Air Transport Services Group, Inc.
Form DEF 14A
April 13, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Air Transport Services Group, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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145 Hunter Drive, Wilmington, Ohio 45177

NOTICE OF ANNUAL MEETING

OF STOCKHOLDERS

TO BE HELD MAY 12, 2009

Notice is hereby given that the 2009 annual meeting of the stockholders of Air Transport Services Group, Inc., a Delaware corporation (the Company), has been called and will be held on May 12, 2009, at 11:00 a.m., local time, at the Boyd Cultural Arts Center/Heiland Theatre, Wilmington College, 1870 Quaker Way, Wilmington, Ohio 45177, for the following purposes:

1. To elect two directors to the Board of Directors each for a term of three years.

2. To grant discretionary authority to the Company s Board of Directors to amend the Company s Certificate of Incorporation to effect a reverse stock split in a specific ratio ranging from 1-for-2 to 1-for-5, as selected by the Company s Board of Directors.

3. To vote on a proposal to amend the Company s Amended and Restated 2005 Long-Term Incentive Plan to increase from 3,000,000 to 6,000,000 the number of shares available for issuance under the Plan.

4. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for fiscal year 2009.

5. To attend to such other business as may properly come before the meeting and any adjournments thereof.

The foregoing matters are described in more detail in the Proxy Statement that is attached to this notice.

At the meeting, we will also report on the Company s 2008 business results and other matters of interest to stockholders.

Only holders of record, as of the close of business on March 17, 2009, of shares of common stock of the Company will be entitled to notice of and to vote at the meeting and any adjournments thereof.

By Order of the Board of Directors

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

Wilmington, Ohio
April 13, 2009

STOCKHOLDERS ARE URGED TO VOTE AS PROMPTLY AS POSSIBLE BY USING THE INTERNET, TELEPHONE OR BY FILLING IN, SIGNING AND RETURNING THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE WHETHER OR NOT THEY PLAN TO ATTEND THE MEETING.

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PROXY STATEMENT

AIR TRANSPORT SERVICES GROUP, INC.

145 Hunter Drive, Wilmington, Ohio 45177

ANNUAL MEETING OF STOCKHOLDERS, MAY 12, 2009

Date of Mailing: On or about April 13, 2009

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Air Transport Services Group, Inc., a Delaware corporation (the Company or ATSG), for use at the annual meeting of stockholders to be held at the Boyd Cultural Arts Center/Heiland Theatre, Wilmington College, 1870 Quaker Way, Wilmington, Ohio 45177, at 11:00 a.m., local time, on Tuesday, May 12, 2009, and at any adjournments thereof. Proxies may be solicited in person, by telephone or mail, and the costs thereof will be borne by the Company.

At the annual meeting, the holders of shares of common stock of the Company will (1) vote to elect two directors for terms of three years and until their successors have been elected and qualified, (2) consider and vote on a proposal to grant discretionary authority to the Company s Board of Directors to amend the Company s Certificate of Incorporation to effect a reverse stock split in a specific ratio ranging from 1-for-2 to 1-for-5, as selected by the Company s Board of Directors, (3) consider and vote on a proposal to amend the Company s Amended and Restated 2005 Long-Term Incentive Plan to increase from 3,000,000 to 6,000,000 the number of shares available for issuance under the Plan, (4) consider and vote on a proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for 2009, and (5) transact such other business as may properly come before the meeting and any adjournments thereof.

On December 31, 2007, ABX Air, Inc. (ABX Air) reorganized its operations into a holding company structure (the Reorganization) whereby ABX Air became a direct, wholly-owned subsidiary of ATSG (formerly ABX Holdings, Inc.), and ATSG became the public reporting company. On that same date, ATSG acquired Cargo Holdings International, Inc. (CHI), which consisted of four principal operating subsidiaries, including Air Transport International, LLC (ATI), Capital Cargo International Airlines, Inc. (CCIA), Cargo Aircraft Management, Inc. (CAM) and LGSTX Services, Inc. (LGSTX). Throughout this Proxy Statement, when we refer to the Company in reference to activities that occurred prior to the Reorganization on December 31, 2007, we are referring to ABX Air, and when we refer to the Company in reference to activities that occurred after the Reorganization, we are referring to ATSG, except to the extent the context otherwise indicates. As a result of the Reorganization, the common stock of ATSG replaced the common stock of ABX Air.

VOTING AT THE MEETING

Voting Rights and Outstanding Shares

Only holders of record as of the close of business on March 17, 2009, of shares of common stock of the Company will be entitled to notice of and to vote at the meeting and any adjournments thereof. The common stock is the only class of voting securities of the Company currently outstanding. On March 17, 2009, there were 63,238,512 shares of common stock outstanding. At the meeting, the presence in person or by proxy of a majority of the outstanding shares is required for a quorum.

Voting Procedures

Most stockholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please refer to your proxy or voting instruction card to see which options are available to you and how to use them. The deadline for voting by telephone or over the Internet is 11:59 p.m. ET, on May 11, 2009. If you are

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a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. Street name stockholders who wish to vote at the meeting will need to obtain a signed proxy form from the institution that holds their shares.

Vote Required

Proposal 1: Election of Directors. The two nominees for director who receive the most votes of all the votes cast for directors will be elected. This means that if you do not vote for a particular nominee, or if you withhold authority to vote for a particular nominee when voting your proxy, your vote will not count for or against the nominee. If a listed nominee becomes unavailable, the persons named in the proxy may vote for any substitute designated by the Nominating and Governance Committee; however, the Board of Directors at this time has no reason to anticipate that this will occur.

Proposal 2: Amendment of Certificate of Incorporation. The affirmative vote of the holders of a majority of the shares outstanding on March 17, 2009, voting either in person or by proxy, and entitled to vote on this proposal, is required for adoption of the proposal. If you abstain from voting on the proposal, it will have the same effect as if you voted against the proposal.

Proposal 3: Amendment of 2005 Long-Term Incentive Plan. The affirmative vote of the holders of a majority of the votes represented at the annual meeting, either in person or by proxy, and entitled to vote on this proposal, is required for adoption of the proposal. If you abstain from voting on the proposal, it will have the same effect as if you voted against the proposal.

Proposal 4: Ratification of Selection of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes represented at the annual meeting, either in person or by proxy, and entitled to vote on this proposal, is required to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the 2009 fiscal year. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote against this proposal.

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

Shares Registered in the Name of a Broker

Brokerage firms holding shares in street name for customers are required to vote such shares in the manner directed by their customers. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the meeting. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares. However, since you are not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote these shares. A broker non-vote occurs when a stockholder of record, such as a broker or bank, does not vote on a proposal because it has not received voting instructions from the beneficial owner and does not have discretionary authority to vote on the proposal. Broker non-votes on Proposal 2 above will have the effect of a vote **AGAINST** this proposal. Broker non-votes on Proposal 3 will not affect the vote. We do not expect broker non-votes on Proposals 1 or 4.

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Revocability

You may revoke your proxy in one of the following ways: by voting in person at the annual meeting, by giving written notice of revocation to the Secretary of the Company prior to the voting, or by giving a later dated proxy (including by means of a telephone or Internet vote) at any time before the voting.

Confidentiality

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

Proxy Solicitation

Proxies may be solicited by directors, executive officers and other employees of the Company in person or by telephone, telegraph or mail only for use at the annual meeting. The Company has retained Georgeson Shareholder Communications, Inc. (Georgeson) to assist with the solicitation of proxies for a project management fee of $50,000, plus reimbursement for out-of-pocket expenses. The Company also plans to engage Georgeson to solicit proxies by telephone for a reasonable additional fee determined on a per-completed-call basis. All solicitation costs will be borne by the Company.

Proxy Tabulation

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

Separate Voting Materials

If you share an address with another stockholder and we sent you a notice of an intent to send you a householded mailing, you may receive only one set of proxy materials (including our annual report to stockholders, 2008 Form 10-K, and proxy statement) unless you have provided contrary instructions. Each stockholder of record will continue to receive a separate proxy card. If you wish to receive a separate set of documents now or in the future, you may write or call to request a separate copy of these materials from:

Air Transport Services Group, Inc.

