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

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended September 30, 2003

Commission File Number 333-105137

ABX AIR, INC.
(Exact name of registrant as specified in its charter)

Delaware	**91-1091619**
(State of incorporation or organization)	**(IRS Employer Identification No.)**

**145 Hunter Drive
Wilmington, Ohio 45177**
(Address of Principal Executive Office)

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

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes: ☐ No: ☒

As of November 14, 2003, ABX Air, Inc. had outstanding 52,107,129 shares of common stock, par value $.01.

ABX AIR, INC. AND SUBSIDIARIES

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FORWARD LOOKING STATEMENTS

Statements contained in this quarterly report on Form 10-Q, which are not historical facts, are considered forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995). Words such as “projects,” “believes,” “anticipates,” “will,” “estimates,” “plans,” “expects,” “intends” and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are based on expectations, estimates and projections as of the date of this filing, and involve risks and uncertainties that are inherently difficult to predict. Actual results may differ materially from those expressed in the forward-looking statements for any number of reasons, including those described in this report or in “Risk Factors” contained in our Registration Statement on Form S-4 (333-105137), as amended, filed with the Securities and Exchange Commission on July 11, 2003.

PART 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ABX AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
REVENUES	$ 279,152	$298,045	$ 886,893	$863,028
OPERATING EXPENSES:				
Salaries, wages and benefits	118,289	112,205	352,257	336,291
Purchased line-haul	41,734	40,477	122,027	102,623
Fuel	35,266	33,217	111,915	92,898
Depreciation and amortization	20,856	39,376	89,323	113,461
Maintenance, materials and repairs	29,236	30,815	87,216	87,440
Landing and ramp	5,156	5,366	21,301	18,404
Rent	2,130	2,668	8,095	8,830
Other operating expenses	16,486	22,666	62,982	67,787
Impairment charge	600,871	—	600,871	—
	870,024	286,790	1,455,987	827,734
EARNINGS (LOSS) FROM OPERATIONS	(590,872)	11,255	(569,094)	35,294
INTEREST EXPENSE	(4,094)	(5,498)	(14,064)	(18,646)
EARNINGS (LOSS) BEFORE INCOME TAX	(594,966)	5,757	(583,158)	16,648
INCOME TAX BENEFIT (EXPENSE)	133,217	(2,383)	128,644	(6,891)
NET EARNINGS (LOSS)	$(461,749)	$ 3,374	$ (454,514)	$ 9,757
EARNINGS (LOSS) PER SHARE—				
Basic	$ (8.86)	$ 0.06	$ (8.72)	$ 0.19
Diluted	$ (8.86)	$ 0.06	$ (8.72)	$ 0.17
WEIGHTED AVERAGE SHARES—				
Basic	52,107	52,107	52,107	52,107
Diluted	52,107	58,521	52,107	58,521

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	September 30 2003	December 31 2002
ASSETS		
CURRENT ASSETS:		
Cash	$ 56,707	$ 33
Accounts receivable, net of allowance of $204 and $209 in 2003 and 2002, respectively	2,387	2,318
Spare parts and fuel inventory	17,221	37,223
Prepaid supplies and other	4,427	14,454
Deferred income tax assets	—	9,135
TOTAL CURRENT ASSETS	80,742	63,163
PROPERTY AND EQUIPMENT, NET	317,517	1,089,485
OTHER ASSETS	10,188	21,360
TOTAL ASSETS	$ 408,447	$1,174,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 43,877	$ 52,338
Salaries, wages and benefits	37,637	36,763
Accrued expenses	6,663	15,238
Unearned revenue	14,889	—
Current portion of postretirement liabilities	28,928	21,841
Current portion of long-term obligations	7,183	7,066
TOTAL CURRENT LIABILITIES	139,177	133,246
LONG-TERM OBLIGATIONS	179,774	107,077
POSTRETIREMENT LIABILITIES	34,221	46,017
OTHER LIABILITIES	2,318	6,649
DEFERRED INCOME TAX LIABILITIES	—	174,089
ADVANCES FROM AIRBORNE	—	474,608
COMMITMENTS AND CONTINGENCIES (See Note F)		
STOCKHOLDERS' EQUITY:		
Common stock, September 30, 2003 – par value $.01 per share – Authorized 75,000,000 shares; 52,107,129 issued and outstanding; December 31, 2002 – par value $100 per share, 1,000 shares authorized, issued and outstanding	521	100
Additional paid-in capital	428,699	831
Retained earnings (deficit)	(372,788)	237,070
Accumulated other comprehensive loss	(3,475)	(5,679)
TOTAL STOCKHOLDERS' EQUITY	52,957	232,322
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 408,447	$1,174,008

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Nine Months Ended September 30	
	2003	**2002**
OPERATING ACTIVITIES:		
Net earnings (loss)	$(454,514)	$ 9,757
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Impairment charge	600,871	—
Deferred income taxes	(134,738)	(78)
Depreciation and amortization	89,323	113,461
Postretirement liabilities	(7,806)	26,620
Change in assets and liabilities:		
Accounts receivable	(198)	854
Inventory and prepaid supplies	(58)	1,588
Accounts payable	(7,402)	(15,190)
Unearned revenue	14,889	—
Accrued expenses, salaries, wages and benefits and other liabilities	(11,914)	14,664
NET CASH PROVIDED BY OPERATING ACTIVITIES	88,453	151,676
INVESTING ACTIVITIES:		
Additions to property and equipment	(83,036)	(63,691)
Change in other assets	970	1,279
NET CASH USED IN INVESTING ACTIVITIES	(82,066)	(62,412)
FINANCING ACTIVITIES:		
Proceeds from promissory note	89,021	—
Distribution of promissory note proceeds to Airborne, Inc.	(29,021)	—
Principal payments on long-term obligations	(5,858)	(4,812)
Advances from Airborne,Inc.	(3,855)	(84,452)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	50,287	(89,264)
NET INCREASE IN CASH	56,674	—
CASH AT BEGINNING OF PERIOD	33	33
CASH AT END OF PERIOD	$ 56,707	$ 33

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total
	Number	Amount				
December 31, 2002	1,000	$ 100	$ 831	$ 237,070	$ (5,679)	$ 232,322
Stock split and issuance of shares to former Airborne shareholders (see Note B)	52,106,129	421	(421)			
Dividend of certain assets and liabilities to Airborne, Inc. (see Note B)				(155,344)		(155,344)
Cancellation of advances payable to Airborne, Inc.(see Note B)			457,310			457,310
Distribution of promissory note proceeds to Airborne, Inc. (1)			(29,021)			(29,021)
Net loss				(454,514)		(454,514)
Other comprehensive income (loss), net of tax					2,204	2,204
September 30, 2003	52,107,129	$ 521	$428,699	$(372,788)	$ (3,475)	$ 52,957

(1) The Company issued a promissory note to DHL Holdings (USA), Inc. in the amount of $89.0 million and distributed $29.0 million to Airborne, Inc., leaving ABX Air, Inc. and subsidiaries with a cash balance of $60.0 million at the time of the separation from Airborne, Inc.

See notes to consolidated financial statements

ABX AIR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003

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

The consolidated financial statements of ABX Air, Inc. and its subsidiaries ("ABX" or the "Company") as of September 30, 2003 and for the three and nine month periods ended September 30, 2003 and 2002 have been prepared in accordance with accounting principles generally accepted in the United States of America and rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information, footnotes and disclosures required by generally accepted accounting principles for complete financial statements. The results of operations and cash flows for any interim periods are not necessarily indicative of results that may be reported for the full year. In the opinion of management, all adjustments (consisting of normal recurring accruals and the impairment charge discussed in Note B) considered necessary for a fair presentation have been included. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions between the Company and its subsidiaries are eliminated in consolidation. The Consolidated Balance Sheet at December 31, 2002 was extracted from the audited financial statements of Airborne, Inc. ("Airborne") for December 31, 2002.

Use of Estimates

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

Property and Equipment

We continually evaluate the useful lives, salvage values and fair values of our 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 factors, such as an assessment done quarterly to determine if excess capacity exists in our air or ground networks, or changes in regulations grounding the use of our aircraft.

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

Spare Parts Inventory

We value our aircraft spare parts inventory at weighted-average cost and maintain a related obsolescence reserve. A provision for spare parts obsolescence is recorded over the estimated useful life of our aircraft which considers the spare parts expected to be on hand on the date the aircraft fleet is anticipated to be removed from service. Should changes occur regarding expected spare parts to be on hand or anticipated useful lives of our aircraft, revisions to the estimated obsolescence reserve may be required.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance against deferred tax assets is recorded when it is more than likely that such assets will not be fully realized. Our tax provision is calculated on a stand-alone basis for all periods presented.

Revenue Recognition

Revenues from Airborne are recognized when the related services are performed. Prior to August 16, 2003 revenues from Airborne were calculated as the sum of pretax net expenses incurred plus 2%. Prior to August 16, 2003, net expenses included all operating and interest expenses, including allocated expenses from Airborne, less revenues recorded from customers other than Airborne. Since August 16, 2003, revenues from Airborne are determined based on the expenses incurred during a reporting period under two commercial agreements (see Note B). Expenses incurred under these agreements are generally subject to a base markup of 1.75%, which is recognized in the period during which the expenses are incurred. Certain costs, the most significant of which include fuel cost, interest on a promissory note, airport rent, ramp fees and landing fees incurred under the two commercial agreements are reimbursed and included in revenues without markup.

Unearned Revenue

As specified in the two commercial agreements with Airborne (see Note B), the Company is advanced funds on each Monday for the costs budgeted to be incurred for the upcoming week. Unearned revenue reflects those customer funds that the Company has received in advance of incurring the associated cost to perform under the commercial agreements.

Postretirement Obligations

We sponsor qualified defined benefit plans for our pilots and other eligible employees. We also sponsor unfunded postretirement healthcare plans for our pilot and non-pilot employees. We also sponsor unfunded excess plans for certain employees in a non-qualified plan which includes our executive management, that provide benefits in addition to amounts permitted to be paid under provisions of the tax law to participants in our qualified plans.

The accounting and valuation for these postretirement 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 postretirement costs. In actuarially valuing our pension obligations and determining related expense amounts, assumptions we consider most sensitive are discount rates, expected long-term investment returns on plan assets and future salary increases. Additionally, other assumptions concerning retirement ages, mortality and employee turnover also affect the valuations. For our postretirement healthcare plans, consideration of future medical cost trend rates is a critical assumption in valuing these obligations. Actual results and future changes in these assumptions could result in future costs significantly higher than those recorded in our results of operations.

NOTE B—SEPARATION FROM AIRBORNE

Separation Agreement

On August 15, 2003 the Company was separated from its former parent, Airborne, and became an independent, publicly-owned company. Separation of the Company from Airborne was a condition of the merger agreement between Airborne and DHL Worldwide Express B. V. (“DHL”). The merger agreement required Airborne to separate its air operations from its ground operations with air operations being retained by ABX. Immediately prior to the separation, certain assets and liabilities related to Airborne’s ground operations were transferred out of the Company to Airborne. After the restructuring and separation of the Company, Airborne became an indirect wholly-owned subsidiary of DHL pursuant to the merger agreement. The separation of the Company from Airborne occurred according to the terms and conditions of the separation agreement, which was included in ABX’s amended registration statement filed on July 11, 2003.

Transfer of Assets and Liabilities

Immediately prior to the separation from Airborne, the net assets and liabilities of the ground operations of the Company (including its central and regional sort facilities, runways, taxiways, aprons, buildings serving as aircraft and equipment maintenance facilities, storage facilities, a training center and both operations and administrative offices) were transferred to Airborne. Additionally, ABX transferred the membership interests of Wilmington Air Park, LLC (“WAP”), which owns Wilmington Air Park airport, to Airborne. The carrying amount of the assets and liabilities transferred was $199.2 million and $43.8 million, respectively. The table below summarizes the assets and liabilities transferred to Airborne.

	Dividend from Retained Earnings
	(In thousands)
Assets	
Cash received from Airborne	$ (46)
Accounts receivable and prepaids	375
Spare parts and inventory	10,020
Deferred income tax	2,346
Property and equipment	183,821
Other assets	2,646
	$ 199,162
Liabilities	
Accounts payable and accrued expenses	$ 1,192
Debt	10,942
Deferred income tax	31,684
	$ 43,818

Capitalization of ABX

At the time of separation, the Company split its stock and issued 52,106,129 additional shares of ABX Air common stock, with a par value of $0.01 per share to the Airborne stockholders under terms of the merger agreement. The advances from Airborne of $457.3 million were cancelled. The Company issued a promissory note to DHL Holdings (USA), Inc. ("DHL Holdings") in the amount of $89.0 million and transferred $29.0 million to Airborne, leaving ABX with a cash balance of $60.0 million, and total stockholders' equity of $50.0 million after recording the impairment charge discussed below. The principal of the note is due in 2028 and the note bears interest at 5% per annum, payable semi-annually. The interest expense on the promissory note is reimbursable, as discussed below, without markup.

Commercial Agreements

In connection with the separation, the Company entered into a number of commercial agreements with Airborne, including an aircraft, crew, maintenance and insurance agreement ("ACMI agreement") and a hub and line-haul services agreement ("hub services agreement"). Under these agreements, the Company provides air cargo transportation, package sorting and handling services, line-haul logistics services and airport, equipment and facilities maintenance services to Airborne and receives compensation generally as determined by cost plus a base markup percentage of 1.75%. Both agreements also allow the Company to earn incremental markup above the base 1.75% markup (up to 1.6% under the ACMI agreement, and 2.1% under the hub services agreement) as determined from achievement of cost and service goals outlined in the two commercial agreements. Certain costs under the agreements are reimbursable only, without markup. These costs primarily include jet fuel expense, landing and ramp rental charges, facility rent, and interest expense on the note payable to DHL Holdings. Income tax expense incurred by the Company, as well as direct expenses incurred to secure revenue from customers other than Airborne are not reimbursed under the terms of the two commercial agreements. The ACMI agreement has a term of seven years, with an automatic renewal for an additional three years, unless a one year advance notice is given, or if ABX is not in compliance with applicable performance standards specified in the agreement. The hub services agreement has a term of three years, with one-year automatic renewals, unless ninety-days advance notice is given.

During the first year of the term of the ACMI agreement, Airborne may not make any changes in the air routes or number of aircraft that would reduce the scope of the services to be provided by ABX under the ACMI agreement, unless an ABX event of default relating to performance failures occurs. After the first year of the term of the ACMI agreement, Airborne may add, delete or modify the air routes, including by terminating specific ACMI aircraft or air routes.

