant to this Section). In connection with any Shelf Offering that is an Underwritten Offering and where the plan of distribution set forth in the applicable Take-Down Notice includes a customary “road show” (including an “electronic road show”) or other substantial marketing effort by the Company and the underwriters (a “Marketed Underwritten Shelf Offering”):

(i) such proposing Demand Shareholder(s) shall also deliver the Take-Down Notice to all other Demand Shareholders included on the Shelf Registration Statement and permit each such holder to include its Registrable Securities
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

included on the Shelf Registration Statement in the Marketed Underwritten Shelf Offering if such holder notifies the proposing Demand Shareholder(s) and the Company within five (5) days after delivery of the Take-Down Notice to such holder; and

(ii) if the lead managing underwriter(s) advises the Company and the proposing Demand Shareholder(s) that, in its opinion, the inclusion of all of the securities sought to be sold in connection with such Marketed Underwritten Shelf Offering would adversely affect the success thereof, then there shall be included in such Marketed Underwritten Shelf Offering only such securities as the proposing Demand Shareholder(s) is advised by such lead managing underwriter(s) can be sold without such adverse effect, and such number of Registrable Securities shall be allocated in the same manner as described in Section 4.1(g).

Except as otherwise expressly specified in this Section 4.3, any Marketed Underwritten Shelf Offering shall be subject to the same requirements, limitations and other provisions of this Article IV as would be applicable to a Demand Registration (i.e., as if such Marketed Underwritten Shelf Offering were a Demand Registration), including Section 4.1(e)(ii) and Section 4.1(g).

(g) Notwithstanding any other provision of this Agreement, if the requesting Demand Shareholder wishes to engage in a block sale (including a block sale off of a Shelf Registration Statement or an effective automatic shelf registration statement, or in connection with the registration of the Registrable Securities under an automatic shelf registration statement for purposes of effectuating a block sale), then notwithstanding the foregoing or any other provisions hereunder, no Demand Shareholder shall be entitled to receive any notice of or have its Registrable Securities included in such block sale.

4.4 Withdrawal Rights. Any holder of Registrable Securities having notified or directed the Company to include any or all of its Registrable Securities in a registration statement under the Securities Act shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable Securities designated by it for registration by giving written notice to such effect to the Company prior to the effective date of such registration statement. In the event of any such withdrawal, the Company shall not include such Registrable Securities in the applicable registration and such Registrable Securities shall continue to be Registrable Securities for all purposes of this Agreement (subject to the other terms and conditions of this Agreement). No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn; provided, however, that in the case of a Demand Registration, if such withdrawal shall reduce the number of Registrable Securities sought to be included in such registration below the Registrable Amount, then the Company shall as promptly as practicable give each Demand Shareholder seeking to register Registrable Securities notice to such effect and, within ten (10) days following the mailing of such notice, such Demand Shareholder still seeking registration shall, by written notice to the Company, elect to register additional Registrable Securities to satisfy the Registrable Amount or elect that such registration statement not be filed or, if theretofore filed, be withdrawn. During such ten (10) day period, the Company shall not file such registration statement if not theretofore filed or, if
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

such registration statement has been theretofore filed, the Company shall not seek, and shall use reasonable best efforts to prevent, the effectiveness thereof.

4.5 **Hedging Transactions.**

(a) The provisions of this Agreement relating to the registration, offer and sale of Registrable Securities shall apply also to (i) any transaction which Transfers some or all of the economic risk of ownership of Registrable Securities, including any forward contract, equity swap, put or call, put or call equivalent position, collar, margin loan, sale of exchangeable security or similar transaction (including the registration, offer and sale under the Securities Act of Registrable Securities pledged to the counterparty to such transaction or of securities of the same class as the underlying Registrable Securities by the counterparty to such transaction in connection therewith), and that the counterparty to such transaction shall be selected in the sole discretion of the Demand Shareholders and (ii) any derivative transactions in which a broker-dealer, other financial institution or unaffiliated Person (each, a “Hedging Counterparty”) may sell Registrable Securities covered by any prospectus and the applicable prospectus supplement including short sale transactions using Registrable Securities pledged by a Demand Shareholder or borrowed from the Demand Shareholder or others and Registrable Securities loaned, pledged or hypothecated to any such party (each, a “Hedging Transaction”); provided that the Demand Shareholder’s legal counsel has determined in its reasonable judgment (after good-faith consultation with counsel of the Company) that it is reasonably necessary to register under the Securities Act such Hedging Transaction. Any written information regarding the Hedging Transaction provided to the Company by a Hedging Counterparty for inclusion in any registration statement, prospectus or free writing prospectus filed pursuant to this Section 4.5 shall, for purposes of Section 4.9, be deemed to be written information provided by a Selling Shareholder for purposes of Section 4.9; provided further that the term “Hedging Transaction” shall exclude any transactions in violation of Section 16 of the Exchange Act.

(b) If in connection with a Hedging Transaction, a Hedging Counterparty or any Affiliate thereof is (or may reasonably be considered) an underwriter or selling stockholder, then such Hedging Counterparty shall be required to provide customary indemnities to the Company regarding the plan of distribution and related matters.

4.6 **Holdback Agreements.**

(a) Amazon shall enter into customary agreements restricting the sale or distribution of Equity Securities of the Company (including sales pursuant to Rule 144 under the Securities Act) to the extent required in writing by the lead managing underwriter(s) with respect to an applicable Underwritten Offering during the period commencing on the date of the request (which shall be no earlier than fourteen (14) days prior to the expected “pricing” of such Underwritten Offering) and continuing for not more than ninety (90) days after the date of the “final” prospectus (or “final” prospectus supplement if the Underwritten Offering is made pursuant to a Shelf Registration Statement), pursuant to which such Underwritten Offering shall be made, plus an extension period, as may be proposed by the lead managing underwriter(s) to address
FINRA regulations regarding the publishing of research, or such lesser period as is required by the lead managing underwriter(s). The Company shall not include Registrable Securities of any other Demand Shareholder in such an Underwritten Offering unless such other Demand Shareholder enters into a customary agreement restricting the sale or distribution of Equity Securities of the Company (including sales pursuant to Rule 144 under the Securities Act) if requested by the lead managing underwriter(s).