145 Hunter Drive

Wilmington, Ohio 45177

Attn: Patricia A. Wallace

Executive Assistant
Telephone: (937) 366-2296

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

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Principal Stockholders

To the Company s knowledge, as of March 17, 2009, the following stockholders owned more than 5% of the outstanding common stock of the Company:

Common Stock Ownership of Certain Beneficial Owners

Name	Number of Shares	Percentage of Common Stock Outstanding[4]
Prescott Group Capital Management, LLC	9,418,518(1)	14.9 %
Red Mountain Capital Partners LLC	6,329,016(2)	10.0 %
The Pabrai Investment Funds	5,517,678(3)	8.72 %

(1) Based on the Schedule 13G/A, filed on February 9, 2009 with the Securities and Exchange Commission (SEC), by Prescott Group Capital Management, LLC, an Oklahoma limited liability company (Prescott Capital), Prescott Group Aggressive Small Cap, L.P., an Oklahoma limited partnership (Prescott Small Cap), Prescott Group Aggressive Small Cap II, L.P., an Oklahoma limited partnership (Prescott Small Cap II and, together with Prescott Small Cap, the Small Cap Funds) and Mr. Phil Frohlich, the principal of Prescott Capital. The Small Cap Funds are general partners of Prescott Group Aggressive Small Cap Master Fund, G.P., an Oklahoma general partnership (Prescott Master Fund). Prescott Capital serves as the general partner of the Small Cap Funds and may direct the Small Cap Funds, the general partners of Prescott Master Fund, to direct the vote and disposition of the 9,418,518 shares of common stock held by the Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and disposition of the 9,418,518 shares of common stock held by Prescott Master Fund. This stock ownership information was reported as of December 31, 2008.

(2) Based on the Schedule 13D, jointly filed with the SEC on November 20, 2006, as amended by Amendment No. 1 thereto jointly filed on September 24, 2007, Amendment No. 2 thereto jointly filed on February 7, 2008, Amendment No. 3 thereto jointly filed on December 3, 2008, Amendment No. 4 thereto jointly filed on January 6, 2009, and Amendment No. 5 thereto jointly filed on February 3, 2009, by (i) Red Mountain Capital Partners LLC, a Delaware limited liability company (RMCP LLC), (ii) Red Mountain Capital Partners II, L.P., a Delaware limited partnership (RMCP II), (iii) Red Mountain Capital Partners III, L.P., a Delaware limited partnership (RMCP III), (iv) RMCP GP LLC, a Delaware limited liability company (RMCP GP), (v) Red Mountain Capital Management, Inc., a Delaware corporation (RMCM), and (vi) Willem Mesdag, a natural person and citizen of the United States of America. According to this filing, the principal business of each of RMCP II and RMCP III is investment. Neither RMCP II nor RMCP III was formed for the specific purpose of investing in the securities of ATSG. RMCP GP is the general partner of each of RMCP II and RMCP III and thus may be deemed to control each of RMCP II and RMCP III. The principal business of RMCP GP is investment. RMCP LLC is the managing member of RMCP GP and thus may be deemed to control RMCP GP and each entity directly or indirectly controlled by RMCP GP. The principal business of RMCP LLC is investment. RMCM is the managing member of RMCP LLC and thus may be deemed to control RMCP LLC and each entity directly or indirectly controlled by RMCP LLC. The principal business of RMCM is investment. Mr. Mesdag is the president, sole executive officer, sole director and sole shareholder of RMCM and thus may be deemed to control RMCM and each entity directly or indirectly controlled by RMCM (including Red Mountain). RMCP LLC, RMCP II, RMCP III and RMCP GP are sometimes collectively referred to herein as Red Mountain. Red Mountain, RMCM and Mr. Mesdag are sometimes collectively referred to herein as the Reporting Persons. The principal occupation of Mr. Mesdag is Managing Partner of Red Mountain. J. Christopher Teets (and his principal occupation) is Partner of Red Mountain. Mr. Teets, a director of the Company, does not control any Reporting Person. RMCP II beneficially owns, in the aggregate, 3,152,868 shares of common stock. RMCP II has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 3,152,868 shares of common stock. RMCP III beneficially owns, in the aggregate, 3,176,148 shares of common stock. RMCP III has the sole power to vote or direct the vote, and the sole power to dispose or direct the disposition, of all such 3,176,148 shares. The common stock beneficially owned by RMCP II and

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RMCP III, when aggregated together, total 6,329,016 shares. Because each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to control RMCP II and RMCP III, each of RMCP GP, RMCP LLC, RMCM and Mr. Mesdag may be deemed to beneficially own, and to have the power to vote or direct the vote, or dispose or direct the disposition of, all of the common stock beneficially owned by RMCP II and RMCP III. Other than shares of common stock beneficially owned by RMCP II or RMCP III, none of the Reporting Persons or Mr. Teets may be deemed to beneficially own any shares of common stock. Each of RMCP LLC, RMCP II, RMCP III and RMCP GP affirms membership in a group with each other but disclaims membership in a group with RMCM or Mr. Mesdag. Each of RMCM and Mr. Mesdag disclaims membership in a group with any person. This stock ownership information was reported as of February 6, 2009.

(3) Based on the Schedule 13G/A, filed February 17, 2009 with the Securities and Exchange Commission (SEC) by The Pabrai Investment Fund II, L.P., an Illinois limited partnership (PIF2), Pabrai Investment Fund 3, Ltd., a British Virgin Islands corporation (PIF3), The Pabrai Investment Fund IV, L.P., a Delaware limited partnership (PIF4), Dalal Street, LLC, a California limited liability company (Dalal Street), which is general partner of PIF2 and PIF4 and sole investment manager of PIF3, Harina Kapoor, and Mohnish Pabrai, sole shareholder and chief executive officer of Dalal Street and a shareholder and president of PIF3 (collectively, the Reporting Persons). According to this filing, by virtue of the relationships between and among (i) Dalal Street in its capacity as the general partner and investment manager of PIF2, PIF4 and PIF3, respectively, (ii) Mohnish Pabrai, in his capacity as sole shareholder and chief executive officer of Dalal Street and as president of PIF3 and (iii) the other Reporting Persons, each of the Reporting Persons may be deemed to be the beneficial owner of all or a portion of the Common Stock held by the other Reporting Persons. Because of the relationships described in the filing, the Reporting Persons may be deemed to constitute a group within the meaning of Rule 13d-5 under the Act, and as such, each member of the group would be deemed to beneficially own, in the aggregate, all the common stock held by members of the group. The Reporting Persons disclaim membership in a group and disclaim beneficial ownership of any of the Common Stock except as follows:

Reporting Person	Common Stock Beneficially Owned
The Pabrai Investment Fund II, L.P.	536,034
Pabrai Investment Fund 3, Ltd.	1,938,827
Pabrai Investment Fund IV, L.P.	2,840,000
Dalal Street, LLC	75,000
Harina Kapoor	4,101*
Mohnish Pabrai	5,393,962**

* Includes 1 share held by the IRA FBO Harina Kapoor.

** Includes (a) 4,100 shares held by Ms. Kapoor, (b) 1 share held by the IRA FBO Harina Kapoor, and (c) 2,400 shares held by the Dakshana Foundation, a 501(c)(3) organization controlled by Ms. Kapoor and Mr. Pabrai.

Dalal Street and Mohnish Pabrai, in his capacity as chief executive officer of Dalal Street, have the shared power to vote or to direct the vote and the shared power to dispose or to direct the disposition of the shares set forth opposite the name of each of PIF2, PIF4 and PIF3 in the table above. Dalal Street and Mohnish Pabrai disclaim beneficial ownership of any such shares except to the extent of their pecuniary interest therein, if any. Mohnish Pabrai and Harina Kapoor share the power to vote or to direct the vote and the power to dispose or to direct the disposition of 4,101 shares set forth opposite their names in the table above. Harina Kapoor, in her capacity as account holder, and Mohnish Pabrai, in his capacity as husband and advisor, have the shared power to vote or to direct the vote and the shared power to dispose or to direct the disposition of the shares held by the IRA FBO Harina Kapoor. Mohnish Pabrai disclaims beneficial ownership of any such Common Stock held by the IRA FBO Harina Kapoor except to the extent of his pecuniary interest therein, if any. This stock ownership information was reported as of December 31, 2008.

(4) Based on 63,238,512 shares outstanding.

PROPOSAL 1

ELECTION OF DIRECTORS

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

Class I (three positions with terms expiring in 2010):

James E. Bushman

Randy D. Rademacher

Jeffrey A. Dominick

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

James H. Carey

John D. Geary

J. Christoper Teets

Class III (two positions with terms expiring in 2009):

Jeffrey J. Vorholt

Joseph C. Hete

At the annual meeting, two persons will be elected to fill the Class III positions, to hold office until the annual meeting of stockholders in 2012 and until their respective successors have been elected and qualified as provided under the Company s Bylaws (the Bylaws). Messrs. Vorholt and Hete are presently directors of the Company and have been nominated to continue as directors.

Nominees for Director Class III (Terms to Expire in 2012)

Jeffrey J. Vorholt, age 56, is an independent consultant and private investor. He was formerly a full-time faculty member at Miami University (Ohio) and concurrently an Adjunct Professor of Accountancy at Xavier University (Ohio), from 2001 to 2006. Mr. Vorholt, a CPA and attorney, was the Chief Financial Officer of Structural Dynamics Research Corporation from 1994 until its acquisition by EDS in 2001. Previously, he served as the Senior Vice President of Accounting and Information Systems for Cincinnati Bell Telephone Company and the Senior Vice President, Chief Financial Officer and Director for Cincinnati Bell Information Systems, which is now Convergys Corporation. Mr. Vorholt is currently a Director and the Chairman of the Audit Committee for Softbrands, Inc., a global provider of enterprise-wide application software. Mr. Vorholt has been a Director of the Company since January 2004. He is the Chairman of the Audit Committee and is a member of the Compensation Committee.