During the first year of the hub services agreement, Airborne cannot reduce the scope of the services under the hub services agreement except in connection with performance failures or labor disputes that cause ABX to fail to meet specified service standards. After the first year of the term of the hub services agreement, Airborne can change the scope of services by terminating specific services at one or more hub facilities with at least sixty days notice to ABX.

Impairment

The separation of the Company from Airborne, and the execution of the related commercial agreements collectively constituted an event requiring the Company to evaluate the recoverability of the carrying value of its long-term assets as required by Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, ABX is required to record an impairment charge for the excess of the carrying value of the long-lived asset group over its fair value.

Reductions in air travel in recent years and depressed economic conditions have resulted in a surplus of aircraft within the airline and air cargo industries. The fair value of the Company's aircraft was derived using a market approach by comparing recent sales of similar assets and adjusting these comparables for factors such as age and condition. The fair value of aircraft- related parts and equipment was derived from a cost approach in which replacement costs were adjusted downward for reduction in value due to physical depreciation and functional obsolescence. As a result of the fair value analysis, the Company recorded a pre-tax charge of $600.9 million to write down aircraft, aircraft-related parts and equipment to their fair values on August 16, 2003.

The impairment charge generated an income tax benefit, net of allowance, of $134.8 million, such that the net impact to earnings of the impairment recorded was $466.1 million. The impairment charge resulted in a net deferred tax asset, which under provisions of SFAS No. 109, "Accounting for Income Taxes," was fully offset by a valuation allowance established due to the likelihood that future taxable earnings generated would not allow for the asset's full utilization.

In conjunction with the fair value evaluation of its assets, the Company reassessed the useful lives and residual values of its aircraft. As a result, the Company changed the useful lives used to amortize its 767, DC-9 and DC-8 aircraft to 15, 7 and 5 years, respectively, beginning August 16, 2003. Prior to the separation from Airborne, the Company depreciated its 767, DC-9 and DC-8 aircraft over 18, 10 and 7 years respectively. Had the Company not changed the estimated useful lives of the aircraft, the third quarter 2003 depreciation expense would have been approximately $616,000 less than reported.

NOTE C—AIRBORNE TRANSACTIONS AND PRE-SEPARATION ALLOCATIONS

The Company's revenues, cash flows and liquidity resources are highly dependent on Airborne. Substantially all of the Company's revenues are derived through contracted services provided to Airborne. Revenues from contracted services performed for Airborne were $276.5 million and $293.6 million for the three-month periods ended September 30, 2003 and 2002, respectively. Revenues from Airborne for the first nine months of 2003 and 2002 were $878.8 million and $849.3 million, respectively. Prior to August 16, 2003 revenues from Airborne were calculated as the sum of pretax net expenses incurred plus 2%. Prior to August 16, 2003, net expenses included all operating and interest expenses, including allocated expenses from Airborne, less revenues recorded from customers other than Airborne. Since August 16, 2003, revenues from Airborne are determined based on the expenses incurred during a reporting period under the ACMI and hub services agreements. Expenses incurred under these agreements are generally marked up 1.75%. Certain costs, the most significant of which include fuel, interest expense on the promissory note, airport rent and ramp and landing fees incurred under the ACMI agreement are reimbursed and included in revenues without markup.

Prior to August 16, 2003, Airborne performed various corporate functions in support of the activities of its consolidated subsidiaries, which included activities of the Company. Airborne provided the Company with certain insurance coverage; information technology support; accounting, audit, tax, cash management and treasury administration; employee benefit plan administration; governmental affairs; and other services. Included in other expenses in the consolidated statements of operations are allocations for these services of $500,000 and $3.3 million for the three and nine month periods ended September 30, 2003, respectively, and $200,000 and $2.7 million for the same periods in 2002.

Prior to August 16, 2003, interest expense included allocations to the Company of interest cost incurred by Airborne in addition to interest expense incurred on obligations of the Company. The Company was allocated interest expense based upon its proportionate share of stockholders' equity, inclusive of advances from parent, in comparison to consolidated totals of Airborne. Allocations of $2.2 million and $8.6 million were made for the three and nine month periods ended September 30, 2003, respectively, and $4.6 million and $13.6 million for the same periods in 2002.

Prior to August 16, 2003, the Company operated as a wholly-owned subsidiary of Airborne. Accordingly, our September 30, 2003 consolidated financial statements include only 46 days of operations as an independent publicly-owned company. The Company's operating results prior to separation from Airborne do not reflect the effects of the pricing structure under the ACMI agreement and hub services agreement, the new capital structure of the business, the current tax status, the cost of new corporate functions and other changes resulting from the separation from Airborne.

NOTE D—EARNINGS PER SHARE

The outstanding share count reflects a stock split at the ratio necessary to provide an ABX common share for each share of Airborne common stock outstanding at the time of the Company's separation from Airborne. Basic earnings per share attributable to the Company were determined based on net earnings (loss) divided by the 52,107,129 shares of common stock outstanding for all periods presented.

The calculation of diluted earnings per share for 2003 does not include approximately 6.4 million shares that are contingently issuable because including these shares would have an anti-dilutive effect on the earnings per share. The calculation of diluted earnings per share for 2002 includes the approximately 6.4 million additional potential shares. The issuance of these shares is contingent upon the conversion of Airborne's 5.75% Convertible Senior Notes Due April 1, 2007. According to the terms of those notes, after Airborne underwent the merger with DHL, the note holders became entitled to receive, upon a voluntary conversion of the notes, the merger consideration paid in connection with such a merger. The note holders may, in their sole discretion, from time to time, elect to convert their convertible notes into the merger consideration of cash, in the amount of $21.25 to be paid by DHL, and one share of ABX common stock, to be delivered by the Company. The Company will not receive any proceeds from the issuance of shares of common stock if note holders elect to convert their notes. DHL has made public tender offers to the note holders giving them alternatives that contain cash premiums and ABX shares. These offers expire on November 19, 2003. Management cannot predict the number of shares that may be issued to the note holders as a result of conversions or acceptance of a DHL tender offer. The potential ownership dilution to existing shareholders of the Company, assuming 100% of the note holders select a tender option requiring ABX to deliver stock, is 11%.

NOTE E—LONG TERM DEBT

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

Promissory note to DHL Holdings	$ 89,021
Capital lease obligations	97,936
Less Current Portions	(7,183)
Total	$179,774

The unsecured promissory note is due in 2028 and bears interest at 5% per annum payable semi-annually. Interest on the promissory note is reimbursable under the ACMI agreement with Airborne without markup. The capital lease obligations are for five 767 aircraft, and consist of two different leases, both terminating in 2017. The capital lease terms for three of the five aircraft include quarterly principal and variable interest of LIBOR plus 2.5% (3.6875% at September 30, 2003). The capital lease for the other two 767 aircraft is at a fixed interest rate of 8.5%. Lease payments on the aircraft capital lease obligations, which include interest and principle, are reimbursable under the ACMI agreement with markup.

NOTE F—COMMITMENTS AND CONTINGENCIES

Leases

In conjunction with the separation from Airborne, the Company entered into a sublease agreement with Airborne for portions of the WAP airport. The term of the sublease expires at the end of the transition period that follows termination of the ACMI agreement. The annual rent payable by the Company under the lease is $2.0 million, and is reimbursable by Airborne without markup. The Company is also obligated under other various long-term operating lease agreements for facilities and equipment in addition to the capital leases on five of its 767 aircraft (see Note E).

Commitments

The Company has commitments to acquire three used 767s, two in 2004 and one in 2005. These aircraft are committed to be converted to a standard freighter configuration from their original passenger configuration. Payments for the aircraft and conversions of these and other recently purchased aircraft will approximate $5 million, $67 million and $33 million for the remainder of 2003, 2004 and 2005, respectively. There are currently no aircraft-related commitments extending beyond 2005. Over the past two years, the Company has been successful in negotiating deferrals of aircraft deliveries and may request deferrals of future deliveries. However, there is no assurance any deferral of planned deliveries will be achieved.

Guarantees

The Company has fully and unconditionally guaranteed senior notes of Airborne. The first note, a senior note issued by Airborne in the amount of $100 million, bears interest at a rate of 7.35% and matures in September 2005. Subsequent to Airborne's merger, DHL paid down this note, such that the remaining amount outstanding is $7 million. The second note, a convertible note issued by Airborne in the amount of $150,000,000, bears interest at a rate of 5.75%, and matures in April 2007 (see Note D).

The Company currently has no direct funding source or borrowing capacity in which to satisfy these guarantees if Airborne were to default on these obligations. In the event of default, a substantial portion of the Company's assets, which are pledged as collateral to secure these obligations, could be transferred to the issuer or trustee and used, in part, to satisfy these guaranteed obligations.

These guarantees were in existence prior to, and have not been modified since, December 31, 2002. Accordingly, they are not subject to the fair value provisions of Financial Accounting Standards Board Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The guarantees are not reflected in the liabilities reported by the Company.

Legal Proceedings

(a) DOT Continuing Fitness Review

The Company filed a notice of substantial change with the Department of Transportation ("DOT") arising from our separation from Airborne. In connection with our filing, which we made in mid-July of 2003, the DOT will determine whether we continue to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

Certain of Airborne's competitors, including Federal Express ("FedEx") and United Parcel Service ("UPS"), have challenged the citizenship status of Astar Air Cargo (formerly DHL Airways). DHL has entered into an ACMI agreement with Astar Air Cargo ("Astar") which accounts for a substantial portion of the business of Astar. FedEx and UPS are alleging this relationship, among others, constitutes control by DHL of Astar in violation of United States law. In the event that FedEx and UPS are successful in their challenge to the citizenship of Astar, a similar challenge will likely be made regarding the citizenship of ABX.

Under United States laws and DOT precedents, non-U.S. citizens may not own more than 25% of, or have actual control of, a U.S. air carrier. The DOT may determine that Airborne actually controls ABX as a result of our commercial arrangements (in particular, the ACMI agreement and the hub services agreement) with Airborne. If the DOT determines that ABX is controlled by Airborne, the DOT could require amendments or modifications of the ACMI and/or other agreements between ABX and Airborne. If ABX were unable to modify such agreements to the satisfaction of the DOT, the DOT could seek to suspend, modify or revoke our air carrier certificates and/or authorities, and this would materially and adversely affect our business.

The DOT has issued a notice requesting comments on the procedures to be used in processing our filing, and several parties, including ABX, have provided comments. The DOT has yet to specify the procedures it intends to use. The DOT may decide to conclude its review of Astar's filing before proceeding with our filing. While the two companies are different, and their respective relationships with DHL and Airborne are distinguishable, the outcome of Astar's hearing will likely serve as a precedent for the DOT's review of our filing. While the DOT has instructed the Administrative Law Judge reviewing the Astar filing to issue his recommended decision on or before January 2, 2004, a final decision by the DOT is unlikely before March and would be subject to appeal.

We believe the DOT should find that ABX continues to be both fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

(b) ALPA Lawsuit

The Company filed a motion, which was granted on August 25, 2003, to intervene in a lawsuit filed in the United States District Court for the Southern District of New York by DHL Holdings and DHL against the Airline Pilots Association ("ALPA"), seeking a declaratory judgment that neither DHL entity is required to arbitrate a grievance filed by ALPA. ALPA represents the pilot group at Astar Air Cargo (formerly DHL Airways). The grievance seeks to require DHL Holdings to direct its newly acquired subsidiary, Airborne, to cease implementing its ACMI agreement with ABX on the grounds that DHL is a legal successor to Astar. ALPA has similarly filed a counterclaim requesting injunctive relief that includes having Airborne's freight currently being flown by ABX transferred to Astar. The proceedings were stayed on September 5, 2003, pending the National Labor Relations Board's processing of several unfair labor practice charges we filed against ALPA on the grounds that ALPA's grievance and counterclaim to compel arbitration violates the National Labor Relations Act. In the event ALPA was to prevail on its counterclaim and/or grievance, this would materially and adversely affect our business.

We believe that ALPA's claim to the work being performed by ABX is without merit and its counterclaim and grievance will be denied.

(c) Other

In the ordinary course of our business, we are from time to time subject to various legal proceedings. Except to the extent described above, we do not believe that any current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition.

NOTE G—COMPREHENSIVE INCOME (LOSS)

The following is a reconciliation between net earnings (loss) and comprehensive income (loss), in thousands:

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net Earnings (Loss)	$ (461,749)	$ 3,374	$ (454,514)	$ 9,757
Unrealized gain (loss) on interest rate swap arising during the periods, net of tax	204	(2,145)	(25)	(3,500)
Less: Reclassification adjustment for losses realized in net loss	2,502	251	2,229	736
Comprehensive income (loss)	$ (459,043)	$ 1,480	$ (452,310)	$ 6,993

NOTE H—NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures in our annual and interim consolidated financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company does not have a stock based compensation plan for its employees. Accordingly, this statement does not have a significant impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"). FIN 46 is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and addresses the consolidation by business enterprises of variable interest entities. The interpretation is effective for the first interim or annual reporting period ending after December 15, 2003. The Company does not have any variable interest entities. Accordingly, this interpretation does not have a significant impact on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The clarification provisions of this statement require that contracts with comparable characteristics be accounted for similarly. This statement is effective for any new derivative instruments the Company enters into after June 30, 2003. Implementation of this statement is not anticipated to have a significant impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope, which possesses certain characteristics, and was previously classified as equity, as a liability (or an asset in some circumstances). The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of the provisions of SFAS No. 150 did not have a material impact on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

The following Management's Discussion and Analysis has been prepared with reference to the historical financial condition and results of operations of ABX Air, Inc. and its subsidiaries ("ABX" or the "Company") and should be read in conjunction with our historical financial statements, the related notes contained in this report and the S-4 registration statement, as amended, filed by our former parent corporation, Airborne, Inc. ("Airborne"), on July 11, 2003.

On August 15, 2003 ABX was separated from its former parent, Airborne and became an independent, publicly owned company. The separation of ABX from Airborne was a condition of the merger agreement between Airborne and DHL Worldwide Express B. V. ("DHL"). The merger agreement required Airborne to separate its air operations from its ground operations with air operations being retained by ABX. Immediately prior to the separation, certain assets and liabilities related to Airborne's ground operations were transferred out of ABX to Airborne. Immediately following the closing of the transaction, Airborne became an indirect, wholly-owned subsidiary of DHL and ABX became an independent public company wholly-owned by Airborne's former shareholders. As a result of the foregoing, the third quarter 2003 ABX 10-Q filing reflects 46 days of operations as a wholly-owned subsidiary of Airborne (July 1 through August 15, 2003), and 46 days of operations as an independent public company (August 16 through September 30, 2003).