4.7 Registration Procedures.

(a) If and whenever the Company is required to use commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 4.1, Section 4.2 or Section 4.3, the Company shall as expeditiously as reasonably practicable:

(i) prepare and file with the Commission a registration statement to effect such registration in accordance with the intended method or methods of distribution of such securities and thereafter use commercially reasonable efforts to cause such registration statement to become and remain effective pursuant to the terms of this Article IV; provided, however, that the Company may discontinue any registration of its securities which are not Registrable Securities at any time prior to the effective date of the registration statement relating thereto; provided, further, that before filing such registration statement or any amendments thereto, the Company will furnish to the Demand Shareholders which are including Registrable Securities in such registration (“Selling Shareholders”), their counsel and the lead managing underwriter(s), if any, copies of all such documents proposed to be filed, which documents will be subject to the review and reasonable comment of such counsel, and other documents reasonably requested by such counsel, including any comment letter from the Commission, and, if requested by such counsel, provide such counsel reasonable opportunity to participate in the preparation of such registration statement and each prospectus included therein and such other opportunities to conduct a reasonable investigation within the meaning of the Securities Act, including reasonable access to the Company’s books and records, officers, accountants and other advisors. The Company shall not file any such registration statement or prospectus or any amendments or supplements thereto with respect to a Demand
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Registration to which the holders of a majority of Registrable Securities held by the Requesting Shareholder(s), their counsel or the lead managing underwriter(s), if any, shall reasonably object, in writing, on a timely basis, unless, in the opinion of the Company, such filing is necessary to comply with Applicable Law;

(ii) except in the case of a Shelf Registration Statement, prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective pursuant to the terms of this Article IV, and comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(iii) in the case of a Shelf Registration Statement, prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Shelf Registration Statement effective and to comply in all material respects with the provision of the Securities Act with respect to the disposition of the Registrable Securities subject thereto for a period ending on the earlier of (x) thirty-six (36) months after the effective date of such Shelf Registration Statement, (y) the date when all restrictive legends on the Registrable Securities have been removed or (z) the date on which all the Registrable Securities held by the Demand Shareholders cease to be Registrable Securities;

(iv) if requested by the lead managing underwriter(s), if any, or the holders of a majority of the then outstanding Registrable Securities being sold in connection with an Underwritten Offering, promptly include in a prospectus supplement or post-effective amendment such information as the lead managing underwriter(s), if any, and such holders may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such post-effective amendment as soon as reasonably practicable after the Company has received such request; provided, however, that the Company shall not be required to take any actions under this Section 4.7(a)(iv) that are not, in the opinion of counsel for the Company, in compliance with Applicable Law;

(v) furnish to the Selling Shareholders and each underwriter, if any, of the securities being sold by such Selling Shareholders such number of conformed copies of such registration statement and of each amendment and supplement thereto, such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and each free writing prospectus (as defined in Rule 405 of the Securities Act) (a “Free Writing Prospectus”) utilized in connection therewith and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents as such Selling Shareholders and underwriter, if any, may reasonably request in order to facilitate
the public sale or other disposition of the Registrable Securities owned by such Selling Shareholders;

(vi) use commercially reasonable efforts to register or qualify or cooperate with the Selling Shareholders, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities covered by such registration statement under such other securities laws or “blue sky” laws of such jurisdictions as the Selling Shareholders and any underwriter of the securities being sold by such Selling Shareholders shall reasonably request, and to keep each such registration or qualification (or exemption therefrom) effective during the period such registration statement is required to be kept effective and take any other action which may be necessary or reasonably advisable to enable such Selling Shareholders and underwriters to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Selling Shareholders, except that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (vi) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction (vi) be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (vi) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(vii) use commercially reasonable efforts to cause such Registrable Securities (if such Registrable Securities are shares of Company Common Stock) to be listed on each securities exchange on which shares of Company Common Stock are then listed;

(viii) use commercially reasonable efforts to provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(ix) enter into such agreements (including an underwriting agreement) in form, scope and substance as is customary in underwritten offerings of Company Common Stock by the Company and use its commercially reasonable efforts to take all such other actions reasonably requested by the holders of a majority of the Registrable Securities being sold in connection therewith (including those reasonably requested by the lead managing underwriter(s), if any) to expedite or facilitate the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Offering (A) make such representations and warranties to the holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Company and its Subsidiaries, and the registration statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers in underwritten offerings, and, if true, confirm the same if and when requested, (B) if any underwriting agreement has been entered into, the same shall contain customary
indemnification provisions and procedures with respect to all parties to be indemnified pursuant to Section 4.10, except as otherwise agreed by the holders of a majority of the Registrable Securities being sold and (C) deliver such documents and certificates as reasonably requested by the holders of a majority of the Registrable Securities being sold, their counsel and the lead managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to sub-clause (A) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The above shall be done at each closing under such underwriting or similar agreement, or as and to the extent required thereunder;

(x) in connection with an Underwritten Offering, use commercially reasonable efforts to obtain for the underwriter(s) (A) opinions of counsel for the Company, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such underwriters and (B) “comfort” letters and updates thereof (or, in the case of any such Person which does not satisfy the conditions for receipt of a “comfort” letter specified in Statement on Auditing Standards No. 72, an “agreed upon procedures” letter) signed by the independent public accountants who have certified the Company’s financial statements included in such registration statement, covering the matters customarily covered in “comfort” letters in connection with underwritten offerings;