Joseph C. Hete, age 55, President and Chief Executive Officer of ATSG since October 2007 and Chief Executive Officer of ABX Air, Inc. since August 2003. He was the President of ABX Air, Inc. from January 2000 to February 2008 and the Chief Operating Officer of ABX Air, Inc. from January 2000 to August 2003. From 1997 until January 2000, he held the position of Senior Vice President and Chief Operating Officer of ABX Air, Inc. Mr. Hete served as Senior Vice President, Administration, of ABX Air, Inc. from 1991 to 1997, and Vice President, Administration, of ABX Air, Inc. from 1986 to 1991. He joined ABX Air, Inc. in 1980.

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Continuing Directors Not Standing for Election This Year

Class I (Terms to Expire in 2010)

James E. Bushman, age 64, Chairman and Chief Executive Officer of Cast-Fab Technologies, Inc., and the Chairman and Chief Executive Officer of Security Systems Equipment Corporation. He has served since 2005 as the Chairman and Chief Executive Officer of Cast-Fab Technologies, Inc., a privately held manufacturer of castings and precision sheet and plate metal fabrications, and previously from 1988 to 2005 as the President and Chief Executive Officer. He has also served as the Chairman and Chief Executive Officer of Security Systems Equipment Corporation, a privately held manufacturer of equipment for the banking and financial services industry, since 1999. Mr. Bushman is also a Director of the Ohio National Fund, Inc. and The Dow Target Variable Fund, LLC, and was until recently a director of the Midland Company. He was the President of Carlisle Crane & Excavation, Inc., and the Executive Vice President of Carlisle Enterprises, from 1983 to 1988. Prior to that, Mr. Bushman was a CPA for Arthur Andersen & Co., where he served as a partner from 1977 to 1983, and as a manager from 1972 to 1977. He has been a Director of the Company since May 2004 and is the Chairman of the Compensation Committee and a member of the Audit Committee.

Randy D. Rademacher, age 52, Senior Vice President, Chief Financial Officer, of Reading Rock, Inc. He has served as the Senior Vice President, Chief Financial Officer, of Reading Rock, Inc., a privately owned manufacturer and distributor of concrete products, since May 2008. Mr. Rademacher was formerly the Chief Financial Officer for The Armor Group, a privately owned manufacturer of industrial and commercial products, from July 2006 to May 2008, and the President of Dynus Corporation, a privately owned telecommunications company, from June 2005 to October 2005. He also served as the President of Comair Holdings LLC, from 1999 to 2005. During his career at Comair Holdings LLC, Mr. Rademacher held a number of positions, including Senior Vice President and Chief Financial Officer from 1993 to 1999, Vice President of Finance from 1989 to 1993, Controller from 1986 to 1989, and Director of Corporate Finance from 1985 to 1986. Prior to that, Mr. Rademacher was a CPA for Arthur Andersen & Co. from 1979 to 1985. He has been a director of the Company since December 2006 and is the Chairman of the Nominating and Governance Committee and a member of the Audit Committee.

Jeffrey A. Dominick, age 44, Partner of MassMutual Capital Partners. He has been a partner with MassMutual Capital Partners, a private equity investment subsidiary of MassMutual Financial Group, since its founding in 2006. Mr. Dominick formerly worked in debt and equity financing for Babson Capital Management, the asset management subsidiary for MassMutual Financial Group. Before joining MassMutual Financial Group in 2002, he spent 13 years in leveraged and corporate finance for Deutche Bank Securities and The Chase Manhattan Bank N.A. While at Babson, Mr. Dominick specialized in investing in airline and aircraft related transactions, with a focus as well in the transportation and logistics industries. In conjunction with the acquisition of Cargo Holdings International, Inc. (CHI) on December 31, 2007, the Company agreed to nominate for election to the Board a candidate selected by the significant shareholders of CHI. Per this agreement, Mr. Dominick would have been nominated for election at the Company s 2008 annual meeting of stockholders; however, due to an existing vacancy, the Board chose to appoint Mr. Dominick prior to the meeting. He has been a director of the Company since February 2008 and is a member of the Nominating and Governance Committee and the Audit Committee.

Class II (Terms to Expire in 2011)

James H. Carey, age 76, Executive Vice President (Retired) of the Chase Manhattan Bank. Mr. Carey served as Managing Director of Briarcliff Financial Associates, a private financial advisory firm, from 1991 to 2002. He served as Chief Executive Officer of National Capital Benefits Corporation, a viatical settlement company, from March 1994 to December 1995. Mr. Carey was until recently a Director, the Chair of the Audit Committee, and a member of the Compensation Committee and the Nominating Committee of The Midland

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Company, a provider of specialty insurance products. He was a director of Airborne, Inc. from 1978 to August 2003, and was a member of its Compensation Committee and Finance Committee. Mr. Carey has been the Chairman of the Board of the Company since May 2004, and has been a Director since August 2003. He is also a member of the Compensation Committee and the Nominating and Governance Committee.

John D. Geary, age 82, President and Chief Executive Officer (Retired) of Midland Enterprises, Inc. Mr. Geary served as President and Chief Executive Officer, and also as a Director, of Midland Enterprises, Inc., an inland marine transportation company, comprised of barge lines, shipyards and cargo loading terminals, from 1974 to 1988. He also served for 20 years on the Board of Directors of Fifth Third Bank, in Cincinnati, Ohio. Mr. Geary has been a Director of the Company since January 2004, and is a member of the Nominating and Governance Committee and the Compensation Committee.

J. Christopher Teets, age 36, Partner of Red Mountain Capital Partners LLC, an investment advisor, since February 2005. Before joining Red Mountain Capital Partners LLC, Mr. Teets was an investment banker at Goldman Sachs & Co. Mr. Teets joined Goldman Sachs & Co. in 2000 and was made a Vice President in 2004. Prior to Goldman Sachs & Co., Mr. Teets worked in the investment banking division of Citigroup. He holds a bachelor s degree from Occidental College and an MSc degree from the London School of Economics. Mr. Teets has also served as a director of Encore Capital Group, Inc., since May 2007 and as a director of Affirmative Insurance Holdings, Inc., since August 2008. Red Mountain owns approximately 6.3 million common shares of the Company, or approximately 10% of the Company s 63.2 million shares outstanding. Red Mountain has been advising the management of the Company on strategic direction since February 2008, subject to a confidentiality and standstill agreement under which Red Mountain was granted access to proprietary information of the Company in exchange for its commitment to adhere to certain conditions, including a limit on its investment in the Company. That agreement expired at the end of 2008. The Company and Red Mountain have signed a new agreement that will remain in effect during Mr. Teets tenure as a board member of the Company. He has been a Director of the Company since February 19, 2009, and is a member of the Audit Committee and the Nominating and Governance Committee.

CORPORATE GOVERNANCE AND BOARD MATTERS

The Board of Directors held 11 meetings during 2008 and each director attended at least 91% of the meetings of the Board and 80% of the meetings of the committees on which he was a member. Directors are expected to attend board meetings, meetings of the committees on which they serve and the annual meeting of stockholders. All of the directors then in office attended the Company s 2008 annual meeting, except for Mr. Carey, who was recovering from surgery.

Independence

The Board has determined that each of the current directors, except Joseph C. Hete (by virtue of his employment as President and Chief Executive Officer of the Company), has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the independence standards of the SEC, NASDAQ and the Certificate of Incorporation, as currently in effect. In considering the independence of Mr. Teets, the Board considered the fact that he is a partner of Red Mountain, the owner of approximately 10% of the Company s outstanding shares, and concluded that his relationship with Red Mountain does not impact his independence as a director of the Company.

Director Compensation

The Company uses a combination of cash and long-term incentive compensation to attract and retain qualified candidates to serve on the Board. The Compensation Committee recommends to the Board of Directors for its approval the form and amount of compensation paid to the non-employee directors. The Committee reviews the compensation arrangements of the directors on annual basis, which review includes an evaluation prepared on an annual or bi-annual basis by Towers Perrin, a national compensation consulting firm. The

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evaluation considers the compensation arrangements for the directors of similar companies. Like the executive officers, the directors are also subject to minimum stock ownership requirements. Each director is required to own stock and/or restricted stock units equal to a multiple of his annual retainer within a specified time period after his election to the Board.

Cash Compensation

During 2008, non-employee directors received an annual fee of $30,000, plus $1,500 for each board and committee meeting attended. In addition, the Chairman of the Board received an annual fee of $60,000, the Chairman of the Audit Committee received an annual fee of $15,000, and the respective Chairman of the Compensation Committee and the Nominating and Governance Committee each received an annual fee of $4,000.