The separation of ABX from Airborne occurred according to the separation agreement, which was included in ABX's S-4 registration statement amended on July 11, 2003. In the separation:

- ABX transferred the membership interests of Wilmington Air Park, LLC ("WAP") which owns Wilmington Air Park airport, to Airborne;
- ABX transferred certain assets, including material handling and sorting equipment, and certain liabilities related to Airborne's ground operations to Airborne;
- ABX retained certain assets, including aircraft, flight simulators and related spare parts and certain liabilities related to Airborne's air and sort operations;
- ABX cancelled advances payable to Airborne of $457.3 million;
- ABX issued a promissory note to DHL Holdings (USA), Inc. ("DHL Holdings"), in the amount of $89.0 million and
- ABX and Airborne entered into an aircraft, crew, maintenance and insurance agreement ("ACMI agreement"), a hub and line-haul services agreement ("hub services agreement"), a sublease, an employee matters agreement, a tax sharing agreement and a transition services agreement. The ACMI agreement has a term of seven years, with an automatic renewal for an additional three years, unless a one year advance notice is given, or if ABX is not in compliance with applicable performance standards specified in the agreement. The hub services agreement has a term of three years, with one-year automatic renewals, unless ninety-days advance notice is given.

Under the ACMI agreement, ABX provides air cargo transportation to Airborne on a cost plus pricing structure. ABX has complete and exclusive responsibility for the operation, maintenance and safety of the aircraft. Under the hub services agreement, ABX provides staff to conduct package handling and sorting services, warehousing, line-haul logistics services and airport, facilities and equipment maintenance services for Airborne, also on a cost plus pricing structure. Costs incurred under these agreements are generally marked-up 1.75% and included in revenues. Both agreements also allow the Company to earn incremental markup above the base 1.75% markup (up to 1.6% under the ACMI agreement, and 2.1% under the hub services agreement) as determined from achievement of cost and service goals specified in the two agreements. Fuel cost, rent, interest on the promissory note to DHL Holdings, ramp and landing fees incurred for the Airborne ACMI agreement are the significant items reimbursed without markup. Prior to the August 15, 2003 separation, revenues from Airborne were calculated as the sum of pretax net expenses incurred plus 2%. Net expenses include all operating and interest expenses, including allocated expenses from Airborne, reduced by revenues recorded from customers other than Airborne.

The separation of ABX from Airborne, and the execution of the related commercial agreements collectively constituted an event which required ABX to evaluate the recoverability of the carrying value of its long-term assets under Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, ABX is required to record an impairment charge for the excess of the carrying value of the long-lived asset group over its fair value. The fair value of ABX's aircraft was derived using a market approach by comparing recent sales of similar assets and adjusting these comparables for factors such as age and condition. The fair value of aircraft-related spare parts inventory, maintenance tooling and equipment and other ABX fixed assets was derived utilizing a cost approach in which replacement cost was adjusted downward to reflect reduction in value due to physical depreciation and functional obsolescence. As a result of the fair value analysis, ABX recorded a pre-tax charge to write down its assets and inventory by $600.9 million. An income tax benefit of $134.8 million was provided, net of a valuation allowance of $81.0 million, due to the impairment charge. Under provisions of SFAS No. 109, "Accounting for Income Taxes," the valuation allowance was established due to the likelihood that future taxable earnings generated would not allow for the asset's full utilization.

Both before and after the transaction which separated ABX from its former parent, our revenues and earnings were highly dependent on Airborne. Prior to the separation, we were Airborne's primary provider of air cargo transportation services within the U.S. and to Canada and Puerto Rico, as well as Airborne's primary provider of package sorting and handling services, warehousing, line-haul logistics services and other air cargo transportation related services for its domestic operations. After the separation from Airborne, we have continued to provide these same services to Airborne as specified in the ACMI and hub services agreements, which became effective on the separation date.

Airborne's domestic delivery products consist of express and deferred delivery services. Airborne's express delivery services include its Overnight Service, Next Afternoon Service ("NAS") and Second Day Service ("SDS"). Overnight Service and NAS are primarily transported by our fleet of aircraft and sorted through our night sort operations. SDS and Airborne's deferred delivery service products, which include Airborne @ Home and Ground Delivery Service ("GDS") products, are primarily transported by contracted trucks and sorted through our day sort and regional hub operations. Portions of the SDS and deferred service products are transported on our aircraft. During the 46 days of the third quarter 2003 during which ABX operated as an independent public company, we continued to handle the delivery products generated by Airborne's existing customer base (i.e., those utilizing Airborne's waybill forms). Delivery products generated from DHL's customer base (and utilizing DHL's waybill forms) were not handled by ABX.

As a result of their merger, DHL and Airborne are in the process of integrating their combined product offerings, sales, marketing, administrative and operating resources, and seeking to eliminate duplicative costs, including cost related to their service providers. During the first year of the term of the ACMI and hub services agreements with ABX, Airborne cannot make any changes that would reduce the scope of the services to be provided by ABX under the two agreements, barring an ABX event of default relating to service performance failure versus the standards specified in the contracts. After the first year of the term, Airborne may terminate specific ACMI aircraft, add, delete or modify the air routes we operate under the ACMI agreement and add to, delete or modify services we provide under the hub services agreement.

RESULTS OF OPERATIONS

For the third quarter 2003, we had a net loss of $461.7 million, inclusive of the SFAS No. 144 impairment charge of $600.9 million ($466.1 million, net of tax benefit). Excluding this charge, net earnings for the quarter were $4.4 million. ABX became an independent public company effective August 16, 2003 as a result of the separation from its former parent company, Airborne. Accordingly, third quarter results reflect 46 days of operations as a wholly-owned subsidiary of Airborne, and 46 days as an independent public company. The third quarter 2003 net earnings, excluding the impairment charge, compare to third quarter 2002 net earnings of $3.4 million. The net loss for the first nine months of 2003 was $454.5 million. Excluding the third quarter impairment charge, net earnings for the first nine months of 2003 were $11.6 million. This compares to net earnings for the first nine months of 2002 of $9.8 million.

Our net earnings for the 46 day period (July 1 through August 15, 2003) of the third quarter during which we operated as a wholly-owned subsidiary of Airborne were $1.4 million. For periods reflected prior to August 16, 2003, the basis used to determine compensation from Airborne was to provide revenues as calculated by the sum of pretax net expenses incurred plus a markup of 2%. Net expenses include all operating and interest expenses, including allocated expenses from Airborne, reduced by revenues recorded from customers other than Airborne.

ABX had net earnings, excluding the impairment charge discussed above (and in Note B), of $3.0 million during the 46 days of the quarter ending September 30, 2003, during which it operated as an independent public company. Net earnings from our two commercial agreements with Airborne (the ACMI agreement and hub services agreement) accounted for $2.8 million of the $3.0 million in post-separation net earnings, with revenue from other customers accounting for $0.2 million in net earnings. Both agreements provide compensation to ABX at cost-plus a base markup of 1.75%, with a potential to earn incremental markup above the base markup level depending on attainment of separately outlined cost and service goals (see also "Revenue Recognition" included under "Critical Accounting Policies and Estimates"). Certain costs covered under these agreements, such as jet fuel expense, interest on the promissory note to DHL Holdings and lease expense are reimbursable without mark-up. The 1.75% base markup recognized post separation from Airborne contributed $1.8 million to third quarter 2003 net earnings. An incremental markup obtained as a result of ABX exceeding cost standards under the two commercial agreements contributed $1.0 million to third quarter 2003 net earnings. *See the following table, which summarizes our operations during the 46-day period post- separation from Airborne.*

ABX AIR, INC.
POST – SEPARATION EARNINGS SUMMARY
(in thousands)

	For the 46 days ended September 30, 2003					
	ACMI	Hub Services	Other Reimbursable	Airborne Subtotal	Customers other than Airborne	Total
Revenues	$57,602	$45,155	$ 23,603	$126,360	$ 1,449	$127,809
Operating expenses	55,023	44,165	23,206	122,394	1,232	123,626
Interest expense	829		397	1,226		1,226
Total expense (1)	$55,852	$44,165	$ 23,603	$123,620	$ 1,232	$124,852
Net Earnings (1)	$ 1,750	$ 990	—	$ 2,740	$ 217	$ 2,957

(1) Excludes impairment charge of $600.9 million and the related tax benefit of $134.8 million.

The results for the third quarter do not include any revenues for the incremental markup associated with the service goals specified in the two commercial agreements, as the service goals are measured on an annual rather than quarterly basis. Accordingly, the first opportunity for revenue recognition from attainment of the service goals will not occur until year-end 2003 (with any associated revenue, if any, being recognized during the fourth quarter). Beginning in 2004, incremental markup on the cost goals in the two commercial agreements will be determined based on a weighting of 40% related to quarterly performance, and 60% related to annual performance. Due to the mid-August separation from Airborne (and resulting short 4.5 month contract period to year-end 2003), no such weighting applied for the partial third quarter.

For purposes of the above discussions on the results of operations, we have excluded the impairment charge of $600.9 million and its related tax benefit of $134.8 million from net earnings. Net earnings, excluding the impairment charge, should not be considered a measure of financial performance under generally accepted accounting principles (GAAP). We believe that excluding the impairment charge from our net earnings is a significant component in understanding and assessing our financial performance. The impairment charge was triggered by our separation from Airborne, an event unlikely to recur. Excluding the impairment charge from our net earnings is useful when comparing ABX's financial results to previous periods or forming expectations of future results. Net earnings, excluding the impairment charge, should not be considered in isolation or as an alternative to net income, cash flows generated by operations, or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity.

ABX continues to rely on flight crews represented by the International Brotherhood of Teamsters. On August 14, 2003 the pilot's membership ratified an agreement amending their labor contract through July 31, 2006. Provisions of the agreement include a contract-signing bonus, wage increases in each of the three years remaining under the contract (including a 4% increase to pay rates effective August 1, 2003), and changes to scope and successorship language.

Revenues

Total revenues decreased 6.3% to $279.2 million in the third quarter of 2003 compared to revenues of $298.0 million in the third quarter of 2002. Revenues from Airborne decreased 5.8% to $276.5 million in the third quarter of 2003 compared to $293.6 million in the same quarter a year ago. This decrease is a result of reductions in the actual operating expenses and in the operating expenses subject to markup used to determine our revenue since August 16, 2003. For the first nine months of 2003, total revenues increased 2.8% to $886.9 million compared to revenues in the first nine months of 2002 of $863.0 million. Revenues from Airborne increased 3.5% to $878.8 million in the first nine months of 2003 compared to $849.3 million during the first nine months of 2002. The increase in revenues is primarily due to higher expenses incurred during the first six months of the year compared to the first six months of 2002. Our labor expense, and likewise our revenue from Airborne, can be impacted by the volume of pieces we handle. Piece volumes increased 1.4% and 5.1% in the third quarter and first nine months of 2003, respectively, compared to the same periods in 2002. The third quarter and first nine months of 2003 had the same number of operating days as in 2002.

Charter service revenues from customers other than Airborne decreased to $1.3 million in the third quarter of 2003 compared to $3.7 million in the same period in 2002. The decrease was due primarily to the loss of a significant customer. For the nine month period ended September 30, 2003, charter service revenues were $4.4 million as compared to $11.6 million during the comparable period in 2002. The decrease as compared to the first nine months of 2002 is due primarily to the loss of a significant customer.

Other revenues, consisting primarily of aircraft parts sales and revenue associated with performing aircraft-related maintenance for other carriers, increased to $1.4 million in the third quarter of 2003 compared to $0.7 million in the third quarter of 2002. For the first nine months of 2003, other revenues increased to $3.7 million compared to $2.2 million the same period of 2002. The increase in revenues is due to higher levels of aircraft parts sales as well as an increase in revenues associated with aircraft-related maintenance services.

Revenues from Airborne during the 46 day period ended September 30, 2003 included $1.8 million resulting from a 1.75% base markup on ACMI and hub services expenses, as well as $1.0 million of incremental revenue markup under the ACMI and hub services agreements. The incremental markup recorded during the third quarter 2003 resulted from our achieving favorable cost results relative to those outlined in the two commercial agreements, post-separation from Airborne. Beginning in 2004, incremental markup on the cost goals in the two commercial agreements will be determined based on a weighting of 40% related to quarterly cost performance, and 60% related to annual cost performance. Due to the mid-August separation from Airborne (and resulting short 4.5 month contract period to year-end 2003), no such weighting applied for the partial third quarter.

No incremental markup contribution from the service goals specified in the two to commercial agreements was included in our post-separation third quarter 2003 revenue, as the service goals are measured on an annual rather than quarterly basis. Accordingly, the first opportunity for revenue recognition from attainment of the service goals will not occur until year-end 2003 (with any associated revenue, if any, being recognized during the fourth quarter).

Operating Expenses

Our operating expenses are impacted by the volume and type of packages handled for Airborne. Total pieces handled increased 1.4% in the third quarter of 2003 to 118.6 million compared to 117.0 million in the same period of 2002. Total weight handled increased 4.2% in the period to 537.5 million pounds. Weight per piece increased 2.8% to 4.53 pounds in the third quarter of 2003 compared to 4.41 pounds per piece in the same period a year ago. For the nine months ended September 30, 2003, total pieces handled increased 5.1% to 349.4 million compared to 332.5 million in the same period of 2002. Total weight handled increased 14.1% in the first nine months of 2003 to 1.6 billion pounds. Weight per piece increased 8.6% to 4.48 pounds in the first nine months of 2003 compared to 4.13 pounds in the same period a year ago. The increase in tonnage and weight per piece in the third quarter and first nine months of 2003 is primarily due to Airborne's expansion of its GDS product offering.

Comparisons to total operating expenses prior to the separation from Airborne are difficult due to the fact that ABX operated as a wholly-owned subsidiary prior to separation, and certain expense items (depreciation, rent, and various other operating expense accounts) were impacted by the adjustments to the financials necessary to record the separation from our former parent. Also complicating comparisons to prior financial information is the impairment charge, which we recorded immediately after separation from Airborne, and the (much lower) adjusted basis of our remaining fixed assets (and resultant impact on depreciation expense going forward).