(xi) make available for inspection by the Selling Shareholders, any underwriter participating in any disposition pursuant to any registration statement, and any attorney, accountant or other agent or representative retained in connection with such offering by such Selling Shareholders or underwriter (collectively, the “Inspectors”), financial and other records, pertinent corporate documents and properties of the Company (collectively, the “Records”), as shall be reasonably necessary, or as shall otherwise be reasonably requested, to enable them to exercise their due diligence responsibility, and cause the officers, directors and employees of the Company and its Subsidiaries to supply all information in each case reasonably requested by any such representative, underwriter, attorney, agent or accountant in connection with such registration statement; provided, however, that the Company shall not be required to provide any information under this Section 4.7(a)(xi) if (A) the Company believes, after consultation with counsel for the Company, that to do so would cause the Company to forfeit an attorney-client privilege that was applicable to such information or (B) either (1) the Company has requested and been granted from the Commission confidential treatment of such information contained in any filing with the Commission or documents provided supplementally or otherwise or (2) the Company reasonably determines in good faith that such Records are confidential and so notifies the Inspectors in writing; unless prior to furnishing any such information with respect to clause (1) or (2) such Selling Shareholder requesting such information enters into, and causes each of its Inspectors to enter into, a confidentiality agreement on terms and conditions reasonably acceptable to
the Company; provided, further, that each Selling Shareholder agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by another Governmental Authority, give notice to the Company and allow the Company, at its expense, to undertake appropriate action seeking to prevent disclosure of the Records deemed confidential; (xii) as promptly as practicable notify in writing the Selling Shareholders and the underwriters, if any, of the following events: (A) the filing of the registration statement, any amendment thereto, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement or any Free Writing Prospectus utilized in connection therewith, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective; (B) any request by the Commission or any other U.S. or state governmental authority for amendments or supplements to the registration statement or the prospectus or for additional information; (C) the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings by any Person for that purpose; (D) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or “blue sky” laws of any jurisdiction or the initiation or threat of any proceeding for such purpose; (E) if at any time the representations and warranties of the Company contained in any mutual agreement (including any underwriting agreement) contemplated by Section 4.7(a)(ix) cease to be true and correct in any material respect; and (F) upon the happening of any event that makes any statement made in such registration statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that, in the case of the registration statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; (xiii) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction at the earliest
reasonable practicable date, except that, subject to the requirements of Section 4.7(a)(vi), the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (xiii) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(xiv) cooperate with the Selling Shareholders and the lead managing underwriter(s) to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under Applicable Law) representing securities sold under any registration statement, and enable such securities to be in such denominations and registered in such names as the lead managing underwriter(s) or such Selling Shareholders may request and keep available and make available to the Company’s transfer agent prior to the effectiveness of such registration statement a supply of such certificates;

(xv) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(xvi) have appropriate officers of the Company prepare and make presentations at a reasonable number of “road shows” and before analysts and rating agencies, as the case may be, and other information meetings reasonably organized by the underwriters, take other actions to obtain ratings for any Registrable Securities (if they are eligible to be rated) and otherwise use its commercially reasonable efforts to cooperate as reasonably requested by the Selling Shareholders and the underwriters in the offering, marketing or selling of the Registrable Securities; provided, however, that the scheduling of any such “road shows” and other meetings shall not unduly interfere with the normal operations of the business of the Company; and

(xvii) take all other actions reasonably requested by Amazon or the lead managing underwriter(s) to effect the intent of this Agreement.

(b) The Company may require each Selling Shareholder and each underwriter, if any, to furnish the Company in writing such information regarding each Selling Shareholder or underwriter and the distribution of such Registrable Securities as the Company may from time to time reasonably request in writing to complete or amend the information required by such registration statement.

(c) Each Selling Shareholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clauses (B), (C), (D), (E) and (F) of Section 4.7(a)(xii), such Selling Shareholder shall forthwith discontinue such Selling Shareholder’s disposition of Registrable Securities pursuant to the applicable registration statement and prospectus relating thereto until such Selling Shareholder’s receipt of the copies of the supplemented or amended prospectus contemplated by
Section 4.7(a)(xii), or until it is advised in writing by the Company that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus; provided, however, that the Company shall extend the time periods under Section 4.1(c) with respect to the length of time that the effectiveness of a registration statement must be maintained by the amount of time the holder is required to discontinue disposition of such securities.

(d) With a view to making available to the holders of Registrable Securities the benefits of Rule 144 under the Securities Act and any other rule or regulation of the Commission that may at any time permit a holder to sell securities of the Company to the public without registration, the Company shall:

(i) use commercially reasonable efforts to make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) use commercially reasonable efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Exchange Act, at any time when the Company is subject to such reporting requirements; and

(iii) furnish to any holder of Registrable Securities, promptly upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act and of the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed or furnished by the Company with the Commission as such holder may reasonably request in connection with the sale of Registrable Securities without registration (in each case to the extent not readily publicly available).

4.8 Registration Expenses. All fees and expenses incident to the Company’s performance of its obligations under this Article IV, including (a) all registration and filing fees, including all fees and expenses of compliance with securities and “blue sky” laws (including the reasonable and documented fees and disbursements of counsel for the underwriters in connection with “blue sky” qualifications of the Registrable Securities pursuant to Section 4.7(a)(vi)) and all fees and expenses associated with filings required to be made with FINRA (including, if applicable, the fees and expenses of any “qualified independent underwriter” as such term is defined in FINRA Rule 5121, except in the event that Requesting Shareholders select the underwriters) (b) all printing (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with the Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by Amazon) and copying expenses, (c) all messenger, telephone and delivery expenses, (d) all fees and expenses of the Company’s independent certified public accountants and counsel (including with respect to “comfort” letters and opinions), (e) expenses of the Company incurred in connection with any “road show”, other than any expense paid or payable by the underwriters and (f) reasonable and documented fees and disbursements, up to $[*], of one (1) counsel for all holders of Registrable Securities whose
Registrable Securities are included in a registration statement, which counsel shall be selected by, in the case of a Demand Registration, the Requesting Shareholders, in the case of a Shelf Offering, the Demand Shareholder(s) requesting such offering, or in the case of any other registration, the holders of a majority of the Registrable Securities being sold in connection therewith, shall be borne solely by the Company whether or not any registration statement is filed or becomes effective. In connection with the Company’s performance of its obligations under this Article IV, the Company will pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties and the expense of any annual audit) and the expenses and fees for listing the securities to be registered on the primary securities exchange or over-the-counter market on which similar securities issued by the Company are then listed or traded. Each Selling Shareholder shall pay its portion of all underwriting discounts and commissions and transfer taxes, if any, relating to the sale of such Selling Shareholder’s Registrable Securities pursuant to any registration.