Long-Term Incentive Compensation

The long-term incentive compensation awards for the non-employee directors are comprised solely of restricted stock units. Since the approval of the Company s Long-Term Incentive Plan at the Annual Stockholders Meeting in 2005, the Board has granted restricted stock unit awards to the Company s non-employee directors on an annual basis under the terms of the Plan. The size of the grants are determined by the Board and are based on the Company s performance during the prior year and a periodic evaluation of the compensation arrangements of other companies prepared by Towers Perrin, a national compensation consulting firm, retained by the Compensation Committee. In March 2008, the Board, upon the recommendation of the Compensation Committee, granted an award of 13,600 restricted stock units to each of the non-employee directors under the Company s Long-Term Incentive Plan. The restricted stock units vested on September 30, 2008 and will be converted to an equal number of shares of Company stock and distributed to the non-employee directors when they leave the Board, but can be settled earlier or forfeited in certain cases under the terms of the award agreement. The value of restricted stock units that were granted to each of the directors is shown below in the Director Compensation Table.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended 2008.

Name[(1)(2)]	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(3)]	Total ($)
James H. Carey	$ 169,000	$ 39,984	$ 208,984
James E. Bushman	111,333	39,984	151,317
Jeffrey A. Dominick	63,214	39,984	103,198
John D. Geary	93,579	39,984	133,563
Randy D. Rademacher	98,929	39,984	138,913
Jeffrey J. Vorholt	112,139	39,984	152,123

(1) Joseph C. Hete, the Company s President and Chief Executive Officer, is not included in this table since he is an employee of the Company and therefore receives no compensation for his services as a Director.

(2) J. Christopher Teets is not included in this table because he was elected to the Board in February 2009.

(3) Each director was awarded 13,600 restricted stock units. The restricted stock units are being reported in accordance with Statement of Financial Accounting Standards No. 123 Revised (FAS 123(R)). Assumptions used in the calculation of these amounts are included in Note O to the Company s audited financial statements for the fiscal year ended December 31, 2008, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 23, 2009.

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Board Committees

The Board has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee. Each committee consists exclusively of non-employee directors.

Audit Committee

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

The Audit Committee is generally charged with the appointment, compensation, retention, evaluation, and oversight of the work of the independent registered public accounting firm; reviewing and discussing with management and the independent registered public accounting firm the Company s annual audited and quarterly consolidated financial statements; reviewing the internal audit function; overseeing the integrity, adequacy and effectiveness of the Company and its subsidiaries internal accounting and financial controls; and approving and monitoring the Company and its subsidiaries compliance with its codes of conduct. Also, in the performance of its oversight function, the Audit Committee reviews the Company and its subsidiaries compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee works closely with management as well as the Company s independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from the Company for, outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties. The Chair of the Audit Committee receives communications directed to non-management directors as described below under Communications with the Board. The Committee met 9 times during 2008 and each member was present for at least 89% of the meetings.

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

The Audit Committee has furnished the following report.

Audit Committee Report

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

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2008 with management and the Company s independent registered public accounting firm, Deloitte & Touche LLP. The Audit Committee has also discussed with the independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditors Communication with those Charged with Governance, as currently in effect. The Audit Committee has also discussed with Deloitte & Touche LLP matters relating to its independence and has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect.

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Based upon the review and discussions described in this report, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee

Jeffrey J. Vorholt, Chair

James E. Bushman

Jeffrey A. Dominick

Randy D. Rademacher

J. Christopher Teets

Compensation Committee

The Compensation Committee is currently composed of James E. Bushman, Chair, James H. Carey, John D. Geary and Jeffrey J. Vorholt. The Compensation Committee is responsible for reviewing, evaluating and making recommendations to the full Board regarding the Company and its subsidiaries overall compensation policies and establishing performance-based incentives that support long-term strategic goals, organizational objectives and stockholder interests. The Committee is also responsible for determining the compensation of the Chief Executive Officer based upon the achievement of goals and objectives that are approved by the Committee, and considering and approving the compensation arrangements for the other executive officers of the Company and its subsidiaries. This includes base salaries, short-term and long-term incentive awards, equity-related awards, participation in any deferred compensation or retirement plans or arrangements, benefits and perquisites. The Committee also evaluates the performance target goals for the non-executive senior officers and employees of the Company and its subsidiaries. In addition, the Committee oversees the administration of the Company and its subsidiaries executive compensation plans, programs and arrangements, makes recommendations to the full Board with respect to succession planning for the Chief Executive Officer and other officers of the Company and its subsidiaries, and sets and reviews the compensation for the Board and committee members. The Committee met 5 times during 2008, and each member was present for at least 80% of the meetings.

The Compensation Committee performs its work under the guidance of a written charter that was initially approved by the Compensation Committee and the Board in August 2003. The charter was most recently amended in February 2008. The Committee s charter is available through our Internet website at http://www.atsginc.com.

Nominating and Governance Committee

The Nominating and Governance Committee is currently composed of Randy D. Rademacher, Chair, James H. Carey, Jeffrey A. Dominick, John D. Geary and J. Christopher Teets. The Committee is generally charged with identifying individuals qualified to become members of the Board in accordance with the criteria approved by the Board; making recommendations to the full Board with respect to director nominees for each annual meeting of the stockholders; developing and recommending to the Board a set of corporate governance principles applicable to the Company; and overseeing the evaluation of the Board and management. The Committee met 4 times during 2008, and all of the members were present for every meeting.

The Nominating and Governance Committee performs its work under the guidance of a written charter that was initially approved by the Nominating and Governance Committee and the Board in March 2004 and was most recently amended in February 2008. The Committee s charter is available through our Internet website at http://www.atsginc.com.

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Consideration of Nominees for Director

Director Qualifications

The Nominating and Governance Committee is responsible for reviewing and developing the Board s criteria for evaluating and selecting new directors based on the needs of the Company from time to time. The criteria that will be used in connection with evaluating and selecting new directors will include the criteria set forth in the Company s Corporate Governance Guidelines and in the Certificate of Incorporation. The Corporate Governance Guidelines are available through our Internet website at http://www.atsginc.com.

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

Evaluation of Stockholder Nominees

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

Director Nominations by Stockholders

The Bylaws permit stockholders to nominate directors for consideration at an annual stockholders meeting without the prior recommendation of the Nominating and Governance Committee or the nomination of the Board. Stockholder nominations to the Board of Directors for the Annual Stockholders Meeting for 2010 must be forwarded to the Chairman of the Nominating and Governance Committee c/o Secretary, Air Transport Services Group, Inc., 145 Hunter Drive, Wilmington, Ohio 45177, so as to be received not less that 90 days nor more than 120 days prior to the anniversary of the annual stockholders meeting for 2009 (May 12, 2009); provided, however, that in the event the date of the annual stockholders meeting for 2010 is advanced or delayed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Any nominations received after such date will be considered untimely. The written notice must satisfy certain requirements specified in the Bylaws. A copy of the Bylaws will be sent to any stockholder upon written request to the Secretary of the Company.

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Corporate Governance Guidelines

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

Code of Ethics for the CEO and CFO

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

Code of Conduct for Conducting Business

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

Related Person Transactions

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

Executive Sessions

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

Communications with the Board

Stockholders and other parties interested in communicating directly with the Company s directors or with the non-management directors as a group may do so by writing to the Secretary of the Company at Air Transport Services Group, Inc., 145 Hunter Drive, Wilmington, Ohio 45177. All letters received by the Company and addressed to non-management members of the Board will be forwarded to the Chair of the Audit Committee. The Chair of the Audit Committee will deliver a summary of such correspondence to the full Board if he deems it appropriate at its next regularly scheduled meeting. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company s internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

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

Throughout this proxy statement, the individuals who served as the Company s Chief Executive Officer and Chief Financial Officer during fiscal year 2008, as well as the other individuals included in the Summary Compensation Table below, are referred to as the named executive officers.

Chief Executive Officer s Role in the Compensation Decision Process

The Compensation Committee considers recommendations from the Chief Executive Officer with respect to the executive officers , including the named executive officers , base salaries and the portion of such individuals incentive compensation that is tied to the accomplishment of individual goals. In making his recommendations, the Chief Executive Officer utilizes the peer group analysis described below and completes an objective and subjective review of each executive s responsibilities and performance over the prior year. The Chief Executive Officer plays no role in the compensation process with respect to his own compensation.

Establishing Compensation Levels

The Compensation Committee typically meets during the first quarter of each year to establish the base salaries for each of the executive officers and to approve incentive awards for the previous year based upon previously established performance goals. All changes to base salaries are effective July 1 for the year in which they are set. Equity awards are granted to be effective after the Company issues its earnings release for the fourth quarter of the fiscal year. During its first quarter meeting, the Compensation Committee also typically establishes incentive goals for the current year based upon the Chief Executive Officer s recommendations.