Our operating costs excluding the impairment charge measured on a per piece basis decreased 7.3% in the third quarter of 2003 to $2.27 compared to $2.45 in the third quarter of 2002. Operating costs excluding the impairment charge measured on a per pound basis declined to $0.50, or 9.9% compared to $.56 per pound in the same period of last year. Productivity, measured by pieces handled per labor hour paid, increased 6.6% in the third quarter of 2003 to 33.8 compared to 31.7 pieces per labor hour paid in the third quarter of last year. For the first nine months of 2003, operating costs measured on a per piece basis excluding the impairment charge decreased 1.7% to $2.45 compared to $2.49 in the first nine months of 2002. Operating costs measured on a per pound basis, and excluding the impairment charge, declined to $.55, or 9.4% compared to $.60 per pound in the same period of last year. Productivity, measured by pieces handled per labor hour paid, increased 5.1% in the first nine months of 2003 to 33.4 compared to 31.8 pieces per labor hour paid in the same period last year. Labor productivity, and the operating cost efficiencies gained through our continued focus on its improvement, had a positive impact on our ability to control costs during the third quarter and first nine months of 2003, as compared to the same periods in 2002. Cost per pound comparisons to 2002 continue to reflect the impact of Airborne's expansion of its deferred service products, which generally rely on lower cost, contracted truck line haul as opposed to the higher cost of air transportation.

Salaries, wages and benefits expense increased 5.4% and 4.7% in the third quarter and first nine months of 2003, respectively, compared to the same periods in 2002. The increases versus 2002, both for the quarter and for the first nine months of 2003, were primarily the result of higher healthcare benefit costs and increases in our company-sponsored defined benefit pension plan expenses. Compensation expense for salaries and wages increased 2.8% and 1.9% in the third quarter and first nine months of 2003, respectively, compared to the same periods in 2002. The 2.8% and 1.9% increases reflect inflationary salary adjustments as well as a 4% increase in our flight crew salary costs which became effective August 1, 2003 upon ratification of the pilot union contract. Total hours paid decreased for the third quarter 2003 as compared to third quarter 2002 by 4.9%, reflecting productivity improvements primarily in our employees who handle Airborne freight. For the full nine months, total paid hours are down just slightly (0.04%) versus the comparable nine months of 2002. The reduction in hours for the nine month comparative periods is impacted by the severe winter weather (and resulting increase in employee hours) which occurred in the first quarter of 2003.

Purchased line-haul expense increased 3.1% in the third quarter of 2003 compared to the third quarter of 2002, and 18.9% in the first nine months of 2003 compared to the first nine months of 2002. The expense increases are primarily due to higher contracted truck line-haul to accommodate the growth in Airborne's GDS products that are generally transported via truck due to the less time sensitive nature of the service. The slower growth for the third quarter (3.1%) as compared to the first nine months (18.9%) reflects the significantly higher growth in the GDS product, which occurred during the third quarter of 2002, as compared to the first six months of 2002.

Fuel expense increased 6.2% in the third quarter of 2003 compared to the third quarter of 2002, and 20.5% in the first nine months of 2003 compared to the first nine months of 2002. The average aviation fuel price was $0.95 and $1.00 per gallon in the third quarter and first nine months of 2003, respectively, compared to $0.87 and $0.80 per gallon in the same periods of 2002. Aviation fuel consumption decreased 2.8% in the third quarter to 36.6 million gallons compared to 37.6 million gallons in the third quarter of last year. Consumption decreased 4.6% in the first nine months of 2003 to 109.3 million gallons compared to 114.6 million gallons in the same period a year ago. The decrease in consumption was primarily due to the reduction and combination of certain flight segments and the placement of three 767 aircraft in service since the third quarter of 2002, which has allowed less fuel efficient DC-8 aircraft to be moved to shorter lane segments, backup status or removed from service. The risks of volatile fuel prices are effectively assumed by Airborne through our cost reimbursement compensation arrangement with them.

Depreciation and amortization expense decreased as compared to the third quarter and the first nine months of 2002 by 47.0% and 21.3%, respectively. The decline in depreciation expense in 2003 is impacted by the relatively lower levels of capital expenditures made over the past several years coupled with the timing of certain aircraft assets becoming fully depreciated. However, the primary factors influencing the decline in expense are the transfer of assets to Airborne as part of the merger/separation transaction, in addition to the SFAS No. 144 adjustment recorded immediately after separation from Airborne on August 15, 2003 to restate depreciable assets remaining with ABX to fair value (see Note B). The effects of these factors when comparing to prior year depreciation expense will be even more pronounced in the fourth quarter of 2003 due to their being in place for a full quarter as compared to a partial (third) quarter. In the process of recording the asset impairment and separation adjustments, depreciable aircraft asset lives were reassessed and adjustments were made to reflect management's assessment of appropriate useful lives based in part on the ACMI agreement with Airborne.

Maintenance, materials and repairs decreased 5.1% in the third quarter of 2003 compared to the third quarter of 2002 due primarily to performing fewer scheduled DC-8 heavy maintenance checks, as compared to the prior year. For the first nine months of 2003, this category decreased slightly compared to the same period in 2002.

Landing and ramp expense decreased by 3.9% in third quarter 2003 as compared to 2002. For the first nine months of 2003, this expense increased by 15.7%. Included in this category are airport landing and ramp usage charges in addition to deicing costs. The increase in costs in the first nine months of 2003 was due to higher deicing costs resulting from adverse winter weather. The decrease in costs for the quarter reflect the transfer of ramp leases to Airborne effective with the separation on August 15, 2003.

Rent expense decreased 20.2% in the third quarter of 2003 compared to the third quarter of 2002, and 8.3% for the first nine months of 2003 compared to the same period in 2002. Effective August 15, 2003, the majority of lease agreements, including those at most airport locations, excluding WAP, as well as the regional hub and warehouse facilities, were transferred to Airborne. Beginning on August 16, 2003, we were no longer responsible for the rent expense from the transferred lease agreements.

Interest Expense

Our interest expense decreased by 25.5% in the third quarter of 2003 compared to the same period in 2002. For the first nine months of 2003 compared to 2002, the decrease was 24.6%. Interest expense includes allocations from Airborne in addition to interest on obligations of the Company. Allocations from Airborne are based upon the Company's proportionate share of stockholders' equity including intercompany advances, in comparison to Airborne's consolidated totals. The decrease in interest expense is primarily a function of lower consolidated interest costs incurred by Airborne coupled with higher levels of interest capitalized on the purchase and modification of aircraft. Effective August 16, 2003, interest expense includes the interest on the $89.0 million promissory note due to DHL Holdings and interest associated with our capital lease obligations related to 767 aircraft, but no longer includes interest allocated from Airborne.

Income Taxes

The income tax benefit of $133.2 million and $128.6 million for the three and nine months ended September 30, 2003 is primarily a result of a tax benefit of $220.0 million related to the impairment charge. The overall tax benefit in the third quarter was reduced by a provision of $81.0 million recorded for a valuation allowance offsetting the net deferred tax asset created primarily as a result of the impairment charge related tax benefit. The effective tax rate was 22.4% and 22.1% for the three and nine months ended September 30, 2003.

Under provisions of SFAS No. 109 "Accounting for Income Taxes," net deferred tax assets that are not likely to be realized require recording of an offsetting valuation allowance. Since it is reasonably likely ABX will not generate taxable earnings in future periods necessary to utilize the net deferred tax assets generated after recognition of the impairment charge, a valuation allowance has been recorded for the full amount of the Company's net deferred tax assets remaining after the impairment charge.

For the three and nine months ended September 30, 2002, our effective income tax rate was 41%. Our tax provisions for 2002 were calculated on a stand-alone basis. The tax consequences of our operations prior to August 16, 2003 are included in Airborne's consolidated tax returns.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating cash flows were $88.5 million and $ 151.7 million in the first nine months of 2003 and 2002, respectively. The decline in operating cash flows compared to 2002 is primarily a result of lower reimbursed depreciation expense and increased pension funding during 2003. Our net operating cash flows are primarily a function of the markup earned under our commercial agreements with Airborne and changes in working capital balances.

We devote a substantial amount of our operating cash resources to fund our capital expenditures. A significant portion of our capital expenditures relates to the acquisition and modification of aircraft and related flight equipment. Total capital expenditures were $83.0 million in the first nine months of 2003 compared to $63.7 million in the first nine months of 2002. We have continued our program to acquire and deploy 767 aircraft, which provide a higher level of operating efficiency than the DC-8 aircraft they replace. We acquired three 767 aircraft in 2003, compared to two 767 aircraft in the first nine months of 2002. At September 30, 2003, we had 115 aircraft in service, consisting of 24 767s, 17 DC-8s and 74 DC-9s. Two other 767's were undergoing modification to cargo configuration. Other capital expenditures include a DC-9 flight simulator, facilities and package handling equipment (subsequent to the August 15, 2003 separation from Airborne, facilities and package handling equipment will no longer be our responsibility), computer equipment and expenditures supporting the operation of the airport in Wilmington, Ohio**.**

The level of capital spending for all of 2003 is anticipated to be $90 million compared to $98.4 million in 2002. Capital spending levels are primarily a result of aircraft acquisitions and related modification costs. As we place additional 767 aircraft into service, we may remove additional DC-8 aircraft from service depending on factors such as overall capacity requirements and the need for aircraft in our charter operations.

We have commitments to acquire two additional 767 aircraft during 2004 and one in 2005. These aircraft are committed to be modified to a standard freighter configuration from their original passenger configuration. Payments for the aircraft and conversions of these and other recently purchased aircraft will approximate $5 million, $67 million and $33 million for the remainder of 2003, 2004 and 2005, respectively. There are currently no aircraft-related commitments extending beyond 2005. Over the past two years we have been successful in negotiating deferrals of aircraft deliveries without incurring additional costs and we may request deferrals of future deliveries. However, there is no assurance any deferral of planned deliveries will be achieved or achieved without incurring additional costs. We also have commitments to fund $6.2 million to our defined benefit pension plans during the remainder of 2003.

The Company has fully and unconditionally guaranteed senior notes of Airborne. The first note, a senior note issued by Airborne in the amount of $100 million, bears interest at a rate of 7.35% and matures in September 2005. Subsequent to Airborne's merger, DHL paid down this note, such that the remaining amount outstanding is $7 million. The second note, a convertible note issued by Airborne in the amount of $150,000,000, bears interest at a rate of 5.75%, and matures in April 2007 (see Note D). Under terms of the merger agreement, DHL and Airborne will indemnify us from any losses incurred under these promissory notes.

The Company currently has no direct funding source or borrowing capacity in which to satisfy these guarantees if Airborne were to default on these obligations. In the event of default, a substantial portion of the Company's assets, which are pledged as collateral to secure these obligations, could be transferred to the issuer or trustee and used, in part, to satisfy these guaranteed obligations. Due to the separation from Airborne in connection with their merger with DHL, the Company has requested to be released from these guarantees. While some or all of these guarantees may be released, the event of Airborne's merger does not, in itself, release the Company from these guarantees.

Further, Airborne guarantees our financing obligations for five 767 aircraft. Subsequent to the separation from Airborne, the lessors consented that no default was created under the financing agreements as a result of the separation. The stipulated loss values specified in the agreements are currently significantly in excess of the prevailing fair values of the aircraft. Under terms of the merger agreement, DHL and Airborne will indemnify us from any losses incurred under these leases arising out of the merger or separation. In addition, any costs payable under these agreements are reimbursable costs under the ACMI agreement with Airborne. Airborne continues as a guarantor and therefore remains obligated for any amounts due under the financing agreements.

We anticipate that our current cash balances, combined with forecasted cash flows provided by commercial agreements with Airborne and growth in new business will be sufficient to fund our planned operations and capital expenditures for 2003 and beyond. If certain liquidity levels are not maintained, we will be able to request certain cash advances under the commercial agreements to supplement liquidity through 2005. We are in the process of obtaining a secured line of credit or similar credit facility of approximately $25 million, net of outstanding letters of credit, however, there can be no assurance that we will be able to secure such a facility.

Our debt facilities limit cash dividends to $1.0 million annually. We have not declared any cash dividends and intend to retain earnings to finance future growth and cash requirements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

Revenues from Airborne are recognized when the related services are performed. Prior to August 16, 2003 revenues from Airborne were calculated as the sum of pretax net expenses incurred plus 2%. Prior to August 16, 2003, net expenses included all operating and interest expenses, including allocated expenses from Airborne, less revenues recorded from customers other than Airborne. Since August 16, 2003, revenues from Airborne are determined based on the expenses incurred during a reporting period for the ACMI and hub services agreements. Expenses incurred under these agreements are generally subject to a base markup of 1.75%, which is recognized in the period during which the expenses are incurred. Certain costs, the most significant of which include fuel cost, interest on the promissory note to DHL Holdings, airport rent, ramp fees and landing fees incurred for performance under the ACMI agreement are reimbursed and included in revenues without markup.

In addition to a base markup of 1.75%, both the ACMI and hub services agreements provide for an incremental markup potential above the base 1.75%, based on our ability to achieve specified cost and service goals. The ACMI agreement provides for a maximum potential incremental markup of 1.6%, with 1.35% based on cost performance and 0.25% based on service performance. The hub services agreement provides for a maximum potential incremental markup of 2.1%, with 1.35% based on cost performance and 0.75% on service performance. Both contracts call for 40% of any incremental markup earned from cost performance to be recognized based on quarterly results, with 60% measured against annual results. Accordingly, any incremental cost markup that we may achieve based on quarterly results (i.e., 40% of the 1.35% maximum potential) would be recognized in our quarterly revenues. The 60% of the incremental cost markup potential measured against annual performance (i.e., 60% of the 1.35% maximum potential) would be recognized during fourth quarter, when full year results are known. Incremental markup potential associated with the service goals (0.25% in the ACMI agreement and 0.75% in the hub services agreement) is measured annually and any revenues earned, if any, from our attainment would be recognized during the fourth quarter, when full year results are known. Management cannot predict to what degree the Company will be successful in achieving any incremental markup.

Charter service revenues are recognized on scheduled and non-scheduled flights performed for customers other than Airborne. Revenues are recognized when the specific flight has been completed. Other revenues, primarily for aircraft parts and fuel sales, are recognized when the parts and fuel are delivered. Revenues earned providing aircraft-related maintenance services are recognized in the period in which the services are completed.

Self-Insurance

We self-insure certain claims relating to workers compensation, aircraft, automobile, general liability and employee healthcare. We record a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data, recent claims trends and, in the case of employee healthcare, an independent actuarial report. Changes in claim severity and frequency could result in actual claims being materially different than the amounts provided for in our annual results of operations.

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 those 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.

Postretirement Obligations

We sponsor qualified defined benefit plans for our pilots and other eligible employees. We also sponsor unfunded postretirement healthcare plans for our pilot and non-pilot employees. We also sponsor unfunded excess plans for certain employees in a non-qualified plan which includes our executive management, that provide benefits in addition to amounts permitted to be paid under provisions of the tax law to participants in our qualified plans.