4.9 Miscellaneous.

(a) Not less than ten (10) Business Days before the expected filing date of each registration statement pursuant to this Agreement, the Company shall notify each holder of Registrable Securities who has timely provided the requisite notice hereunder entitling such holder to register Registrable Securities in such registration statement of the information, documents and instruments from such holder that the Company or any underwriter reasonably requests in connection with such registration statement, including a questionnaire, custody agreement, power of attorney, lock-up letter and underwriting agreement (the “Requested Information”). If the Company has not received, on or before the second Business Day before the expected filing date, the Requested Information from such holder, the Company may file the registration statement without including Registrable Securities of such holder. The failure to so include in any registration statement the Registrable Securities of a holder of Registrable Securities (with regard to that registration statement) shall not result in any liability on the part of the Company to such holder.

(b) The Company shall not grant any demand, piggyback or shelf registration rights the terms of which are senior to or conflict with the rights granted to Amazon hereunder to any Person without the prior written consent of Amazon. If Amazon provides such consent, which consent shall not be unreasonably withheld, conditioned or delayed, Amazon and the Company shall amend this Agreement to grant Amazon any such senior demand, piggyback or self registration rights.

4.10 Registration Indemnification.

(a) The Company agrees, without limitation as to time, to indemnify and hold harmless, to the fullest extent permitted by law, each Selling Shareholder and its Affiliates and their respective officers, directors, members, stockholders, employees, managers and partners and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such Selling Shareholder or such other indemnified Person and the officers, directors, members, stockholders, employees, managers and partners of each such controlling Person, each underwriter, if
any, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such underwriter, from and against all losses, claims, damages, liabilities, costs, expenses (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses), judgments, fines, penalties, charges and amounts paid in settlement (collectively, the “Losses”), as incurred, arising out of, caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (without limitation of the preceding portions of this Section 4.10(a)) will reimburse each such Selling Shareholder, each of its Affiliates, and each of their respective officers, directors, members, stockholders, employees, managers and partners and each such Person who controls each such Selling Shareholder and the officers, directors, members, stockholders, employees, managers, partners, accountants, attorneys and agents of each such controlling Person, each such underwriter and each such Person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, except insofar as the same are caused by any information furnished in writing to the Company by any other party expressly for use therein.

(b) In connection with any registration statement in which a Selling Shareholder is participating, without limitation as to time, each such Selling Shareholder shall, severally and not jointly, indemnify the Company, its directors, officers and employees, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Company, from and against all Losses, as incurred, arising out of, caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of material fact contained in the registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (without limitation of the preceding portions of this Section 4.10(b)) will reimburse the Company, its directors, officers and employees and each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, in each case solely to the extent, but only to the extent, that such untrue statement or omission is made in such registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Selling Shareholder for inclusion in such registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto. Notwithstanding the foregoing, no Selling Shareholder shall be liable under this Section 4.10(b) for amounts in excess of the net proceeds received by such holder in the offering giving rise to such liability.
(c) Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying party from its obligation, except to the extent that the indemnifying party has been actually and materially prejudiced by such failure to provide such notice on a timely basis.

(d) In any case in which any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and acknowledging the obligations of the indemnifying party with respect to such proceeding, the indemnifying party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified party hereunder for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, supervision and monitoring (unless (i) such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to the defenses available to such indemnifying party and, as a result, a conflict of interest exists or (ii) the indemnifying party shall have failed within a reasonable period of time to assume such defense and the indemnified party is or would reasonably be expected to be materially prejudiced by such delay, in either event the indemnified party shall be promptly reimbursed by the indemnifying party for the expenses incurred in connection with retaining one separate legal counsel (for the avoidance of doubt, for all indemnified parties in connection therewith)). For the avoidance of doubt, notwithstanding any such assumption by an indemnifying party, the indemnified party shall have the right to employ separate counsel in any such matter and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party except as provided in the previous sentence. An indemnifying party shall not be liable for any settlement of an action or claim effected without its consent (which consent shall not be unreasonably withheld, conditioned or delayed). No matter shall be settled by an indemnifying party without the consent of the indemnified party (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement (x) includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation, (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any indemnified party and (z) is settled solely for cash for which the indemnified party would be entitled to indemnification hereunder.

(e) The indemnification provided for under this Agreement shall survive the Transfer of the Registrable Securities and the termination of this Agreement.

(f) If recovery is not available under the foregoing indemnification provisions for any reason or reasons other than as specified therein, any Person who would
otherwise be entitled to indemnification by the terms thereof shall nevertheless be entitled
to contribution with respect to any Losses with respect to which such Person would be
entitled to such indemnification but for such reason or reasons, in such proportion as is
appropriate to reflect the relative fault of the indemnifying party, on the one hand, and
such indemnified party, on the other hand, in connection with the actions, statements or
omissions that resulted in such Losses as well as any other relevant equitable
considerations. The relative fault of the indemnifying party and of the indemnified party
shall be determined by reference to, among other things, whether the untrue or alleged
untrue statement of a material fact or the omission to state a material fact relates to
information supplied by the indemnifying party or by the indemnified party, the Persons’
relative knowledge and access to information concerning the matter with respect to which
the claim was asserted, the opportunity to correct and prevent any statement or omission,
and other equitable considerations appropriate under the circumstances. It is hereby
agreed that it would not necessarily be equitable if the amount of such contribution were
determined by pro rata or per capita allocation. No Person guilty of fraudulent
misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be
entitled to contribution from any Person who was not found guilty of such fraudulent
misrepresentation. Notwithstanding the foregoing, no Selling Shareholder shall be
required to make a contribution in excess of the amount received by such Selling
Shareholder from its sale of Registrable Securities in connection with the offering that
gave rise to the contribution obligation.

4.11 Free Writing Prospectuses. Amazon shall not use any “free writing
prospectus” (as defined in Rule 405 under the Securities Act) in connection with the sale of
Registrable Securities pursuant to this Article IV without the prior written consent of the
Company (which consent shall not be unreasonably withheld, conditioned or delayed).
Notwithstanding the foregoing, Amazon may use any free writing prospectus prepared and
distributed by the Company.

Article V

Definitions

5.1 Defined Terms. Capitalized terms when used in this Agreement have the
following meanings:

“2016 Investment Agreement” has the meaning set forth in the recitals.