In May 2008, DHL, the Company s largest customer - accounting for approximately 72% of revenues and 55% of pre-tax earnings (excluding impairment charges) in 2008 - announced its intention to significantly restructure its U.S.-based operations. Since that time, DHL has significantly reduced the services that ABX Air is performing for DHL, which has resulted in ABX Air terminating thousands of its employees. While ABX Air continues to perform air cargo and freight sorting services for DHL and DHL is indicating that it will continue utilizing the services of ABX Air at least through September 2009, the Company recognizes that DHL s U.S. business strategy will be impacted by general economic conditions and shipment volumes. The Company expects to make further reductions in the number of ABX Air employees and aircraft supporting the DHL network in 2009 and believes that significant restructuring, downsizing and wage concessions will be required to position ABX Air to competitively pursue longer term air cargo business with DHL. In this regard, the Company has instituted a pay freeze throughout the organization and has also frozen ABX Air s Retirement Income Plan, Supplemental Executive Retirement Plan and Non-Officer Benefit Protection Plan. Further, the base salaries for both the CEO of ATSG and the President of ABX Air were reduced at their request in December 2008.

The Compensation Committee met in February 2009, and, in consultation with the Chief Executive Officer, determined to review the compensation and benefits arrangements for its executives and other employees throughout the Company in an effort to make the Company more cost competitive. The Compensation Committee has retained Towers Perrin to assist them in this effort. Accordingly, no action was taken with respect to the executive officers base salaries and incentive compensation awards for 2009. The Compensation Committee may decide to institute an executive compensation program for 2009 that is materially different from the program that was in effect for 2008.

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Competitive Benchmarking

In 2007, the Compensation Committee retained Towers Perrin, a national compensation consulting firm, to prepare a compensation analysis for use in establishing competitive compensation levels for the named executive officers. The Compensation Committee utilized this 2007 analysis in evaluating the ongoing competitiveness of the Company s executive compensation programs for 2007 and 2008.

The analysis provided by Towers Perrin includes data from two industry perspectives in an effort to reconcile the Company s unique business model with typical pay practices and levels among similar organizations. This data consists of (i) a proxy analysis of the top five highest paid executives and top legal executive from 20 direct competitors and small regional airlines (peer group analysis), and (ii) compensation information for more than 900 companies covering approximately 40 industries, adjusted as necessary to reflect comparable revenues. The companies utilized in the peer group analysis are:

Airnet Systems, Inc.	Atlas Air Worldwide Holdings, Inc.
C.H. Robinson Worldwide, Inc.	ExpressJet Holdings, Inc.
EGL, Inc.	Frontier Airlines Holdings, Inc.
Expeditors International of Washington, Inc.	Hawaiian Holdings, Inc.
Forward Air Corp.	JetBlue Airways Corp.
Hub Group, Inc.	MAIR Holdings, Inc.
Kitty Hawk, Inc.	Mesa Air Group, Inc.
Pacer International, Inc.	Midwest Air Group, Inc.
UTi Worldwide, Inc.	Pinnacle Airlines Corp.
World Air Holdings, Inc.	Republic Airways Holdings, Inc.
AirTran Holdings, Inc.	SkyWest, Inc.
Alaska Air Group, Inc.	US Airways Group, Inc.

Based upon this analysis, compensation guidelines were established for each executive officer position, providing data on the 25th, 50th (median) and 75th percentile pay levels in the competitive market.

Components of Executive Compensation for 2008

The Company s executive compensation and benefits package consists of direct compensation (base salary, short-term cash incentives and long-term equity-based incentives) and Company-sponsored retirement and benefit plans. The components of the named executive officers compensation packages are designed to contribute to a total package that is competitive, appropriately performance-based, and valued by the Company s executive. The Compensation Committee strives to align the mix of executive officer compensation between cash and non-cash or short-term and long-term incentive compensation with both the peer group and 900 company group described above.

Base Salary

The Company provides the named executive officers with a base salary to compensate them for services rendered during the fiscal year. The Compensation Committee determines the base salary of the Chief Executive Officer and also the other named executive officers, although the latter are determined in consultation with the Chief Executive Officer. The Compensation Committee typically reviews the base salaries of the named executive officers sometime during February as part of the Company s performance review process, as well as in the event of a promotion or other change in job responsibilities. This review primarily takes into account a compensation analysis, like the Towers Perrin analysis described above; an internal review of the executive s compensation, both on an individual basis and relative to other executives; and the individual performance of the executive, as evaluated by the Chief Executive Officer. This process was followed in establishing the base salaries for the executive officers, including the named executive officers, in 2008. Notwithstanding the foregoing, the CEO of ATSG declined a proposed increase in his base salary for 2008 and had previously declined proposed increases in his base salary for 2006 and 2007.

The base salaries paid to the named executive officers in 2008 are set forth in the Salary column of the Summary Compensation Table below.

Short-Term Incentive Compensation

During 2008, the named executive officers had the potential to earn incentive compensation under the Company s Executive Incentive Compensation Plan (the Executive Incentive Plan). The Compensation Committee, in consultation with the Chief Executive Officer, amended the Plan formula during the first part of 2008, so that it was in alignment with the achievement of corporate goals arising from the Company s acquisition of CHI at the end of 2007.

The Compensation Committee determined that it was in the Company s best interest to continue to maintain a strong link between executive compensation and ABX Air s performance under its commercial agreements with DHL and to create a strong link between executive compensation and ATI s and CCIA s performance under their respective commercial agreements with their largest customer, BAX Global. In this regard, the bonus opportunity under the Executive Incentive Plan for the CEO of ATSG was based upon the achievement of incremental mark-up revenue earned under ABX Air s ACMI Service Agreement and Hub Services Agreement with DHL and the amount of pre-tax profit earned under the other business operations of the Company. Similarly, the bonus opportunities for ABX Air s executives, including Mr. Graber, and certain other ATSG executives, including Messrs. Turner and Payne, were largely based on the achievement of incremental mark-up revenue earned under ABX Air s commercial agreements with DHL. Further, a portion of the bonus opportunities for the executives at ATI and CCIA, were based on the level of service performance under their respective agreements with BAX Global. The bonus opportunities for still other ATSG executives, including Mr. Fox, and all of the executives at ATI, CCIA, CAM and LGSTX, were based in whole or part on the amount of pre-tax profit earned by those subsidiaries.

In 2008, the named executive officers were eligible to receive a bonus under the Executive Incentive Plan utilizing a non-discretionary formula which established a bonus amount, expressed as a percentage of base salary, based upon the extent of achievement of the goals described above. Once the extent of achievement for each goal had been determined, the applicable bonus based on that level of achievement could be determined. The minimum and maximum bonus potentials included the following:

Executive Officer	Minimum	Maximum
Chief Executive Officer	5% of base salary	130% of base salary
Chief Financial Officer	4% of base salary	100% of base salary
Chief Commercial Officer	4% of base salary	100% of base salary
Senior Vice President	4% of base salary	100% of base salary
President of ABX Air	4% of base salary	100% of base salary
President of CHI Subsidiary	4% of base salary	80% of base salary

The annual incentive compensation paid to the named executive officers under the Executive Incentive Plan for 2008 is set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

Long-Term Incentive Compensation

The long-term incentive compensation awards for the named executive officers are comprised of restricted stock awards and performance-based stock unit awards. At the Annual Stockholders Meeting in 2005, the stockholders approved an omnibus long-term incentive plan entitled the ABX Air, Inc. 2005 Long-Term Incentive Plan. The Plan was subsequently adopted by ATSG on December 31, 2008, in conjunction with the reorganization of the Company into a holding company structure and renamed the Air Transport Services Group, Inc. Amended and Restated 2005 Long-Term Incentive Plan. The purpose of the Plan is to foster and promote the long-term financial success of the Company, to reward performance and to increase stockholder value by

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providing participants appropriate incentives and awards; to enable the Company to attract and retain the services of outstanding individuals; to encourage stock ownership in the Company; and to align the interests of management and directors with that of stockholders. The Plan authorizes a wide range of equity awards, including stock options, restricted stock awards, restricted stock units, stock awards, stock appreciation rights and performance-based awards payable in shares or cash and other forms of equity compensation. No awards have been granted in 2009 pending the Compensation Committee s review of future compensation and benefits practices for the Company s executive management.

Since the approval of the Plan, the Compensation Committee has granted restricted stock awards and performance-based stock unit awards to the Company s named executive officers and other executives and members of the senior management group on an annual basis under the terms of the Plan. The amount of the total long-term incentive grants to be received by each named executive officer is determined by multiplying the officer s base salary by 100%, 75% and 50% for the Chief Executive Officer, Senior Vice Presidents and Vice Presidents, respectively. The restricted stock awards and performance-based stock unit awards are divided evenly, so that half of the long-term incentive compensation value is delivered in restricted stock and half is delivered in performance-based stock units. The number of shares of restricted stock and performance-based stock units to be received is determined by dividing the value derived above by the stock price on the date of grant.