The accounting and valuation for these postretirement 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 postretirement costs. In actuarially valuing our pension obligations and determining related expense amounts, assumptions we consider most sensitive are discount rates, expected long-term investment returns on plan assets and future salary increases. Additionally, other assumptions concerning retirement ages, mortality and employee turnover also affect the valuations. For our postretirement healthcare plans, consideration of future medical cost trend rates is a critical assumption in valuing these obligations. Actual results and future changes in these assumptions could result in future costs significantly higher than those recorded in our annual results of operations.

New Accounting Pronouncements

A number of new accounting pronouncements were enacted in 2003. None of these new pronouncements had a material effect on our financial position or results of operations during 2003. See Note H to the accompanying financial statements for discussion of these recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risks in the ordinary course of business. The Company incurs market risk for changes in the price of jet and diesel fuel, however this risk is largely mitigated by reimbursement through the ACMI agreement. The Company has interest rate risk as a result of debt obligations. As of September 30, 2003, $125.3 million of fixed interest rate exposure and $61.7 million of variable interest rate exposure were outstanding on debt arrangements. The Company did not have any derivative financial instruments at September 30, 2003.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, 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 its Principal 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 Securities and Exchange Commission rules and forms.

(b) Changes in Internal Controls

There were no significant changes in the Company’s internal controls over financial reporting or in other factors that could significantly affect the Company’s disclosure controls and procedures over financial reporting subsequent to the date of the evaluation. There were no significant deficiencies or material weaknesses identified, and therefore, there were no corrective actions taken.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

(a) DOT Continuing Fitness Review

The Company filed a notice of substantial change with the Department of Transportation (“DOT”) arising from our separation from Airborne. In connection with our filing, which we made in mid-July of 2003, the DOT will determine whether we continue to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

Certain of Airborne’s competitors, including Federal Express (“FedEx”) and United Parcel Service (“UPS”), have challenged the citizenship status of Astar Air Cargo (formerly DHL Airways). DHL has entered into an ACMI agreement with Astar Air Cargo (“Astar”) which accounts for a substantial portion of the business of Astar. FedEx and UPS are alleging this relationship, among others, constitutes control by DHL of Astar in violation of United States law. In the event that FedEx and UPS are successful in their challenge to the citizenship of Astar, a similar challenge will likely be made regarding the citizenship of ABX.

Under United States laws and DOT precedents, non-U.S. citizens may not own more than 25% of, or have actual control of, a U.S. air carrier. The DOT may determine that Airborne actually controls ABX as a result of our commercial arrangements (in particular, the ACMI agreement and the hub services agreement) with Airborne. If the DOT determines that ABX is controlled by Airborne, the DOT could require amendments or modifications of the ACMI and/or other agreements between ABX and Airborne. If ABX were unable to modify such agreements to the satisfaction of the DOT, the DOT could seek to suspend, modify or revoke our air carrier certificates and/or authorities, and this would materially and adversely affect our business.

The DOT has issued a notice requesting comments on the procedures to be used in processing our filing, and several parties, including ABX, have provided comments. The DOT has yet to specify the procedures it intends to use. The DOT may decide to conclude its review of Astar’s filing before proceeding with our filing. While the two companies are different, and their respective relationships with DHL and Airborne are distinguishable, the outcome of Astar’s hearing will likely serve as a precedent for the DOT’s review of our filing. While the DOT has instructed the Administrative Law Judge reviewing the Astar filing to issue his recommended decision on or before January 2, 2004, a final decision by the DOT is unlikely before March and would be subject to appeal.

We believe the DOT should find that ABX continues to be both fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

(b) ALPA Lawsuit

The Company filed a motion, which was granted on August 25, 2003, to intervene in a lawsuit filed in the United States District Court for the Southern District of New York by DHL Holdings and DHL against the Airline Pilots Association (“ALPA”), seeking a declaratory judgment that neither DHL entity is required to arbitrate a grievance filed by ALPA. ALPA represents the pilot group at Astar Air Cargo (formerly DHL Airways). The grievance seeks to require DHL Holdings to direct its newly acquired subsidiary, Airborne, to cease implementing its ACMI agreement with ABX on the grounds that DHL is a legal successor to Astar. ALPA has similarly filed a counterclaim requesting injunctive relief that includes having Airborne’s freight currently being flown by ABX transferred to Astar. The proceedings were stayed on September 5, 2003, pending the National Labor Relations Board’s processing of several unfair labor practice charges we filed against ALPA on the grounds that ALPA’s grievance and counterclaim to compel arbitration violates the National Labor Relations Act. In the event ALPA was to prevail on its counterclaim and/or grievance, this would materially and adversely affect our business.

We believe that ALPA’s claim to the work being performed by ABX is without merit and its counterclaim and grievance will be denied.

(c) Other

In the ordinary course of our business, we are from time to time subject to various legal proceedings. Except to the extent described above, we do not believe that any current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition.

Item 2. Changes in Securities and Use of Proceeds

(a) The Company's amended and restated certificate of incorporation, amended and restated bylaws and rights plan include the following:

- The Board of Directors of the Company has the authority to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action may generally be taken only at a special or regular meeting, and not by written consent;
- nominations of candidates to the Company's Board of Directors are generally subject to advance notice procedures;
- there are limitations on foreign ownership and you may be unable to vote your shares or receive dividends if you exceed those limitations;
- a change of control of the Company will allow DHL Holdings to accelerate payment of the promissory note;
- certain change of control events of the Company will give Airborne a termination right under the ACMI agreement and the hub services agreement; and
- if an unsolicited party acquires 15% or more of the outstanding common stock of the Company, its a Preferred Stock Rights Agreement will be triggered, as described below.

The Company's amended and restated certificate of incorporation limits ownership of its common stock by non-U.S. citizens. Generally, non-U.S. citizens cannot own or control more than 25% of its voting stock or hold 50% or more economic interest in its capital stock. As a result, foreign investment in the Company is limited. In addition, if non-U.S. citizens own or control shares in excess of the limitations, they will be restricted from voting or receiving dividends

(b) Changes to Security Rights

The Company implemented a Preferred Stock Rights Agreement in connection with its separation from Airborne. The Board of Directors declared a dividend of one right to each ABX common share outstanding. Each right entitles the holder to purchase 1/1000 of a share of ABX Series A Junior Preferred Stock at an exercise price of $180. The rights expire on August 15, 2013 and will trade with the Company's common shares unless one of the following events occur:

If an acquirer attains ownership of 15% or more of the Company's outstanding common shares, each right (other than rights held by the acquirer) will permit the holder to purchase $360 worth of ABX common shares for $180.

If an acquirer attains ownership of 15% or more of the Company's outstanding common shares, and the Company is subsequently involved in a business combination or substantial assets sale, each right (other than rights held by the acquirer) will permit the holder to purchase $360 worth of ABX common shares for $180.

At any time an acquirer attains ownership of 15% or more of the Company's outstanding common shares, but prior to obtaining 50%, the Board can exchange each right (other than rights held by the acquirer) for one common share.

Upon the earlier of the tenth day after a person or group has acquired or obtained the right to acquire ownership of 15% of the ABX stock or the tenth business day after a person of group announces a tender offer for the ABX shares, the rights will separate and begin to trade separately from the common shares.

The Board of Directors may redeem the rights for a nominal redemption price at any time, until an acquirer attains ownership of 15% of the Company's common shares outstanding.

Item 5. Other Information.

The Audit Committee of the Board of Directors has approved the services rendered by our independent auditors during the period covered by this Form 10-Q filing.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits—

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

Exhibit No.	Description of Exhibit
2.1*	Agreement and Plan of Merger, dated as of March 25, 2003, by and among Airborne, Inc., DHL Worldwide Express B.V. and Atlantis Acquisition Corporation (included as Appendix A to the proxy statement/prospectus which is a part of this registration statement).
3.1*	Form of Amended and Restated Certificate of Incorporation of ABX Air, Inc.
3.2*	Form of Amended and Restated Bylaws of ABX Air, Inc.
4.1***	Specimen of common stock of ABX Air, Inc.
4.2*	Form of Preferred Stock Rights Agreement to be dated the effective date of the merger, by and between ABX Air, Inc. and a rights agent.
10.1*	Form of Master Separation Agreement to be dated as of the effective date of the merger, by and among Airborne, Inc., ABX Air, Inc. and Wilmington Air Park LLC. (included as Appendix B to the proxy statement/prospectus which a part of this registration statement)
10.2**	Form of ACMI Service Agreement, to be dated as of the effective date of the merger, by and between ABX Air, Inc. and Airborne, Inc. (Certain portions have been omitted based upon a request for confidential treatment. The nonpublic information has been filed with the Securities and Exchange Commission.)
10.3*	Form of Hub and Line-Haul Services Agreement to be dated as of the effective date of the merger, by and between ABX Air, Inc. and Airborne, Inc.
10.4*	Form of Performance Guaranty to be dated as of the effective date of the merger, by and between DHL Holdings USA, Inc. and Airborne, Inc. with respect to the Hub and Line-Haul Services Agreement.
10.5*	Form of Performance Guaranty to be dated as of the effective date of the merger, by and between DHL Holdings USA, Inc. and Airborne, Inc. with respect to the ACMI Service Agreement.
10.6*	Form of First Non-Negotiable Promissory Note to be issued by ABX Air, Inc. in favor of DHL Holdings USA, Inc.
10.7*	Form of Second Non-Negotiable Promissory Note to be issued by ABX Air, Inc. in favor of DHL Holdings USA, Inc.
10.8*	Form of Transition Services Agreement, to be dated as of the effective date of the merger, by and between ABX Air, Inc. and Airborne, Inc.
10.9*	Form of Wilmington Airpark Sublease, to be dated as of the effective date of the merger, by and between ABX Air, Inc. and Airborne, Inc.
10.10*	Form of Employee Matters Agreement to be dated as of the effective date of the merger, by and between Airborne, Inc. and ABX Air, Inc.
10.11*	Form of Tax Sharing Agreement to be dated as of the effective date of the merger, by and between Airborne, Inc. and ABX Air, Inc.
10.12*	Form of Employment Agreement dated August 7, 2001, between Airborne Express, Inc. and Mr. Lanny H. Michael, then Senior Vice President and Chief Financial Officer of Airborne (incorporated by reference from Exhibit 10(n) to Airborne's Form 10-K for the year ended December 31, 2001). A substantially identical agreement exists between ABX and Joseph Hete.
10.13*	Form of Employment Agreement dated August 7, 2001 between Airborne Express, Inc. and Mr. Robert T. Christensen, Vice President, Corporate Controller of Airborne (incorporated by reference from Exhibit 10(o) to Airborne's Form 10-K for the year ended December 31, 2001). ABX has entered into substantially identical agreements with most of its officers.

10.14*	Participation Agreement dated as of August 16, 2001, among ABX Air, Inc., as lessee, Mitsui & Co. Ltd., as finance lessor, Tomair LLC, as Owner Participant, and Wells Fargo Bank Northwest, National Association, as Owner Trustee.
10.15*	Lease Agreement dated as of August 21, 2001, between Owner Trustee, as lessor, and ABX Air, Inc., as lessee.
10.16	Form of change in control agreement with CEO and each of the next four highest paid officers, filed within.
10.17	Form of Retention Bonus Agreement with CEO and each of the next four highest paid officers, filed within.
99.3*	Indenture dated as of December 15, 1992 between Airborne Express, Inc. and the Bank of New York, as trustee, relating to Airborne Express Inc.'s 8.87% Notes due 2002 (incorporated by reference from Exhibit 4(a) to Amendment No. 1 to Airborne's Registration Statement on Form S-3, No. 33-54560 filed with the Securities and Exchange Commission on December 4, 1992).
99.4*	First Supplemental Indenture dated as of September 15, 1995, between Airborne Express, Inc., ABX Air, Airborne Forwarding Corporation, Wilmington Park, Inc., and Airborne FTZ, Inc. and the Bank of New York, as Trustee, relating to Airborne Express, Inc.'s 7.35% Notes due 2005 (incorporated by reference from Exhibit 4(b) to ABX Air's Form S-3/A filed on September 5, 1995).
99.5*	Third Supplemental Indenture dated June 29, 2001 between AEI, ABX, Sky Courier, Inc., Wilmington Air Park, Inc., Airborne FTZ, Inc. and the Bank of New York, as trustee, relating to AEI's 7.35% notes due 2005 (incorporated by reference from Exhibit 4(b) to Airborne's Form 10-Q for the quarter ended June 30, 2001).
99.6*	Indenture dated March 25, 2002, between Airborne, Inc., as Issuer, ABX Air, Inc., Sky Courier, Inc., Wilmington Air Park, Inc., Airborne FTZ, Inc., and Sound Suppression Inc., collectively as guarantors, and The Bank of New York, as trustee (incorporated by reference from Exhibit 4.4 to Airborne's Form S-3 filed on May 13, 2002).
99.7*	Registration Rights Agreement dated March 25, 2002, between Airborne, Inc., ABX Air, Inc., Sky Courier, Inc., Wilmington Air Park, Inc., Airborne FTZ, Inc., and Sound Suppression Inc. (incorporated by reference from Exhibit 4.5 to Airborne's Form S-3 filed on May 13, 2002).
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32(a)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to the Company's Registration Statement Form S-4 filed on May 9, 2003 with the Securities and Exchange Commission.

** Incorporated by reference to the Company's Registration Statement Form S-4/A filed on June 18, 2003 with the Securities and Exchange Commission, as amended.

*** Incorporated by reference to the Company's Registration Statement Form S-4/A filed on July 9, 2003 with the Securities and Exchange Commission, as amended.

(b) Reports on Form 8-K

On August 25, 2003, the Company reported on Form 8-K filed with the Securities and Exchange Commission the issuance of a news release announcing that it had filed a motion to intervene in a lawsuit between the Airline Pilots Association (ALPA) and DHL Holdings (USA) Inc./DHL Worldwide Express, Inc. ALPA represents the pilot group at Astar Air Cargo, formerly DHL Airways Company. ALPA has requested injunctive relief that includes having the Airborne, Inc.'s freight currently being flown by ABX transferred to Astar Air Cargo.