“2016 Warrants” has the meaning set forth in the recitals.

“2018 Investment Agreement” has the meaning set forth in the recitals.

“A&R ATSA” has the meaning set forth in the 2018 Investment Agreement.

“Acquisition Notice” has the meaning set forth in Section 1.8.

“Acquisition Proposal” means any proposal, offer, inquiry, indication of interest
or expression of intent (whether binding or non-binding, and whether communicated to the
Company, the Board or publicly announced to the Company’s stockholders or otherwise) by any Person or Group relating to an Acquisition Transaction.

“Acquisition Transaction” means (a) any transaction or series of related transactions as a result of which any Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding Amazon or any of its Affiliates) becomes the beneficial owner, directly or indirectly, of thirty-five percent (35%) or more of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company, (b) any transaction or series of related transactions in which the stockholders of the Company immediately prior to such transaction or series of related transactions (the “Pre-Transaction Stockholders”) cease to beneficially own, directly or indirectly, at least sixty-five percent (65%) of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company; provided that this clause (b) shall not apply if (i) such transaction or series of related transactions is an acquisition by the Company effected, in whole or in part, through the issuance of Equity Securities of the Corporation, (ii) such acquisition does not result in a Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act beneficially owning, directly or indirectly, a greater percentage of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company than Amazon, and (iii) the Pre-Transaction Stockholders continue to beneficially own, directly or indirectly, at least sixty-five percent (65%) of the outstanding Equity Securities (measured by voting power and economic interests) of the Company, (c) any merger, consolidation, statutory share exchange, reorganization, recapitalization or similar extraordinary transaction (which may include a reclassification) involving the Company, as a result of which at least thirty-five percent (35%) ownership of the Company is transferred to another Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding Amazon or any of its Affiliates), (d) individuals who constitute the Continuing Directors, taken together, ceasing for any reason to constitute at least a majority of the Board, or (e) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute thirty-five percent (35%) or more of the consolidated assets, business, revenues, net income, assets or deposits of the Company.

“Additional Aircraft” has the meaning set forth in the 2018 Investment Agreement.

“Affiliate” has the meaning set forth in the 2018 Investment Agreement.

“Agreement” has the meaning set forth in the preamble.

“Aircraft Lease Agreement” has the meaning set forth in the 2018 Investment Agreement.

“Amazon” has the meaning set forth in the preamble.

“Amazon Designee” means an individual designated in writing by Amazon for election or appointment to the Board.

“Amazon Director” means an Amazon Designee who has been elected or appointed to the Board.
“Amazon Indemnification Agreements” means each and every certificate, memorandum or articles of incorporation or association, bylaws, limited liability company operating agreement, limited partnership agreement and any other organizational document of, and each and every insurance policy maintained by Amazon or its Affiliates, as applicable, providing for, among other things, indemnification of and advancement of expenses for an Amazon Director or Amazon Observer for, among other things, the same matters that are subject to indemnification and advancement of expenses under this Agreement.

“Amazon Indemnitors” means Amazon or its Affiliates in their capacity as indemnitors of an Amazon Director or Amazon Observer under the applicable Amazon Indemnification Agreements.

“Amazon Investor Rights Initiation Event” shall be deemed to occur upon Amazon’s actually owning (directly or through any of its Permitted Transferees) at least ten percent (10%) of the shares of Company Common Stock then issued and outstanding measured on a fully diluted basis calculated using the treasury stock method in accordance with GAAP.

“Amazon Investor Rights Initiation Event Notice” means a notice in writing from Amazon to the Company certifying that an Amazon Investor Rights Initiation Event has occurred, together with reasonable evidence that an Amazon Investor Rights Initiation Event has occurred, including evidence of Amazon’s ownership of Company Common Stock.

“Amazon Investor Rights Period” means the period beginning upon the occurrence of the Amazon Investor Rights Initiation Event and ending upon the occurrence of the Amazon Investor Rights Termination Event.

“Amazon Investor Rights Termination Event” shall be deemed to occur if, as of the end of any Business Day following the occurrence of the Amazon Investor Rights Initiation Event, Amazon owns (directly or through any of its Permitted Transferees) shares of Company Common Stock (or rights to acquire shares of Company Common Stock pursuant to the Warrants) representing less than ten percent (10%) of the then issued and outstanding Company Common Stock on a fully diluted basis, after giving effect to any adjustments for dilution described in the Warrants.

“Amazon Observer” has the meaning set forth in Section 1.4.

“Amazon Specified Designee” has the meaning set forth in Section 1.1(d).

“Applicable Law” means, with respect to any Person, any federal, national, state, local, municipal, international, multinational or SRO statute, law, ordinance, secondary and subordinate legislation, directives, rule (including rules of common law), regulation, ordinance, treaty, Order, permit, authorization or other requirement applicable to such Person, its assets, properties, operations or business.

“Beneficial Owner”, “Beneficially Own” or “Beneficial Ownership” has the meaning assigned to such term in Rule 13d-3 under the Exchange Act, and a Person’s beneficial ownership of securities shall be calculated in accordance with the provisions of such Rule (in each case, irrespective of whether or not such Rule is actually applicable in such circumstance);
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

provided that, except as otherwise specified herein, such calculations shall be made inclusive of all Shares subject to issuance pursuant to the Warrants.

“Blackout Period” means (i) any regular quarterly period during which directors and executive officers of the Company are not permitted to trade under the insider trading policy of the Company then in effect and (ii) in the event that the Company determines in good faith that a registration of securities would (x) reasonably be expected to materially adversely affect or materially interfere with any bona fide material financing of the Company or any material transaction under consideration by the Company or (y) would require disclosure of information that has not been, and is not otherwise required to be, disclosed to the public, the premature disclosure of which would adversely affect the Company in any material respect, a period of the shorter of the ending of the condition creating a Blackout Period and up to ninety (90) days; provided, that a Blackout Period described in this clause (ii) may not occur more than twice in any period of twelve (12) consecutive months.

“Board” has the meaning set forth in Section 1.1(a).

“Business Day” means a day on which banks are generally open for normal business in New York, New York, which day is not a Saturday or a Sunday.