Restricted Stock Awards

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

The number of shares of restricted stock that were granted to each of the named executive officers during fiscal year 2008, all of which will vest at the end of the restriction period, are set forth in the All Other Stock Awards: Number of Shares of Stock or Units column of the Grants of Plan-Based Awards Table below.

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Performance-Based Stock Unit Awards

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

If, on December 31, , the Company s stock performance is . . .	**You will receive the following number of shares of Company stock . . .**
In at least the 25th percentile of the NASDAQ Transportation Index (threshold Stock Performance Unit level)	#
In the 25th through 50th percentile of the NASDAQ Transportation Index (target Stock Performance Unit level)	#
In the 50th or higher percentile of the NASDAQ Transportation Index (maximum Stock Performance Unit level)	#

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

If, over the Performance Period, the Company s average return on equity is . . .	**You will receive the following number of shares of Company stock . . .**
At least 15% but less than 20% (threshold ROE Unit level)	#
More than 20% but less than 25% (target ROE Unit level)	#
Equal to or greater than 25% (maximum ROE Unit level)	#

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

The number of performance-based stock units that were granted to each of the named executive officers in 2008, all of which may be converted to common stock at the end of the three-year performance period from January 1, 2008 to December 31, 2010, is shown in the Grants of Plan-Based Awards Table below.

Stock Ownership Guidelines

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

Company-Sponsored Retirement and Benefit Plans

Retirement Plans

ATSG and its subsidiaries maintain several retirement plans for their executive officers, including the named executive officers, and other employees that are not covered by a collective bargaining agreement. These plans include (i) the ABX Air Retirement Income Plan (the RIP), which is a defined benefit pension plan, (ii) the ABX Air Profit Sharing Plan (the PSP), which is a defined contribution plan (except for ABX Air s flight crewmembers, no contributions to this plan have been made since January 1, 2000), (iii) the ABX Air Capital Accumulation Plan, which is both a voluntary 401(k) salary deferral plan (the CAP) and a defined contribution 401(k) plan (the CAP 5%), (v) the Air Transport International 401(k) Plan, which is a voluntary 401(k) salary deferral plan (the ATI 401(k)), and (vi) the Capital Cargo International Airlines 401(k), which is a voluntary 401(k) salary deferral plan (the CCIA 401(k)).

The RIP is a floor offset pension plan that works in step with the PSP. Under the RIP, certain of the named executive officers and all other eligible full and part-time non-union employees of ATSG and ABX Air that have completed five continuous years of employment with ATSG and/or ABX Air earn the right to receive benefits upon termination at the normal retirement age of 65 or reduced benefits upon early retirement, on or after age 55, with 10 or more years of service. Retirement benefits are calculated as the product of 2% times the final average annual eligible pay for the first 25 years of service and 0.5% times the final average annual eligible pay for each year after the first 25 years of service, less the actuarial equivalent of the PSP balance. The RIP was closed to new employees, hired on or after September 1, 2005, except for certain designated employees previously employed by DHL at their Northern Kentucky hub and employees that were rehired before January 1, 2006. In addition, the RIP will be frozen as of April 14, 2009. No years of service or average monthly compensation will be credited to the participants after April 14, 2009, in determining the benefit available under the RIP.

The CAP is a 401(k) plan that allows voluntary deferrals of up to 75% of an employee s pay, subject to IRS income limits. In addition, the CAP provides matching funds to participants based on the participant s rate of deferral. The match is 35% of the first 6% of deferred pay (up to the IRS compensation limits). In addition, there is an opportunity for an incentive match of up to 25% of the first 6% of deferred pay (up to the IRS compensation limits). In 2008, the incentive match was 20%. All ABX Air and certain ATSG executives are eligible to participate in this plan.

All eligible full and part-time non-union employees of ATSG and ABX Air hired on and after September 1, 2005, including Mr. Graber, and such employees that were rehired on and after January 1, 2006, and who complete one year of service and work at least 1,000 hours during the year receive a company contribution to the ABX Air Capital Accumulation Plan (the CAP 5%), which is a defined contribution plan. Under the CAP 5%, employees that have completed three continuous years of employment with the company and worked at least 1,000 hours each year earn the right to receive benefits upon termination. Contributions are calculated as the product of 5% of eligible annual pay for each year of service, and the contributions are deposited in the 401(k) plan. In addition, all eligible full and part-time employees of ATSG and ABX Air whose benefits under the RIP are frozen on April 14, 2009, including Messrs. Hete, Turner and Payne, will be eligible for the 5% contribution. The 5% contribution for these employees will be prorated for 2009 using the eligible salary earned in the second, third, and fourth quarters of 2009. The 5% contribution will not include salary earned in the first quarter of 2009. Mr. Fox also became eligible to participate in the CAP 5% as of January 1, 2009.

The ATI 401(k) is a 401(k) plan that allows voluntary deferrals of up to 30% of an employee s pay, subject to IRS income limits. In addition, the ATI 401(k) provides matching funds to participants based on the participant s rate of deferral. The match is 75% on the first 5% of deferred pay (up to the IRS compensation limits).

The CCIA 401(k) is a 401(k) plan that allows voluntary deferrals of up to 89% of an employee s pay, subject to IRS income limits. In addition, the CCIA 401(k) provides matching funds to participants based on the participant s rate of deferral. The match is 25% on the first 4% of deferred pay (up to the IRS compensation limits).

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In addition, all ABX Air executives and certain ATSG executives are also eligible to participate in the Company s Supplemental Executive Retirement Plan (the SERP). The SERP is a non-qualified and unfunded plan that provides for benefits in excess of statutory limits.

On February 22, 2008, the Board of Directors approved changing the SERP formula. The Company adopted the formula change on December 22, 2008. Previously, the formula provided an age 62 targeted benefit of 65% of a participant s Final Average Earnings (FAEs) and lesser amounts at earlier ages. The revised formula reduces the age 62 targeted benefit to 50% of the participant s FAEs for 25 or more years of service. The age 62 targeted benefit is further reduced by 4% a year for service of less than 25 years. In addition, a participant may elect early retirement as early as age 55 provided he or she has at least 10 years of service with the company. The benefit is reduced by 6% a year for early retirement before age 62. Participants become vested in the SERP after completing 5 years of service with the Company. Benefits earned through the formula are offset by Social Security benefits and benefits from the RIP, PSP and 5% contribution.

On March 12, 2009, the Board of Directors approved freezing the SERP effective April 14, 2009, in conjunction with the freeze of the RIP. No further benefits will be accrued after April 14, 2009. Years of service used to calculate the targeted benefit as well as Final Average Earnings will be frozen as of April 14, 2009.

Benefit Plans

The core benefit package for the named executive officers and all other employees of the Company includes health, dental, vision, short and long-term disability, group term life insurance, AD&D, a voluntary 401(k) salary deferral plan and certain post-retirement benefits. The core benefit package for certain named executive officers and all of the employees of ABX Air also includes business travel accident insurance. The named executive officers participate in the Company s benefit plans on the same basis as all other Company employees, except to the extent described under the heading Retirement Plans and Potential Payments upon Termination or Change in Control.

Change-in-Control Agreements

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

Employment Agreements

In conjunction with the Company s acquisition of CHI at the end of 2007, CHI and some of its subsidiaries entered into employment agreements with certain of their executive officers and employees, including one named executive officer. Information regarding applicable payments under the agreement for the named executive officer is set forth under Potential Payments Upon Termination or Change in Control below.

Financial Restatements

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

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Tax and Accounting Implications

Deductibility of Executive Compensation

As part of its evaluation, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that the Company may not deduct compensation of more than $1,000,000 that is paid to certain individuals. The Company believes that compensation paid under the management incentive plans are generally fully deductible for federal income tax purposes. However, in certain situations, the Compensation Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for its executive officers. The Compensation Committee believes that all of the compensation earned in 2008 by the Company s executive officers, including the named executive officers, will be deductible.

Accounting for Stock-Based Compensation

The Company began accounting for stock-based payments in accordance with the requirements of FAS 123(R), beginning with the initial grant of awards under the Company s 2005 Long-Term Incentive Plan.

Compensation Committee Report

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

The Compensation Committee of the Board of Directors has reviewed and discussed the Company s Compensation Discussion and Analysis required by Item 402(b) of Regulations S-K with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s definitive proxy statement on Schedule 14a for its 2009 annual meeting, which is incorporated by reference in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, each as filed with the Securities and Exchange Commission.