SIGNATURES

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

ABX AIR, INC.,

a Delaware Corporation

Registrant

/s/ JOSEPH C. HETE

Joseph C Hete
Chief Executive Officer

Date: 11/14/03

/s/ QUINT O. TURNER

Quint O. Turner
Vice President, Administration
(Principal Financial Officer, Principal Accounting Officer)

Date: 11/14/03

FORM OF CHANGE IN CONTROL AGREEMENT EXECUTED IN AUGUST 2003 WITH THE COMPANY'S CHIEF EXECUTIVE OFFICER AND THE NEXT FOUR MOST HIGHLY COMPENSATED EXECUTIVE OFFICERS

Exhibit 10.16

[Date]

[Name]
c/o ABX Air, Inc.
145 Hunter Drive
Wilmington, Ohio 45177

Dear [Name]:

ABX Air, Inc., a Delaware corporation (the "Company"), and the Board of Directors of the Company (the "Board") are not necessarily opposed to any merger proposal or acquisition attempt by third parties. We recognize, and insist that our executives recognize, that in such matters our responsibility is to serve the best interests of our shareholders in maximizing the worth and potential of their investment. However, the Company, as a publicly held corporation, must be aware that insofar as it may be the subject of acquisition attempts, such attempts do raise the possibility of a change in control of the Company. It further recognizes that such a possibility can breed uncertainties as to the continued tenure and fair treatment of key executives regardless of their value to the Company and their individual merit. The Company is concerned that the possibility of acquisition attempts and a change in control can have an adverse effect on its retention of key management personnel, and that such acquisition attempts can make it difficult for such personnel to function most effectively in the best interests of the Company and its shareholders. In light of these concerns, the Board has determined that it is appropriate to offer additional security to certain key management personnel to better enable them to function effectively without distraction in the event that uncertainties as to the future control of the Company should arise.

Therefore, to induce you to remain in the employ of the Company and to encourage a high level of effective management in the best interests of the Company and its shareholders, this letter agreement sets forth certain benefits which the Company agrees will be provided to you if your employment with the Company should be terminated other than for cause, or by death, disability or normal retirement, subsequent to a "change in control" of the Company as defined and set forth in this Agreement. As the purpose of this Agreement is to provide you with stability of job tenure without being discriminated against because of activities on behalf of the Company and its shareholders in the face of a possible "change in control" or in the alternative to provide you with certain defined severance benefits in the face of termination without cause or upon discriminatory treatment after a "change in control," the provisions of this Agreement with regard to benefits shall not apply unless and until a "change in control" occurs. Further, the benefits set forth in Section 7 of this Agreement will not be provided if you cease to be in the Company's employ, even after a "change in control" and during the term of this Agreement, because of death, normal retirement, disability, "for cause," or because of voluntary termination by you without "good reason" as they are defined herein.

1. <u>Term</u>. This Agreement will at all times have a four-year term. At such time as either you or the Company give written notice to the other party that this Agreement is to be terminated (such notice on your part to have no force or effect unless given by you no later than four years after a "change in control"), then this Agreement will expire four years from receipt of the notice. In any event, this Agreement will terminate at your normal retirement date. For purposes of this Agreement, your normal retirement date shall be the first day of the month following the month in which you attain age 65.

2. <u>Change in Control</u>. For the purposes of invoking your benefits under this Agreement, a "change in control" shall mean the occurrence of any one of the following actions or events:

(a) The acquisition by any person of the power, directly or indirectly, to exercise a controlling influence over the management or policies of the Company (either alone or pursuant to an arrangement or understanding with one or more other persons), whether through ownership of voting securities, through one or more intermediaries, by contract, by way of a reorganization, merger or consolidation, or otherwise; or

(b) The acquisition by a person who is not a U.S. citizen (either alone or pursuant to an arrangement or understanding with one or more other persons) of the ownership of or power to vote 25% or more of the outstanding voting securities of the Company; or

(c) The acquisition by a person who is a U.S. citizen (either alone or pursuant to an arrangement or understanding with one or more other persons) of the ownership of or power to vote 35% or more of the outstanding voting securities of the Company, provided that no change in control shall be deemed to occur under this subsection (c) if less than 50% of the outstanding voting securities of the Company are acquired and such acquisition has been approved by the Board; or

(d) If during a period of six years after the acquisition by any person, directly or indirectly, of the ownership of or power to vote 10% or more of the outstanding voting securities of the Company, the individuals who prior to such acquisition were Directors of the Company ("Prior Directors") shall cease to constitute a majority of the Board, unless the nomination of each new Director was approved by a vote of a majority of the Prior Directors; or

(e) The Company is liquidated; all or substantially all of the Company's assets are sold in one or a series of related transactions; or

(f) The Company is merged, consolidated, or reorganized with or involving any other corporation, other than a merger, consolidation, or reorganization (a "transaction") that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such transaction.

The term "person" for purposes of this paragraph shall include a natural person, corporation, partnership, association, joint-stock company, trust fund, or organized group of persons.

3. Death, Retirement and Disability. In the event of your death, normal retirement, disability or voluntary termination without good reason during the term hereof and following a "change in control," the Company shall pay you your then current full base salary plus vacation and any other compensation actually accrued through the date of termination, and the Company shall have no further obligation to you except that you or your estate will be entitled to receive those applicable benefits under any plans, programs and policies in effect with regard to the executives or salaried employees of the Company. For purposes of this Agreement, normal retirement and disability are defined as follows:

(a) Normal Retirement: For purposes of this Agreement, termination by the Company or you of your employment based on normal retirement shall mean termination at age 65 or such earlier or later age set in accordance with the retirement policy then generally in effect with regard to the Company's salaried employees which is not discriminatory as to you. Normal retirement shall also include retirement in accordance with any early or deferred retirement age or date established with your consent.

(b) Disability: Disability as grounds for termination shall mean physical or mental illness resulting in your absence from your duties with the Company on a full time basis for 365 consecutive days following the exhaustion of all current and accrued sick leave and vacation (as provided by Company policy to all salaried employees on a nondiscriminatory basis). If within thirty (30) days after written notice of proposed termination for disability is given by the Company, you have not returned to the full time performance of your duties, the Company may terminate your employment by giving written Notice of Termination for "Disability."

4. Other Termination Following a Change in Control. If a "change in control" occurs and you are subsequently terminated as an employee by the Company during the term of this Agreement (except for normal retirement, disability or for cause as hereinafter defined) or if you terminate your employment for good reason, as hereinafter defined, you will be entitled to receive the benefits set forth in Section 7 hereof. In addition, and notwithstanding any other provision of this Agreement to the contrary, the benefits set forth in Section 7 shall be payable to you if a "change in control" occurs and you were terminated as an employee by the Company prior to the date on which a change in control occurs, and it is reasonably demonstrated by you that such termination of employment (i) was at the request of a third party who was taking steps reasonably calculated to effect the change in control or (ii) otherwise arose in connection with, or in anticipation of, the change in control, provided that no benefits under Section 4 or 7 are payable if termination is for normal retirement, disability or for cause, as hereinafter defined, or if you voluntarily terminate.

5. Cause. After a “change in control,” the Company may terminate your employment for “cause” without liability under the benefit provisions hereof only upon:

(a) The willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or

(b) The willful engaging by you in gross misconduct demonstrably injurious to the Company.

For the purpose of this Section 5, no act, or failure to act, on your part shall be considered “willful” if done, or omitted to be done, by you in good faith and in the reasonable belief that your act or omission was in the best interests of the Company. You shall not be deemed to have been terminated for cause unless and until you receive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth in clauses (a) or (b) of the first sentence of this Section 5 and specifying the particulars thereof.

If your employment is terminated for cause, the Company shall pay you your then current full base salary plus vacation and any other compensation actually accrued through the date of termination, and the Company shall have no further obligation to you except that you or your estate will be entitled to receive applicable benefits under any plans, programs or policies in effect with regard to executive or salaried employees of the Company.

6. Good Reason. You may regard your employment as constructively terminated by the Company, and yourself terminate your employment for “good reason” following a “change in control” and during the term hereof, receiving the benefits set forth in Section 7, upon the happening of one or more of the following events which will constitute good reason for your own termination of your employment:

(a) Without your express written consent, the assignment to you of any duties not customarily performed by senior executives of the Company or inconsistent with your position as senior executive prior to a “change in control,” or the failure of the Company to maintain you in senior executive position; or to provide you with the normal perquisites of a senior executive of the Company, including but not limited to an office and appropriate support services or any other action by the Company which results in a diminution in your position, authority, duties or responsibilities as they existed immediately prior to the “change in control,” excluding, however, an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by you.

(b) A reduction by the Company in your base salary as in effect prior to a “change in control” unless such reduction is applied to all officers of the Company (including any parent or successor of the Company) and does not exceed the average percentage reduction in base salary for all officers of the Company, with a maximum permissible reduction of 25%, or the failure by the Company to increase such base salary each year following a “change in control” by an amount which equals at least one-half ($^1/_2$), on a percentage basis, the average percentage increase in base salary for all officers of the Company or any parent or successor of the Company during the prior two full calendar years;

(c) A failure by the Company to maintain any of the employee benefits to which you are entitled prior to a “change in control” at a level equal to or greater than that in effect prior to a “change in control,” through the continuation of the same or substantially similar plans, programs and policies, or the taking of any action by the Company which would adversely affect your participation in or materially reduce your benefits under any such plans, programs or policies or deprive you of any fringe benefits enjoyed by you prior to a “change in control,” unless such a reduction in benefits is nondiscriminatory as to you and is applied generally.

(d) The failure by the Company to provide you with the number of paid vacation days to which you would be entitled as a salaried employee of the Company, its subsidiaries or affiliates, or any parent or successor of the Company on a nondiscriminatory basis.

(e) The Company’s requiring you to be based anywhere other than your current location (or within 25 miles thereof) except for required travel on the Company’s business to an extent substantially consistent with your present business travel obligations; or the relocation of your offices outside of their current location (or within 25 miles thereof) without your consent.

(f) Any purported termination of your employment by the Company which is not effected pursuant to the notice of termination and procedures required by the specific provision relied upon (i.e., Disability, or Cause), or normal retirement as defined in Section 3 hereof, or any purported termination for which the grounds relied upon are not valid.

Upon the happening of one or more of these events, should you choose to regard your employment as constructively terminated, delivery of a written notice of termination setting forth the "good reason" therefor will entitle you to the benefits as set forth in Section 7 hereof.

7. Compensation Upon Termination Without Cause or Termination for Good Reason. If (1) after a "change in control" and during the term hereof or prior to a "change in control" if the conditions set forth in the last sentence of Section 4 are met, you are terminated by the Company other than by reason of normal retirement, disability or for cause under the definitions and procedures as set forth herein, or (2) after a "change in control" and during the term hereof, you choose to terminate your employment for "good reason" as set forth herein, then the Company shall pay to you the following amounts:

(a) Your full base salary through the date of any Notice of Termination plus payment for all accrued vacation, and any incentive and deferred compensation to which you are entitled for the year most recently ended and the pro rata share of any such compensation which would be due in the year of termination, up to the date of termination, to the extent not already paid; plus

(b) An amount equal to:

(i) The sum of A and B, multiplied by the number set forth in paragraph (b)(ii) below, where

A is the highest of the following: (1) your annual base salary at the rate in effect as of your termination, (2) your annual base salary at the highest rate in effect during the two-year period prior to the date of termination, and (3) [current base salary], and

B is the amount of any additional compensation, including any sums awarded under any incentive compensation plan or plans, awarded you for the year most recently ended, whether or not fully paid, or, if higher, such additional compensation for the year in which your termination occurred, determined in accordance with the following principles: the additional compensation under any incentive compensation plans for the year in which your termination occurred shall be (1) for the period up until the end of the most recent quarter-end prior to termination, a pro rata amount of the annual award that would have been made assuming (i) to the extent such award is based on an objective performance measure, the actual performance for that period, expressed as a percentage of target for that measure during the period, continued the entire year, and (ii) to the extent the award is based on other factors or if the target performance was not established prior to the applicable quarter-end, the award shall be made by assuming performance for the year equaled the weighted average of percentages of target performance achieved for the objective measures for such period, and (2) for the remaining period, a pro rata amount of the annual award that would have been made assuming performance for each measure for the year equaled the target. [1] The additional compensation for such year under any replacement or successor to such plans shall be based on comparable principles. Notwithstanding the foregoing, in no event shall B be less than [bonus amount received under Management Incentive Compensation Program for Calendar Year 2002, if applicable].

(ii) The number ["3" if President and Chief Executive Officer; "2" if Senior Vice President or Vice President]. If your normal retirement date is less than three (3) years from your termination date, then the multiplier shall be that fraction remaining until your normal retirement date rounded to the nearest tenth (i.e., 18 months equals 1.5, 8 months equals .7).

(iii) With regard to the Company's Profit Sharing Plan and Retirement Income Plan, the Company shall pay a lump sum equal to the amount forfeited by you, if any, under such plan which would have vested if your employment had continued for the remaining term of this Agreement.

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1 By way of example, assume a change in control and termination in the middle of the third quarter. Assume also that for the first two quarters, the Company made 104% of the profit target (with a 60% weight) and 96% of the revenue target (with a 20% weight); there is also a 20% weighted non-objective factor. The award for the year would be the sum of (1) 50% of the annual award that would be made if the Company made 104% of profit target for the year, 96% of the revenue target and 102% of target for the other factor (102% equals the weighted average of the 104% and 96% performances) plus (2) 50% of the annual award that would be made if all measures were at 100% of target for the year.

2 DHL's approval rights include approval over the dollar amounts to be included in Section 3 of this Agreement. DHL is currently reviewing data provided by ABX.

(iv) For the remaining term of this Agreement prior to your normal retirement date, the Company shall pay your health insurance premiums, provided you have elected COBRA continuation coverage, and at the end of such continuation coverage period it shall at its option either arrange for you to receive health benefits substantially similar to those which you were receiving immediately prior to termination of the coverage period, or pay to you an amount equal to the premiums the Company would pay on your behalf for participation in such health plan or plans for the remaining term of this Agreement prior to your normal retirement date.

(v) The Company shall maintain in full force and effect at its expense, for the remaining term of this Agreement prior to your normal retirement date, all other employee benefit plans, programs and policies (including any life or health insurance plans) in which you were entitled to participate immediately prior to your termination, provided that your continued participation is possible under the general terms and provisions of such plans, programs and policies. In the event that your participation in any such plan, program or policy is not possible under its terms and conditions, the Company shall arrange to provide you with benefits substantially similar to those which you would have been entitled to receive under each plan, program or policy. At the end of the period of coverage, you will have the option to have assigned to you at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating to you and to take advantage of any conversion privileges pertinent to the benefits available under Company policies.