“Commission” means the Securities and Exchange Commission or any other federal agency administering the Securities Act.

“Company” has the meaning set forth in the preamble.

“Company Common Stock” means the common stock, par value $0.01 per share, of the Company.

“Confidential Information” means all information (irrespective of the form of communication, and irrespective of whether obtained prior to or after the date hereof) obtained by or on behalf of Amazon or its Representatives from the Company, its Affiliates or their respective representatives, through the Beneficial Ownership of Equity Securities or through the rights granted pursuant hereto, other than information which (i) was or becomes generally available to the public other than as a result of a breach of this Agreement by Amazon, its Affiliates or their respective Representatives, (ii) was or becomes available to Amazon, its Affiliates or their respective Representatives on a non-confidential basis from a source other than the Company, its Affiliates or their respective representatives, provided, that the source thereof is not known by Amazon or such of its Affiliates or their respective Representatives to be bound by an obligation of confidentiality, or (iii) is independently developed by Amazon, its Affiliates or their respective Representatives without the use of any such information that would otherwise be Confidential Information hereunder. Subject to clauses (i)-(iii) above, Confidential Information also includes (a) all non-public information previously provided by the Company, its Affiliates or their respective Representatives under the provisions of the Confidentiality Agreement, including all information, documents and reports referred to thereunder, (b) subject to any disclosures permitted by Section 3.2 of either of the Investment Agreements, all non-public understandings, agreements and other arrangements between and among the Company and Amazon, and (c) all other non-public information received from, or otherwise relating to, the Company or its Subsidiaries.
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

“Confidentiality Agreement” has the meaning set forth in the 2018 Investment Agreement.

“Continuing Directors” means the directors of the Company on the date hereof and each other director if, in each case, such other director’s nomination for election to the Board is recommended by more than 50% of the Continuing Directors or more than 50% of the members of the Nominating and Governance Committee of the Board that are continuing directors.

“control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“conversion” has the meaning set forth in the definition of Equity Securities.

“convertible securities” has the meaning set forth in the definition of Equity Securities.

“Demand” has the meaning set forth in Section 4.1(a).

“Demand Registration” has the meaning set forth in Section 4.1(a).

“Demand Registration Statement” has the meaning set forth in Section 4.1(a).

“Demand Shareholder” means Amazon or any Permitted Transferee, in either case that holds Registrable Securities.

“Derivative Instruments” means any and all derivative securities (as defined under Rule 16a-1 under the Exchange Act) that increase in value as the value of any Equity Securities of the Company increases, including a long convertible security, a long call option and a short put option position, in each case, regardless of whether (x) such interest conveys any voting rights in such security, (y) such interest is required to be, or is capable of being, settled through delivery of such security or (z) other transactions hedge the economic effect of such interest.

“Equity Securities” means any and all (i) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (ii) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (iii) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination (clauses (ii) and (iii), collectively “convertible securities” and any conversion, exchange or exercise of any convertible securities, a “conversion”).

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“Form S-3” has the meaning set forth in Section 4.3(a).

“Free Writing Prospectus” has the meaning set forth in Section 4.7(a)(v).

“Future Warrant” has the meaning set forth in the recitals.

“GAAP” has the meaning set forth in the 2018 Investment Agreement.

“Governmental Approval” means any authorization, consent, approval, waiver, exception, variance, order, exemption, publication, filing, declaration, concession, grant, franchise, agreement, permission, permit, or license of, from or with any Governmental Authority, the giving of notice to or registration with any Governmental Authority or any other action in respect of any Governmental Authority.

“Governmental Authority” means any federal, national, state, local, municipal, international or multinational government or political subdivision thereof, governmental department, commission, board, bureau, agency, taxing or regulatory authority, instrumentality or judicial or administrative body, or arbitrator or SRO, having jurisdiction over the matter or matters in question.

“Group” has the meaning assigned to such term in Section 13(d)(3) of the Exchange Act.

“Hedging Counterparty” has the meaning set forth in Section 4.5(a).

“Hedging Transaction” has the meaning set forth in Section 4.5(a).

“Inspectors” has the meaning set forth in Section 4.7(a)(xi).

“Investment Agreements” has the meaning set forth in the recitals.

“Lease Upgrade” has the meaning set forth in the 2018 Investment Agreement.

“Losses” has the meaning set forth in Section 4.10(a).

“Marketed Underwritten Shelf Offering” has the meaning set forth in Section 4.3(f).

“Notice Period” has the meaning set forth in Section 1.8.

“Order” means any judgment, decision, decree, order, settlement, injunction, writ, stipulation, determination or award issued by any Governmental Authority.

“Original Public Acquisition Proposal” has the meaning set forth in Section 2.2(b)(ii).

“Other Demanding Sellers” has the meaning set forth in Section 4.2(b).
“Other Proposed Sellers” has the meaning set forth in Section 4.2(b).

“Permitted Transferee” means any wholly owned Subsidiary of Amazon.

“Permitted Transfers” has the meaning set forth in Section 2.1(b).

“Person” means an individual, company, corporation, partnership, limited liability company, trust, body corporate (wherever located) or other entity, organization or unincorporated association, including any Governmental Authority.

“Piggyback Notice” has the meaning set forth in Section 4.2(a).

“Piggyback Registration” has the meaning set forth in Section 4.2(a).

“Piggyback Seller” has the meaning set forth in Section 4.2(a).

“Qualifying Public Acquisition Proposal” means as it relates to any Original Public Acquisition Proposal under Section 2.2(b), any proposal, offer, inquiry or indication of interest (whether binding or non-binding, and whether communicated to the Company, the Board or publicly announced to the Company’s stockholders or otherwise) by Amazon relating to an alternative Acquisition Proposal which Amazon determines in good faith constitutes greater value than such Original Public Acquisition Proposal.

“Records” has the meaning set forth in Section 4.7(a)(xi).

“Registrable Amount” means (i) with respect to an Underwritten Offering, an amount of Registrable Securities having an aggregate value of at least $[*] (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission, and (ii) with respect to any other offering, an amount of Registrable Securities having an aggregate value of (a) at least $[*] (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission, or (b) such lesser amount of Registrable Securities as would result in the disposition of all of the Registrable Securities Beneficially Owned by the applicable Requesting Shareholder(s); provided, that such lesser amount shall have an aggregate value of at least $[*] (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission.