Respectfully submitted,

The Compensation Committee

James E. Bushman, Chairman

James H. Carey

John D. Geary

Jeffrey J. Vorholt

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Summary Compensation Table

The following table sets forth the total compensation paid or earned by each of the named executive officers for the fiscal years ended December 31, 2008, December 31, 2007, and December 31, 2006.

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards[2]	Non-Equity Incentive Plan Compensation[3]	Change in Pension Value and Non-qualified Deferred Compensation Earnings[4]	All Other Compensation[5]	Total
Joseph C. Hete	2008	$ 479,750	$	$ 300,020	$ 366,576	$ 1,018,500	$ 11,655	$ 2,176,501
President & Chief Executive	2007	479,750		595,427	428,129	470,959	13,135	1,987,400
Officer	2006	479,750	627,787	417,732	475,965	369,347	7,349	2,377,930
Quint O. Turner	2008	251,923		108,723	227,250	336,459	8,442	932,797
Chief Financial Officer	2007	238,539		208,291	186,060	22,088	9,744	664,722
	2006	228,019	158,027	146,148	173,565	37,526	5,920	749,205
John W. Graber	2008	331,923		59,531	286,782	11,500	8,775	698,511
President, ABX Air, Inc.	2007	150,000			117,000		4,859	271,859
	2006							
W. Joseph Payne	2008	190,308		63,194	171,900	65,477	7,560	498,439
Senior VP Corp General Counsel	2007	171,231		92,588	99,314	21,276	8,739	393,148
& Secretary	2006	159,663		63,448	88,517	25,793	8,045	345,466
Peter F. Fox	2008	313,711		56,548	84,564		11,929	466,752
Chief Commercial Officer	2007							
	2006							

(1) The amounts shown reflect the third and final installment under retention bonus agreements between the executive officers and ABX Air. Prior to the separation of ABX Air from Airborne, Inc. in August 2003, ABX Air entered into substitute retention agreements with the executives pursuant to which they were provided with a cash retention bonus at least equal to the cash amount (not including amounts payable in respect of stock options or gross-up or tax reimbursement payments in respect of Section 4999 of the Internal Revenue Code, except as set forth below) that such executives would have been eligible to receive under their change-in-control agreements with ABX Air if they had experienced a termination of employment without cause, as defined under such change-in-control agreements, at the time of the separation of ABX Air from Airborne, Inc. Each cash retention bonus was paid in annual equal installments on August 15th, over a period of three years beginning on August 15, 2004. Under the substitute retention agreement, each executive was also entitled to gross-up or tax reimbursement payments in respect of Section 4999 of the Internal Revenue Code excise taxes incurred by the executive for excess parachute payments made to such executive in connection with the separation. In consideration for all the benefits available under the substitute retention arrangements, each executive agreed to terminate his change-in-control agreement and to release Airborne, Inc. and all of Airborne s affiliates of all liabilities and obligations under such change-in-control agreement. DHL was obligated to reimburse ABX Air for the cost of these retention arrangements.

(2) The amounts shown reflect the grant of restricted stock and performance-based stock units under the Company s 2005 Long-Term Incentive Plan and are being reported in accordance with FAS 123(R). Assumptions used in the calculation of these amounts are included in Note O to the Company s audited financial statements for the fiscal year ended December 31, 2008, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 23, 2009. The Plan is described in further detail above under the heading Long-Term Incentive Compensation.

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(3) The amounts shown reflect the award of cash incentive compensation on March 14, 2009, February 21, 2008 and February 27, 2007, under the Company s Executive Incentive Compensation Plan. The Plan is described in further detail above under the heading Short-Term Incentive Compensation.

(4) The amounts shown reflect the respective actuarial increases in the present value of the named executive officers benefits under the Retirement Income Plan and Supplemental Executive Retirement Plan, determined using interest rate and mortality rate assumptions consistent with those used in the Company s financial statements. On December 31, 2008, the SERP was amended to reflect a new benefit formula. The SERP previously provided an age 62 targeted benefit of 65% of a participant s final average earnings (FAE) (highest five consecutive calendar years of base and bonus out of the last ten years) and lesser amounts at earlier ages down to 10% of a participant s FAE at age 55. The amended SERP targets 50% of FAE at 25 years of service. For each year of service below 25 years, a 4% per year reduction factor is applied. If a participant retires between ages 55 and 62, an additional 6% per year reduction factor is applied. As under the prior benefit formula, the new targeted 50% benefit is offset by the RIP (before the PSP offset) or the actuarial equivalent of the CAP employer contribution and an estimated Social Security benefit based on the maximum amount. If a participant terminates prior to age 55, the SERP benefit will be payable at age 55. Previously, there were no termination benefits for participants that retired prior to age 55. If a participant does not have 5 years of service at termination, they are not eligible for a SERP benefit. The SERP benefit will be paid as a lump sum based on GAR 94 mortality and 8% interest.

(5) The amounts shown reflect the value of matching contributions allocated by the Company to each of the named executive officers pursuant to the 401(k) plan and the value attributable to benefits provided under the life insurance plan in which the named executive officer participates, as follows:

	401(k) Match			Value Attributable to Benefits Provided Under the Company s Life Insurance Plan		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Joseph C. Hete	$ 4,830	$ 6,309	$ 4,620	$ 6,825	$ 6,826	$ 2,729
Quint O. Turner	4,830	6,309	4,620	3,612	3,435	1,300
John W. Graber	4,025	1,750		4,750	3,109	
W. Joseph Payne	4,830	6,276	5,741	2,730	2,463	2,304
Peter F. Fox	2,300			9,629		

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Grants of Plan-Based Awards Table

The following table summarizes the grants of plan-based awards made to each of the named executive officers during the fiscal year ended December 31, 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Joseph C. Hete	3/20/08*				23,600	47,200	70,800		139,240
	3/20/08**				23,600	47,200	70,800		138,768
	3/20/08							94,400	277,536
	N/A	23,988	364,610	623,675					
Quint O. Turner	3/20/08*				9,025	18,050	27,075		53,248
	3/20/08**				9,025	18,050	27,075		53,067
	3/20/08							36,100	106,134
	N/A	10,400	176,800	260,000					
John W. Graber	3/20/08*				11,975	23,950	35,925		70,653
	3/20/08**				11,975	23,950	35,925		70,413
	3/20/08							47,900	140,826
	N/A	13,600	231,200	340,000					
W. Joseph Payne	3/20/08*				6,700	13,400	20,100		39,530
	3/20/08**				6,700	13,400	20,100		39,396
	3/20/08							26,800	78,792
	N/A	8,000	136,000	200,000					
Peter F. Fox	3/20/08*				11,375	22,750	34,125		67,113
	3/20/08**				11,375	22,750	34,125		66,885
	3/20/08							45,500	133,770
	N/A	12,720	190,800	318,000					

(1) The amounts shown reflect the threshold, target and maximum payment levels under the Company s Executive Incentive Compensation Plan. The Plan is described in further detail above under the heading Short-Term Incentive Compensation. There is no grant date for awards made under the Plan. The awards were made on March 14, 2009 and are disclosed above under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

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

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

(4) The amounts shown are being reported in accordance with FAS 123(R). Assumptions used in the calculation of these amounts are included in Note O to the Company s audited financial statements for the fiscal year ended December 31, 2008, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 23, 2009.

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Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information about outstanding equity awards held by the named executive officers as of December 31, 2008.

		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)		
Name	**Grant Date**	**Restricted Stock**	**Return on Equity Units**	**Stock Performance Units**	**Restricted Stock**	**Return on Equity Units**	**Stock Performance Units**
Joseph C. Hete	02/26/07	35,500	8,875	8,875	6,390	1,598	1,598
	03/20/08	94,400	23,600	23,600	16,992	4,248	4,248
Quint O. Turner	02/26/07	12,400	3,100	3,100	2,232	558	558
	03/20/08	36,100	9,025	9,025	6,498	1,625	1,625
John W. Graber	02/26/07						
	03/20/08	47,900	11,975	11,975	8,622	2,156	2,156
W. Joseph Payne	02/26/07	5,800	1,450	1,450	1,044	261	261
	03/20/08	26,800	6,700	6,700	4,824	1,206	1,206
Peter F. Fox	02/26/07						
	03/20/08	45,500	11,375	11,375	8,190	2,048	2,048

(1) The amounts shown reflect the number of shares of restricted stock and performance-based stock units that were granted to each of the named executive officers for fiscal years 2007 and 2008 under the Company s 2005 Long-Term Incentive Plan. The Plan is described in further detail above under the heading Long-Term Incentive Compensation. The grants made in fiscal years 2007 and 2008 will vest on December 31, 2009, and December 31, 2010, respectively.

(2) The amounts in this column were calculated using a per share value of $0.18, the closing market price of our common stock on December 31, 2008, the last business day of the year. In addition, the amounts in this column assume that both the stock performance and return-on-equity units granted in fiscal years 2007 and 2008 will be paid out at the threshold level, based on the Company s performance under the respective awards as of December 31, 2008.