(vi) In addition to the payment of any benefits to which you are entitled under the Supplemental Executive Retirement Plan ("SERP") and qualified retirement plans maintained by the Company in which you are a participant on the date of your termination, the Company shall pay you in cash at the time specified in Section 8, an amount equal to the sum of the following: (a) the difference between the actuarial equivalent of the amount which you are entitled to receive, if any, under the SERP and the amount which you would have received from the SERP if you had continued in the employ of the Company for an additional three years. If your normal retirement date would occur during that three-year period, then the amount of such additional compensation shall be calculated on the basis that your employment continued to that date. For the purposes of the calculation of benefits under the SERP, the "actuarial equivalent" shall be determined by using the interest rate specified in such plan for lump sum calculations and assuming your survival to age 80, and (b) the difference between the actuarial equivalent of the amount which you are entitled to receive, if any, under the Retirement Income Plan and the amount which you would have received from such plan if you had continued in the employ of the Company for an additional three years (each amount to be determined as if paid at the end of such three year period). If your normal retirement date would occur during that three-year period, then the amount of such additional compensation shall be calculated on the basis that your employment continued to that date. For the purposes of the calculation of benefits under the Retirement Income Plan, the "actuarial equivalent" shall be determined by using the interest rate specified in such plan for lump sum calculations and assuming your survival to age 80. For purposes of this paragraph, the benefit you would have received from the SERP and Retirement Income Plan if you continued to be employed for three years shall be made based on the terms of such plan at the time of the change in control, unless the plan has been amended to provide (or replaced with a new plan that provides) a larger benefit, in which case the new terms shall apply.

(vii) Notwithstanding any other provisions of this Agreement, if any severance benefits under Section 7 of this Agreement, together with any other Parachute Payments (as defined under Internal Revenue Code Section 280(G)(b)(2)) made by the Company to you, if any, are characterized as Excess Parachute Payments (as defined in Internal Revenue Code, Section 280(G)(b)(1)), then the Company shall pay to you, in addition to the payments to be received under this Agreement, an amount such that, after payment by you of all taxes, including federal and state income taxes and additional excise taxes imposed by Section 4999 of the Code on this additional payment, you retain an amount equal to the excise taxes imposed by Section 4999 of the Code on your Excess Parachute Payments.

8. Payments and Disputes. For purposes of this Agreement, your date of termination will be the date written notice of termination is given by the Company to you. If termination is under circumstances invoking the benefits of Section 7, then the sums specified therein will be paid no more than ten (10) working days after the date of termination (if the last sentence of Section 4 applies, 10 working days after the "change in control"). However, the portion of the payment based upon the amounts payable under any incentive compensation plans, Profit Sharing Plan, Retirement Income Plan and the SERP shall be paid no later than the later of the date set forth in the preceding sentence or ten (10) working days after the amount payable under such particular plan has been determined following availability of results necessary for computation of such amount.

In the event that the Company wishes to contest or dispute a termination for "good reason" by you, it must give written notice of such dispute within the five day period after the date of termination. If you wish to contest or dispute a termination by the Company, or any failure to make payments claimed to be due hereunder, you must give written notice of such dispute within thirty days of receiving a notice of termination (if the last sentence of Section 4 applies, within thirty days after the "change in control"). In the event of a dispute, the Company shall continue to pay your full base salary and continue all your employee benefits in force until final resolution of any such dispute by mutual agreement or the final judgment, decree or order of a court of competent jurisdiction (including any appeals, if such are perfected). You may, at your or the Company's option, be suspended from all duties during the pendency of such a contest or dispute. If you prevail in any such contest or dispute, the Company shall thereupon be liable for the full amounts due under Section 7 as of the date of termination after adjustments for amounts already paid.

The Company will pay all fees and expenses, including full attorneys' fees, incurred by you in good faith in contesting or disputing any termination after a "change in control" or in seeking to obtain or enforce any right or benefit provided by this Agreement.

In the event that any payments due hereunder shall be delayed for any reason beyond the date set forth in the first paragraph of this Section 8, the amounts due shall bear simple interest at the rate of eighteen percent (18%) per annum until paid.

Notwithstanding the provisions as to time of payment as above set forth, you may at your sole option elect to have some or all of such amounts due you deferred to a date or dates of your choosing over a period not to exceed three years, in which event the unpaid balances shall not bear interest during the deferred period elected by you.

9. Mitigation. You shall not be required to mitigate the amount of any payment due under Section 7 by seeking other employment. If you should accept a position with another employer after your date of termination and during the period of provision of benefits under Section 7, then the Company shall have no further liability for the provision of benefits or further payments under Section 7(b)(iv) and (v).

10. Covenant for Confidentiality and Not to Compete.

You agree that as an executive of the Company, with important responsibilities for and knowledge of its operations, your services are a valuable asset to the Company and that you have access to business information of material importance to the Company. Therefore, to protect the Company's interest in you and in the integrity and success of its operations, you agree that during the term of this Agreement while employed by the Company you will keep all Company information (excluding publicly available information) confidential and will not enter into the employment of, or invest in or contribute to, participate in the activities of, or act as consultant to or advise any enterprise in whatever form organized and carried on which is directly competitive with any business activity then conducted or planned by the Company, provided, however, that you may make investments in publicly traded securities of any issuer if the securities owned represent less than 1% of the class of such securities of such issuer then issued and outstanding. You further agree that for a period of one year following the termination of your employment with the Company you will continue to keep all Company information (excluding publicly available information) confidential and that, unless you are entitled to, or received, the benefits set forth in Section 7, you will not enter into the employment in an executive or consultant capacity or serve on the Board of Directors of any enterprise in whatever form organized and carried on which is directly competitive with any business activity then conducted by the Company within the continental United States.

11. Successors; Binding Agreement.

(a) This Agreement shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company. As used herein, "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts are still payable to you hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be not such designee, to your estate.

12. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by United States certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and the Chief Executive Officer of the Company or such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach of, or lack of compliance with, any conditions or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

This Agreement supercedes any prior agreement between the Company and you with respect to the matters set forth herein.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio.

14. Validity. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement is to be executed in counterparts, each of which shall be deemed to be an original.

If this letter correctly sets forth our agreements, sign and return to the Company the enclosed copy of this letter, retaining your copy for your files.

ABX AIR, INC.

By ______________________

Its ______________________

____

Employee

FORM OF RETENTION BONUS AGREEMENT EXECUTED IN AUGUST 2003 WITH THE COMPANY'S CHIEF EXECUTIVE OFFICER AND THE NEXT FOUR MOST HIGHLY COMPENSATED EXECUTIVE OFFICERS

EXHIBIT 10.17

ABX AIR, INC

RETENTION BONUS AGREEMENT

This Retention Bonus Agreement ("Agreement") is entered into as of August __, 2003 by and between ABX Air, Inc., a Delaware corporation, (the "Company") and ______ ("Executive").

WHEREAS, Executive is currently a valued key executive of the Company;

WHEREAS, the Company's parent corporation, Airborne, Inc., a Delaware corporation ("Airborne") and DHL Worldwide Express, B.V., a company organized and existing under the laws of the Netherlands ("DHL") have entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which a subsidiary of DHL will merge with and into Airborne (the "Merger"), provided that certain conditions precedent to the Merger set forth in the Merger Agreement are satisfied;

WHEREAS, in connection with the Merger Agreement, the Company, Airborne and Wilmington Air Park LLC, a Delaware limited liability company, wholly-owned by the Company, have entered into a Master Separation Agreement (the "Separation Agreement"), pursuant to which, among other things, Airborne will distribute the shares of the Company to its shareholders (the "Spin-Off"), as a result of which the Company will become a separate public company;

WHEREAS, in connection with the Merger and the Spin-Off, the Company and Airborne have entered into an Employee Matters Agreement (the "Employee Matters Agreement");

WHEREAS, Executive, the Company and Airborne previously entered into a letter agreement dated ______ (the "Prior Letter Agreement") that provides for certain payments and other benefits in the event of certain terminations of Executive's employment with Airborne and its subsidiaries and affiliates in connection with or following a change in control of Airborne and if other conditions described in the Prior Letter Agreement are met;

WHEREAS, pursuant to the Employee Matters Agreement, the Company and Airborne agreed to ask Executive to accept a retention bonus arrangement as a substitute for any and all payments and other benefits under the Prior Letter Agreement and to release the Company, Airborne and their respective subsidiaries and affiliates of any and all liabilities and obligations under the Prior Letter Agreement, subject to DHL's advance review and approval of the terms of such substitute arrangement;

WHEREAS, [DHL has reviewed and approved the terms of the substitute retention bonus arrangement as set forth in this Agreement]; and[2]

WHEREAS, Executive has agreed to accept the substitute retention bonus arrangement as set forth herein in lieu of the payment of any amounts and other benefits under the Prior Letter Agreement.

NOW, THEREFORE, in consideration of Executive's continued employment with the Company, in consideration of the covenants and agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** The following terms when used in this Agreement with the first letter capitalized, shall have the meanings set forth below.

(a) "Beneficiary" shall mean the person or entity designated or deemed designated by Executive pursuant to Section 15 of this Agreement.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean, after the Spin Off:

(i) Executive's continued failure to substantially perform Executive's duties to the Company (other than any such failure resulting from total or partial incapacity due to Executive's physical or mental illness) unless Executive corrects such failure within 10 calendar days following written notice by the Company to Executive specifically identifying the manner in which the Company believes Executive has failed to substantially perform;

(ii) dishonesty in the performance of Executive's duties to the Company;

(iii) Executive's willful malfeasance or willful misconduct in connection with Executive's duties to the Company or any act or omission which is injurious to the financial condition or business reputation of the Company; or

(iv) Executive's conviction of, or plea of nolo contendere to, a crime constituting (A) a felony under the laws of the United States or any state thereof, or (B) a misdemeanor involving moral turpitude.

For purposes of this Section 1(c), no act, or failure to act, shall be considered "willful" if the Board concludes that it was done, or omitted to be done, by Executive in good faith and in the reasonable belief that Executive's act or omission was in the best interests of the Company.

(d) "Disability" shall mean physical or mental illness that renders Executive incapable of discharging his/her normal duties and is reasonably expected to continue for at least 365 consecutive calendar days. Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Executive shall be final and conclusive for all purposes of the Agreement, and shall apply in lieu of the dispute resolution procedures set forth in Section 10.

(e) Good Reason" shall mean, after the Spin Off, without Executive's express written consent:

(i) the failure of the Company to pay or cause to be paid Executive's base salary when due;

(ii) a reduction by the Company in Executive's annual base salary, unless such reduction is nondiscriminatory as to Executive and is applied generally to other officers of the Company, with a maximum permissible reduction of 25% over any period of 3 consecutive years commencing after the Spin Off;

(iii) a substantial and sustained diminution in Executive's authority or responsibilities; or

(iv) the relocation by the Company of Executive's primary place of employment by more than 50 miles from the [SPECIFY CURRENT LOCATION], unless the Company makes available to Executive a reasonable relocation package to facilitate such relocation; provided that in no event shall the relocation by the Company of Executive's primary place of employment to Cincinnati, Ohio constitute Good Reason hereunder;

provided that any of the events described in Clauses (i) through (iv) shall constitute Good Reason only if the Company fails to cure such event within 30 calendar days after receipt from Executive of written notice of the event which constitutes Good Reason; provided, further, that "Good Reason" shall cease to exist for an event on the 60th calendar day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date.

(f) "Payment Dates" shall mean the first, second and third anniversaries of the Spin Off.

(g) "Retirement" shall mean termination of employment at or after reaching age 65.

2. **Waivers of Rights under Prior Letter Agreement.** Executive hereby waives and relinquishes any and all rights and benefits he/she may have, now or in the future, for payments of amounts and benefits under the Prior Letter Agreement against each and all parties to the Prior Letter Agreement and their respective affiliates and subsidiaries, and agrees not to make any claim, now or in the future, for any amounts or benefits under the Prior Letter Agreement.

3. **Bonus Payments.** In consideration for Executive's continued employment with the Company, in consideration for the waiver and release of Executive's rights to any and all payments and benefits under the Prior Letter Agreement, and subject to Section 7 of this Agreement and Executive's execution and non-revocation of a release in substantially the form attached hereto as Exhibit A, the Company hereby agrees to pay Executive a bonus payment in an amount equal to $____ on each of the three (3) Payment Dates; provided that, except as provided in Section 4 of this Agreement, each such bonus payment shall be contingent on Executive's continued employment by the Company on such Payment Date. Following the Company's payment of such bonuses, except as is expressly set forth in Section 5, the Company shall have no further obligations under this Agreement, and Executive shall have no further rights to any other payments under this Agreement.

4. **Effect of Termination of Employment.**

(a) By the Company without Cause; By Executive with Good Reason; Due to Executive's Death or Disability.

If, prior to any Payment Date, Executive's employment is terminated by the Company without Cause or due to Disability, Executive terminates employment with the Company with Good Reason, or Executive's employment terminates due to Executive's death, then the Company shall pay to Executive (or Executive's Beneficiary in the event of death) a lump sum payment in an amount equal to the sum of the amount of all then-unpaid bonus payments that otherwise would have become payable to Executive under this Agreement if his/her employment had continued through the last Payment Date. Such payment shall be made within ten (10) business days following Executive's termination of employment and shall not be reduced on account of the acceleration of the timing of the payment. Following the Company's payment of such bonuses, except as is expressly set forth in Section 5, the Company shall have no further obligations under this Agreement, and Executive shall have no further rights to any other payments under this Agreement.

(b) Termination For Any Other Reason.

If, prior to any Payment Date, Executive's employment with the Company terminates or is termination for any reason other than a reason set forth in Section 4(a) above (including without limitation, termination by the Company for Cause, or termination by Executive due to Retirement or without Good Reason), the Company shall have no obligation to make any further bonus payments, and Executive shall forfeit all then unpaid bonus payments under this Agreement for all Payment Dates occurring after Executive's termination of employment with the Company, although any obligation arising under Section 5 with respect to payments made before Executive's termination of employment will not be affected. Following such termination of employment, except as is expressly set forth in Section 5, the Company shall have no further obligations under this Agreement, and Executive shall have no further rights to any other payments under this Agreement.

5. **Gross Up Payments.** Notwithstanding any other provisions of this Agreement, if any bonus payments under this Agreement, together with any other Parachute Payments as defined under Internal Revenue Code Section 280(G)(b)(2) made by Airborne or the Company in connection with the Spin-Off or Merger, if any, are characterized as Excess Parachute Payments as defined in Internal Revenue Code Section 280(G)(b)(1), then the Company shall pay to Executive, in addition to the bonus payments to be received under this Agreement, an amount such that, after payment by Executive of all taxes, including federal and state income taxes and additional excise taxes imposed by Section 4999 of the Code on this additional payment, Executive retains an amount equal to the excise taxes imposed by Section 4999 of the Code on Executive's Excess Parachute Payments. Amounts provided for under this Section 5 shall not duplicate, with respect to any particular payment, any similar gross-up amounts provided for under any other change in control, parachute, employment or severance agreement to which Executive is a party. This obligation will not be extinguished on the last Payment Date.