“Registrable Securities” means any and all (i) Shares, (ii) other stock or securities that Amazon may be entitled to receive, or will have received, pursuant to its ownership of the Shares, in lieu of or in addition to shares of Company Common Stock, and (iii) Equity Securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clause (i) or (ii) by way of conversion or exchange thereof or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization. As to any particular securities constituting Registrable Securities, such securities shall cease to be Registrable Securities when (x) they have been effectively registered or qualified for sale by prospectus filed under the Securities Act and disposed of in accordance with the Registration Statement covering
those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

therein, or (y) the Shares held by Amazon may be sold to the public through a broker, dealer or market maker pursuant to Rule 144 or other exemption from registration under the Securities Act in the reasonable opinion of legal counsel to the Company. For purposes of this Agreement, a Person shall be deemed to be a holder of Registrable Securities whenever such Person has the right to acquire directly or indirectly such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected.

“Representatives” has the meaning set forth in Section 1.6(f)(i).

“Requested Information” has the meaning set forth in Section 4.9(a).

“Requesting Shareholders” has the meaning set forth in Section 4.1(a).

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Selling Shareholders” has the meaning set forth in Section 4.7(a)(i).

“Shares” has the meaning set forth in the recitals.

“Shelf Notice” has the meaning set forth in Section 4.3(a).

“Shelf Offering” has the meaning set forth in Section 4.3(f).

“Shelf Registration Statement” has the meaning set forth in Section 4.3(a).

“SRO” means any (i) “self-regulatory organization” as defined in Section 3(a)(26) of the Exchange Act, (ii) other United States or foreign securities exchange, futures exchange, commodities exchange or contract market or (iii) other securities exchange.

“Standstill Period” has the meaning set forth in Section 2.2(a).

“Subsequent Warrant” has the meaning set forth in the recitals.

“Subsidiary” has the meaning set forth in the 2018 Investment Agreement.

“Take-Down Notice” has the meaning set forth in Section 4.3(f).

“Transaction Documents” means each of the “Transaction Documents” as defined in the 2016 Investment Agreement, including any amendments thereto, and each of the “Transaction Documents” as defined in the 2018 Investment Agreement.

“Transfer” means (i) any direct or indirect offer, sale, lease, assignment, encumbrance, pledge, grant of a security interest, hypothecation, disposition or other transfer (by operation of law or otherwise), either voluntary or involuntary, or entry into any contract, option or other arrangement or understanding with respect to any offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or
otherwise), of any capital stock or interest in any capital stock or (ii) in respect of any capital stock or interest in any capital stock, the entry into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital stock or interest in capital stock, whether any such swap, agreement, transaction or series of transactions is to be settled by delivery of securities, in cash or otherwise. “Transferor” means a Person that Transfers or proposes to Transfer; and “Transferee” means a Person to whom a Transfer is made or is proposed to be made.

“Underwritten Offering” means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

“Unpaid Indemnitee Amounts” means any amounts that the Company has failed to pay in respect of any matters that are subject to indemnification or the advancement of expenses under this Agreement or pursuant to any other indemnification obligations of the Company with respect to an Amazon Director or Amazon Observer.

“Voting Securities” means shares of Company Common Stock and any other securities of the Company entitled to vote generally in the election of directors of the Company.

“Voting Threshold” has the meaning set forth in Section 1.3(b).

“Warrant-A” has the meaning set forth in the recitals.

“Warrant-B” has the meaning set forth in the recitals.

“Warrant-C” has the meaning set forth in the recitals.

“Warrant Shares” means the shares of Company Common Stock issuable upon the exercise of the Warrants.

“Warrants” has the meaning set forth in the recitals.

5.2 Interpretation. When a reference is made in this Agreement to “Recitals,” “Articles,” “Sections,” “Annexes,” “Schedules” or “Exhibits” such reference shall be to a Recital, Article or Section of, or Annex, Schedule or Exhibit to, this Agreement unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to “herein,” “hereof,” “hereunder” and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. References to parties refer to the parties to this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed followed by the words “without limitation.” No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. Any reference to a wholly owned subsidiary of a Person shall mean such subsidiary is directly or indirectly wholly owned by such Person. All references to “$” or “dollars” mean the lawful currency of the United States of America. Except
as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. If, and as often as, there is any change in the outstanding shares of Company Common Stock or other Equity Securities of the Company by reason of stock or security dividends, splits, reverse splits, spin-offs, split-ups, mergers, reclassifications, reorganizations, recapitalizations, combinations or exchanges of securities and the like, appropriate anti-dilution adjustments consistent with the anti-dilution provisions otherwise set forth in the Transaction Documents shall be made in the provisions of this Agreement. With respect to the Shares, such term shall include any shares of Company Common Stock or other securities of the Company received by Amazon as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction.

Article VI

Miscellaneous

6.1 Term. This Agreement shall be effective as of the date hereof and shall automatically terminate upon the date that the Beneficial Ownership of Amazon, in the aggregate, of the Company Common Stock is less than two percent (2%) of the issued and outstanding shares of Company Common Stock, so long as, as of such date, all of the then-remaining Registrable Securities Beneficially Owned by Amazon may be sold in a single transaction without limitation under Rule 144 under the Securities Act; provided, however, that, unless otherwise agreed to by the parties, this Agreement shall in no event terminate prior to the occurrence of an Amazon Investor Rights Termination Event. If this Agreement is terminated pursuant to this Section 6.1, this Agreement shall become void and of no further force and effect, except for the provisions set forth in Section 1.1(e) (Composition of Board of Directors), Section 1.6(f) (Information Rights) (which shall survive termination of this Agreement for a period of two (2) years), Section 4.9 (Miscellaneous), Section 5.2 (Interpretation) and this Article VI (Miscellaneous), and except that no termination hereof shall have the effect of shortening the Standstill Period to the extent that the Standstill Period would continue in effect in the absence of such termination.

6.2 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt, (b) if sent by nationally recognized overnight air courier, one Business Day after mailing, (c) if sent by email or facsimile transmission, with a copy mailed on the same day in the manner provided in clauses (a) or (b) of this Section 6.2 when transmitted and receipt is confirmed, or (d) if otherwise actually personally delivered, when delivered. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(i) if to the Company, to:
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Name: Air Transport Services Group, Inc.
Address: 145 Hunter Drive
        Wilmington, OH 45177
Fax: [*]
Email: [*]
Attn: W. Joseph Payne

with a copy to (which shall not be considered notice):

Name: Winston & Strawn LLP
Address: 333 South Grand Avenue
        Los Angeles, CA 90071
Fax: (213) 615-1750
Email: jlevin@winston.com
Attn: C. James Levin

(ii) if to Amazon, to:

Name: Amazon.com, Inc.
Address: 410 Terry Avenue North
        Seattle, WA 98109-5210
Fax: [*]
Attn: General Counsel

with a copy to (which copy alone shall not constitute notice):

Name: Sullivan & Cromwell LLP
Address: 1888 Century Park East, Suite 2100
        Los Angeles, CA 90067
Fax: (212) 558-3588
Email: krautheimere@sullcrom.com
Attn: Eric M. Krautheimer

6.3 Amendment. No amendment of any provision of this Agreement shall be effective unless made in writing and signed by a duly authorized officer of each party.

6.4 Waivers. No waiver shall be effective unless it is in writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

6.5 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except that Amazon may transfer or assign, in whole or from time to time in part, to one or more of its direct or indirect wholly owned subsidiaries, its rights and/or obligations under this Agreement, but any such transfer or assignment shall not relieve Amazon of its obligations hereunder. Subject to the preceding
sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

6.6 **Severability.** If any provision of this Agreement or a Transaction Document, or the application thereof to any Person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

6.7 **Counterparts and Facsimile.** This Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. Executed signature pages to this Agreement may be delivered by facsimile or transmitted electronically by “pdf” file and such facsimiles or pdf files shall be deemed as sufficient as if actual signature pages had been delivered.

6.8 **Entire Agreement.** This Agreement, the other Transaction Documents, and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. No party shall take, or cause to be taken, including by entering into agreements or other arrangements with provisions or obligations that conflict, or purport to conflict, with the terms of the Transaction Documents or any of the transactions contemplated thereby, any action with either an intent or effect of impairing any such other Person’s rights under any of the Transaction Documents.

6.9 **Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL.** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. In addition, each of the parties (a) submits to the personal jurisdiction of the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such dispute, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such dispute, any Delaware State court sitting in New Castle County, in the event any dispute (whether in contract, tort or otherwise) arises out of this Agreement or the transactions contemplated hereby, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it shall not bring any claim, action or proceeding relating to this Agreement or the transactions contemplated hereby in any court other than the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such claim, action or
proceeding, the United States District Court for the District of Delaware, or in the event (but only in the event) that such United States District Court also does not have jurisdiction over such claim, action or proceeding, any Delaware State court sitting in New Castle County. Each party agrees that service of process upon such party in any such claim, action or proceeding shall be effective if notice is given in accordance with the provisions of this Agreement. EACH PARTY HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM, ACTION OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.9.

6.10 Specific Performance. The parties agree that failure of any party to perform its agreements and covenants hereunder, including a party’s failure to take all actions as are necessary on such party’s part in accordance with the terms and conditions of this Agreement to consummate the transactions contemplated hereby, will cause irreparable injury to the other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a party’s obligations and to the granting by any court of the remedy of specific performance of such party’s obligations hereunder, this being in addition to any other remedies to which the parties are entitled at law or equity.

6.11 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any Person other than the parties hereto (and any wholly owned subsidiary of Amazon to which an assignment is made in accordance with this Agreement) any benefits, rights, or remedies; provided, that the Persons indemnified under Section 1.1(e), Section 1.4(b) and Section 4.10 are intended third party beneficiaries of Section 1.1(e), Section 1.4(b) and Section 4.10, respectively.

[The remainder of this page left intentionally blank.]
IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties as of the date first herein above written.

AIR TRANSPORT SERVICES GROUP, INC.

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

AMAZON.COM, INC.

By: /s/ Alex Ceballos Encarnacion
    _______________________
    Name: Alex Ceballos Encarnacion
    Title: Vice President
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Schedule 1.6(a)

[*]
Those portions of this Agreement marked with an [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the SEC.

Schedule 1.6(d)(i)(B)

[*]
Air Transport Services Group, Inc.
List of Significant Subsidiaries

December 31, 2018

1. ABX Air, Inc., a Delaware Corporation
2. Airborne Global Solutions, Inc., a Delaware Corporation
3. Airborne Maintenance and Engineering Services, Inc., a Delaware Corporation
4. Air Transport International, Inc., a Delaware Corporation
5. Air Transport International Limited Liability Company, a Nevada Limited Liability Company
6. AMES Material Services, Inc., an Ohio Corporation
7. Cargo Aircraft Management, Inc., a Florida Corporation
8. LGSTX Cargo Services, Inc., an Delaware Corporation
9. LGSTX Services, Inc., a Delaware Corporation
10. Pemco World Air Services Inc., a Delaware Corporation
11. ATSG West Leasing Limited, an Irish Limited Company
12. Omni Air International, LLC, a Nevada Limited Liability Company
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 333-125679 on Form S-8, Registration Statement No. 333-167253 on Form S-8, Registration Statement No. 333-209664 on Form S-8, and Registration Statement No. 333-218367 on Form S-3ASR of our reports dated March 1, 2019, relating to the consolidated financial statements and financial statement schedule of Air Transport Services Group, Inc. and subsidiaries (the “Company”) (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's three principal customers and an explanatory paragraph regarding the Company's adoption of the new revenue accounting standard), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2018.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 1, 2019
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-K 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 officer(s) 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: March 1, 2019

/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-K 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: March 1, 2019

/s/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer
(Principal Financial and Accounting Officer)
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 Annual Report of Air Transport Services Group, Inc. (the “Company”) on Form 10-K for the year ending December 31, 2018 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: March 1, 2019
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 Annual Report of Air Transport Services Group, Inc. (the “Company”) on Form 10-K for the year ending December 31, 2018 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: March 1, 2019