6. **Effect of Subsequent Tax Claim.** Executive must notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority relating to any golden parachute excise taxes alleged to be due with respect to payments under Section 5 ("Tax Claim"). Executive also must give this notification in writing as soon as practicable but no later than 10 business days after the date Executive has actual knowledge of any Tax Claim. Simultaneously, Executive must apprise the Company of the nature of the Tax Claim. Executive also agrees not to pay any Tax Claim before the expiration of the 90-day period following the date on which Executive gives this notice to the Company (or any shorter period ending on the date that any payment of taxes with respect to the Tax Claim is due).

If, before the expiration of the period described in the last sentence of the preceding paragraph, the Company notifies Executive in writing that it intends to contest the Tax Claim, Executive must:

(a) Give the Company any information it reasonably requests in writing that is related to the Tax Claim;

(b) Take any action in connection with contesting the Tax Claim that the Company reasonably requests in writing, including accepting legal representation with respect to the Tax Claim by an attorney selected by the Company;

(c) Cooperate with the Company in good faith to contest the Tax Claim effectively; and

(d) Permit the Company to participate in and to control any proceedings relating to any Tax Claim.

If Executive does not comply in every respect with the procedures described in this Section 6, the Company will be discharged from all obligations described in Section 5.

Subject to Executive's compliance with the rules stated above, following receipt of the notice related to the Tax Claim, the Company will notify Executive that it will either accede to or contest the Tax Claim. If this notice is not given by the Company within 90 calendar days following receipt of the notice from Executive of the Tax Claim, the Company will be deemed to have acceded to the Tax Claim and will apply Section 5 to reimburse Executive for the effect of the additional amounts due.

If the Company decides to contest the Tax Claim, the Company will:

(a) Assume control of all proceedings taken in connection with any contest relating to the Tax Claim and, at the Company's sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any Tax Claim; and

(b) Directly bear and pay all costs and expenses (including additional interest and penalties) incurred in connection with any contest relating to a Tax Claim and will indemnify and hold Executive harmless, on an after-tax basis, for any additional interest and penalties imposed as a result of the Company's payment of the costs of resisting any Tax Claim.

If, after the receipt by Executive of an amount under Section 5, Executive becomes entitled to receive any tax refund relating to any overpayment of any excise tax or other tax (including interest and penalties) related to payments under Section 4 or 5 of this Agreement, Executive will promptly pay to the Company the amount of any refund (together with any interest received with respect to that refund).

Executive also agrees to promptly notify the Company if and when Executive consents to the extension of the statute of limitations for any year for which a payment is made under Section 4 or 5.

7. **Set-Off**. Anything to the contrary contained herein notwithstanding, in the event that any amounts become payable to Executive by the Company or any of its subsidiaries or affiliates pursuant to the terms of any change in control, parachute or severance arrangement, or pursuant to the terms of any employment agreement as a result of Executive's termination of employment, then any amounts paid or payable under this Agreement shall reduce and off-set any amounts otherwise payable to Executive under that change in control, parachute, severance or employment agreement or arrangement. To the extent that amounts are actually paid under such other agreement contrary to the provisions of this Section 7, amounts paid or payable under this Agreement shall be subject to reduction, set-off, counter-claim or recoupment by the Company. The provisions of this Section 7 shall survive the Executive's termination of employment, and any termination of the Company's obligation to make payments hereunder.

8. **Date of Termination of Employment**. For purposes of this Agreement, Executive's date of termination of employment will be the earliest of (a) the date written notice of termination is given by the Company to Executive, (b) the date written notice of termination is given by Executive to the Company, or (c) the date Executive ceases to perform services for the Company (other than due to Disability, but including due to death or Retirement).

9. **Other Benefit Plans and Compensation Arrangements**. The payments hereunder shall not be taken into account in computing Executive's salary or compensation for the purposes of determining any benefits, payments or compensation under any employee benefit, incentive or compensation arrangement (including any pension, retirement, severance, bonus, or life insurance arrangement) of the Company or any of its subsidiaries or affiliates, or for purposes of any agreement (including any change in control, parachute, employment or severance agreement) between Executive and the Company or its past or current subsidiaries or affiliates.

10. **Disputes**. In the event that the Company wishes to contest or dispute a termination for Good Reason by Executive, it must give written notice of such dispute within 20 calendar days following the date of termination. If Executive wishes to contest or dispute a termination by the Company for Cause, or, subject to Section 1(d), any failure of the Company to make payments claimed to be due hereunder, Executive must give written notice of such dispute within 20 calendar days following the date or termination or the alleged payment date, as applicable. If Executive prevails in any such contest or dispute, as determined by the Board (or its delegate), the amounts then due shall be paid as soon as administratively practicable, together with simple interest calculated with reference to the mid-term applicable federal rate as defined pursuant to Internal Revenue Code Section 1274(d) for January 1 of each calendar year, compounded annually until paid.

11. **Mitigation.** Executive shall not be required to mitigate the amount of any payment due under this Agreement by seeking other employment.

12. **Successors; Binding Agreement**.

(a) This Agreement shall not be assignable by Executive. This Agreement shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company. As used herein, "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid.

(b) This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

13. **Notices.** Any notice or other communication provided for in this Agreement shall be in writing and sent if to the Company to its principal office at:

145 Hunter Drive
Wilmington, Ohio 45177
Attention: Vice President of Human Resources

or at such other address as the Company may from time to time in writing designate, and if to Executive, at:

____
____

or such address as Executive may from time to time in writing designate (or Executive's residential address of record in the absence of such designation),

or, if to a Beneficiary, at the address given in the latest beneficiary designation form or such other address that the Beneficiary may from time to time in writing designate.

Each such notice or other communication shall be effective (a) if given by telecommunication, when transmitted to the applicable number so specified pursuant to this Section 13 and an appropriate answer back is received, (b) if given by mail, three business days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when actually delivered at such address.

14. **No Right to Employment.** Nothing contained in this Agreement shall (a) confer on Executive any right to continue in the employ of the Company or a subsidiary or affiliate, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the right of the Company to terminate Executive's employment at any time and for any reason, with or without Cause.

15. **Beneficiaries**. Executive may designate one or more persons or entities as the primary and/or contingent Beneficiaries of any payments that become due to Executive under this Agreement. Executive may make or change the designation at any time, provided that any designation or change thereto must be in the form of a signed writing acceptable to and received by the Company's Corporate Director of Human Resources or any successor.

16. **Entire Agreement / Amendments.** This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and expressly supercedes the Prior Letter Agreement. There are no restrictions,

agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. No amendment or modification of the terms of this Agreement shall be valid unless made by written agreement executed by the parties hereto or their respective successors and legal representative.

17. **Waiver.** No failure on the part of any party to exercise or delay in exercising any right hereunder, shall be deemed a waiver thereof or of any other right, nor shall any single or partial exercise preclude any further or other exercise of such right or any other right.

18. **Choice of Law.** This Agreement, the legal relations between the parties and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement, the relationship of the parties or the subject matter hereof shall be governed by and construed in accordance with the laws of the State of Ohio applicable to contracts made and performed in such State and without regard to conflicts of law doctrines.

19. **Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

20. **Withholding; Deductions.** The Company will withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld under applicable law.

21. **Section Headings.** Section and other headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

22. **Counterparts.** This Agreement and any amendment hereto may be executed in one or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ABX AIR, INC.

By ______________________________

Its ______________________________

By signing this Agreement, Executive acknowledges that he/she (a) has read and fully understands the terms of this Agreement and their effect, (b) is surrendering any and all rights under the Prior Letter Agreement against each and all parties to the Prior Letter Agreement and their respective affiliates and subsidiaries in exchange for the payments and other consideration described in this Agreement, (c) fully understands that the payments and other consideration described in this Agreement are adequate consideration for surrendering rights under the Prior Letter Agreement, and (d) shall have no claim to any consideration, payments, benefits or other rights under the Prior Letter Agreement.

____

Executive

Exhibit A

RELEASE

(____________)

THIS RELEASE ("Release") is made by ("you") in favor of Airborne, Inc. ("Airborne") and ABX Air, Inc. (the "Company"), as of the date set forth below.

WHEREAS, Airborne, the Company and you previously entered into a letter agreement dated (the "Letter Agreement") that provides for certain payments and other benefits in the event of certain terminations of your employment in connection with or following a change in control of Airborne and if other conditions described in the Letter Agreement are met; and

WHEREAS, you have agreed to enter into a retention bonus arrangement (the "Retention Agreement") as a substitute for and in lieu of any and all payments and other benefits under the Letter Agreement and to release Airborne, the Company and their respective subsidiaries and affiliates of any and all liabilities and obligations under the Letter Agreement; and

IN CONSIDERATION OF your continued employment with the Company, in consideration of the benefits provided under the Retention Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, you hereby agree as follows:

a. You hereby agree on behalf of yourself, your agents, assignees, attorneys, successors, assigns, heirs and executors, to, and you do hereby, fully and completely forever release Airborne, the Company and their respective subsidiaries, affiliates, predecessors and successors and all of their respective past and/or present officers, directors, partners, members, managing members, managers, employees, agents, representatives, administrators, attorneys, insurers and fiduciaries in their individual and/or representative capacities (hereinafter collectively referred to as the "Releasees"), from any and all causes of action, suits, agreements, promises, damages, disputes, controversies, contentions, differences, judgments, claims, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialities, covenants, contracts, variances, trespasses, extents, executions and demands of any kind whatsoever, which you or your heirs, executors, administrators, successors and assigns ever had, now have or may have against the Releasees or any of them, in law, admiralty or equity, whether known or unknown to you, for, upon, or by reason of, any matter, action, omission, course or thing, including without limitation in connection with, under, derivative of, or in relationship to the Letter Agreement or your employment or other service relationship with Airborne, the Company or any of their respective subsidiaries or affiliates, separation from or termination of any such employment or service relationship, and any applicable employment, compensatory, benefit or equity arrangement with Airborne, the Company or any of their respective subsidiaries or affiliates occurring up to the date this Release is signed by you; provided that such released claims shall not include any claims to enforce your rights under, or with respect to, the Retention Agreement pursuant to its terms (such released claims are collectively referred to herein as the "Released Claims").

b. Notwithstanding the generality of clause (a) above, the Released Claims include, without limitation, (i) any and all claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Civil Rights Act of 1971, the Civil Rights Act of 1991, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, the Family and Medical Leave Act of 1993, and any and all other federal, state or local laws, statutes, rules and regulations, whether pertaining to employment or otherwise, and (ii) any claims for wrongful discharge, breach of contract, fraud, misrepresentation or any claims relating to compensation, or any other claims under any statute, rule or regulation or under the common law, including compensatory damages, punitive damages, attorney's fees, costs, expenses and all claims for any other type of damage or relief.

c. You expressly understand and agree that the obligations of the Company as set forth in the Retention Agreement are in lieu of any and all other amounts which you might be, are now, or may become entitled to receive from Airborne, the Company or any of their respective subsidiaries or affiliates under the Letter Agreement or upon any claim released herein and, without limiting the generality of the foregoing, you expressly waive any right or claim that you may have or assert with respect to the Letter Agreement and any employment, compensation, benefit or equity arrangement with Airborne, the Company or any of their respective subsidiaries or affiliates, and any damages and/or attorney's fees and costs.

d. To ensure that the foregoing release is fully enforceable in accordance with its terms, you agree to waive any and all rights of Section 1542 of the California Civil Code (to the extent applicable) as it exists from time to time or a successor provision thereto, which provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In addition, to ensure that the foregoing release is fully enforceable in accordance with its terms, you agree to waive any protection that may exist under any comparable or similar statute and under any principle of common law of the United States or any and all States.

e. You understand and agree that you must continue to keep confidential all proprietary or confidential information (excluding publicly available information unless made public by you) of Airborne, the Company and their respective subsidiaries and affiliates that you learned while employed by or providing services to any of them, and you shall not make use of any such proprietary or confidential information on your own behalf or on behalf of any other person or entity.

f. You represent that you have read carefully and fully understand the terms of this Release, and that you have been advised to consult with an attorney and have had the opportunity to consult with an attorney prior to signing this Release. You acknowledge that you are executing this Release voluntarily and knowingly and that you have not relied on any representations, promises or agreements of any kind made to you in connection with your decision to accept the terms of this Release, other than those set forth in this Release. You acknowledge that you have been given at least twenty-one (21) days to consider whether you want to sign this Release and that the Age Discrimination in Employment Act gives you the right to revoke this Release within seven (7) days after it is signed, and you understand that you will not receive any payments due you under the Agreement before such seven (7) day revocation period (the "Revocation Period") has passed and then, only if you have not revoked this Release. To the extent you have executed this Release within less than twenty-one (21) days after its delivery to you, you hereby acknowledge that your decision to execute this Release prior to the expiration of such twenty-one (21) day period was entirely voluntary.

In the event that any one or more of the provisions of this Release shall be or become invalid, illegal or unenforceable in any respect or to any degree, the validity, legality and enforceability of the remaining provisions of this Release shall not be affected thereby. You, Airborne and the Company intend to give the terms of this Release the fullest force and effect so that if any provision shall be found to be invalid or unenforceable, the court reaching such conclusion may modify or interpret such provision in a manner that shall carry out the parties' intent and shall be valid and enforceable.

This Release shall be governed by and construed, interpreted, applied and enforced in accordance with the laws of the State of Ohio, without regard to principles of conflicts of law thereunder.

This the   day of August, 2003

[NAME OF EXECUTIVE]

____

ACCEPTED AND AGREED:

AIRBORNE, INC.

By:

Name:

Title:

ABX AIR, INC.

By:

Name:

Title:

EX-31. (A) 3 dex31a.htm CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 31(a)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph C. Hete, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABX Air, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: November 14, 2003

/s/ JOSEPH C. HETE

Joseph C. Hete
Chief Executive Officer

EX-31. (B) 4 dex31b.htm CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 31(b)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Quint O. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABX Air 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)) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: November 14, 2003

/s/ QUINT O. TURNER

Quint O. Turner
Vice President, Administration
(Principal Financial Officer, Principal Accounting Officer)

EX-32. (A) 5 dex32a.htm CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABX Air, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2003 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 ABX Air, Inc. and will be retained by Airborne, 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: November 14, 2003

EX-32.(B) 6 dex32b.htm CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABX Air, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Quint O. Turner, Vice President, Administration 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 ABX Air, Inc. and will be retained by Airborne, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ QUINT O. TURNER

Quint O. Turner
Vice President, Administration
(Principal Financial Officer, Principal Accounting Officer)

Date: November 14, 2003