Vested Equity Awards at Fiscal Year-End Table

The following table sets forth information about equity awards held by the named executive officers that vested on December 31, 2008.

	Number of Shares Acquired on Vesting (#)(1)			Value Realized on Vesting ($)(2)		
	Restricted Stock	**Return on Equity Units**	**Stock Performance Units**	**Restricted Stock**	**Return on Equity Units**	**Stock Performance Units**
Joseph C. Hete	41,900	18,436		$ 7,542	$ 7,006	$
Quint O. Turner	14,700	6,468		2,646	2,458	
John W. Graber						
W. Joseph Payne	6,900	3,036		1,242	1,154	
Peter F. Fox						

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(1) The amounts shown reflect the number of shares of restricted stock and performance-based stock units that were granted to each of the named executive officers for fiscal year 2006 that vested on December 31, 2008, under the Company s 2005 Long-Term Incentive Plan. The Plan is described in further detail above under the heading Long-Term Incentive Compensation.

(2) The amounts shown were calculated using a per share value of $0.18 for the restricted stock, which was the closing market price of our common stock on December 31, 2008, and a per share value of $0.38 for the performance-based stock units, which was the closing market price of our common stock on March 18, 2009.

Pension Benefits Table

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

Name	Plan Name[1]	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)[2]
Joseph C. Hete	Retirement Income Plan	28.3	411,306
	Supplemental Executive Retirement Plan	25.0	2,371,891
Quint O. Turner	Retirement Income Plan	20.6	243,144
	Supplemental Executive Retirement Plan	20.6	250,043
John W. Graber[3]	Retirement Income Plan	N/A	
	Supplemental Executive Retirement Plan	1.5	
W. Joseph Payne	Retirement Income Plan	13.7	161,880
	Supplemental Executive Retirement Plan	13.7	
Peter F. Fox[3]	Retirement Income Plan	N/A	
	Supplemental Executive Retirement Plan	N/A	

(1) The Retirement Income Plan (RIP) and Supplemental Executive Retirement Plan (SERP) are described in further detail above under the heading, Retirement Plans.

(2) The valuation method and assumptions used to calculate the amounts shown are included in Note L to the Company s audited financial statements for the fiscal year ended December 31, 2008, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 23, 2009, and are based on the SERP in effect as of December 31, 2008.

(3) Neither Mr. Graber nor Mr. Fox participate in the RIP, and Mr. Fox does not participate in the SERP.

Potential Payments Upon Termination or Change in Control

Payments Made Upon Termination

CHI and some of its subsidiaries entered into employment agreements with certain of their executive officers, including one named executive officer, the Chief Commercial Officer of ATSG, in conjunction with ATSG s acquisition of CHI at the end of 2007. The agreements provide that the executive officers salaries may be increased, but not decreased. In addition, the executive officer is entitled to participate in long-term incentive compensation plans comparable to those made available by ATSG to its senior corporate officers and in all employee benefit plans and programs made available to the senior corporate officers of ATSG and CHI, excluding any 401(k) or pension plan of ATSG. The executive officer may continue his participation in any 401(k) or pension plan of CHI, and if CHI does not maintain such a plan or plans, CHI or ATSG shall establish an alternative plan in which the executive officer may participate.

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The agreements commenced on December 31, 2007 and are for an initial term of two years. After the initial term, the agreements will automatically renew for additional periods of one year each, unless a prior written notice of non-renewal is given at least 90 days prior to the end of the term.

The company may terminate the employment agreements at any time for cause (as defined therein), upon the executive officer s death or long-term disability (as defined) or for any other reason in the company s discretion. The executive officer may terminate his employment at any time upon (i) a material breach of the company s obligations under the employment agreement, (ii) assignment of duties to the executive that are inconsistent with his position, (iii) a material reduction in his base salary or incentive compensation opportunity, (iv) a required relocation of more than 50 miles, (v) the failure of a successor to the company to assume the company s obligations under the employment agreement or (vi) any other reason in the executive officer s sole discretion.

In the event of termination by the company without cause and not upon the executive officer s death or long-term disability or upon a termination by the executive officer for any other reasons set forth in (i) through (v) in the immediately preceding paragraph, the executive officer will be entitled to receive his salary and incentive compensation for the greater of one year or the remaining term of the employment agreement, and during such period the executive officer will be entitled to continue his participation in the company s health, insurance and other welfare plans. In addition, all unvested equity-based compensation will vest in accordance with the terms of the applicable plan. Payments to the executive officer may be delayed for a period of six months to comply with the requirements of Section 409A of the Internal Revenue Code of 1986.

In the event of a voluntary termination by the executive officer, termination by the company for cause or the executive officer s death or disability, all compensation and benefits will cease as of the date of termination, and the executive officer shall only be entitled to salary through the date of termination and other benefits available to the company s departing employees generally (such as unused personal, sick and vacation days and vested incentive compensation), but he will not be entitled to unpaid and unvested bonus or incentive payments.

In the employment agreement, the executive officers agreed to maintain the confidentiality of the company s information. They further agreed that they would not, directly or indirectly, (i) compete with the company and its affiliates during the term of their employment and for a period of one year (two years in the case of the former President of CHI) after termination of their employment, (ii) induce any employee of CHI or its affiliates to leave his or her employment, interfere with the employment relationship between CHI or its affiliates and such employee or employ or otherwise engage any such employee, or (iii) induce any supplier, customer, licensee of other person to cease doing business with CHI or its affiliates.

Payments Made Upon Retirement

Certain executive officers of ATSG and ABX Air, including certain of the named executive officers, participated in the Company s Retirement Income Plan and Supplemental Executive Retirement Plan in 2008. These plans are discussed above under the heading Retirement Plans and the present value of accumulated benefits payable to each of the named executive officers under these plans is described above under the heading Pension Benefits Table.

In addition, the restriction on any shares of restricted stock would be removed automatically and the stock distributed to the executive. Further, a pro-rata portion of the award of any performance-based stock units would be paid out to the executive at the end of the performance period.

Payments Made Upon Disability

Under the terms of ATSG and ABX Air s short-term disability plan, an executive officer would be entitled to receive 50% of his annual base salary (up to a maximum of $1,000 per week) for a six-month period beginning fifteen days from the date he first became disabled. Under the terms of ATI s, CCIA s, CAM s and LGSTX s

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short-term disability plans, an executive officer would be entitled to receive 60% of his annual base salary (up to a maximum of $1,385 per week) for a six-month period beginning 32 days from the date he first became disabled. In the event an executive officer continued to be disabled for a period longer than six months, he would be entitled to participate under the company s long-term disability plan. Under ATSG s and ABX Air s long-term disability plan, the executive would be entitled to receive $66\frac{2}{3}\%$ of his annual base salary (up to a maximum of $15,000 per month) during the period of disability. Under the terms of ATI s, CCIA s, CAM s and LGSTX s long-term disability plan, the executive would be entitled to receive 60% of his annual base salary (up to a maximum of $6,000 per month) during the period of disability. The payments would continue until the executive officer died, ceased to have a disability or reached his normal retirement age for purposes of receiving Social Security benefits. The definition of disability is the same as that used for the disability plans covering all full-time non-union employees of such companies. Namely, the executive must be unable to perform the material and substantial duties of his occupation. Further, after 24 months, the executive must be unable to perform the duties of any gainful occupation for which he is reasonably fitted by education, training or experience. The disability benefits would be reduced by any benefits payable under the company s pension plans, social security, workers compensation or via subrogation against a third party.

In addition, the restriction on any shares of restricted stock would be removed automatically and the stock distributed to the executive. Further, a pro-rata portion of the award of any performance-based stock units would be paid out to the executive at the end of the performance period.

Payments Made Upon Death

In the event of the death of an executive officer of ATSG or ABX Air, his surviving spouse would receive those amounts that have accrued and vested under the RIP and SERP in the form of a 50% joint and survivor benefit and his beneficiaries would receive those amounts that have accrued and vested under the PSP, both of which benefit plans are discussed above in this proxy statement, including under the headings Summary Compensation Table and Pension Benefits. In addition, the executive officer s beneficiaries would receive life insurance proceeds in the amount of $2\frac{1}{2}$ times his annual base salary, rounded up to the next $10,000, up to a maximum of $1.5 million. Further, in the event the cause of death was attributable to an accident, the beneficiaries would receive an additional $2\frac{1}{2}$ times the executive s annual base salary, rounded up to the next $10,000, up to a maximum of $1.5 million over and above the life insurance benefit. Further, in the event the cause of death was attributable to an accident while traveling on company business, the beneficiaries would receive an additional 2 times annual base salary, rounded up to the next $1,000, up to a maximum of $500,000 over and above the life insurance benefit and accidental death benefit. In the event of the death of the death of an executive officer of ATI, CCIA, CAM or LGSTX, the executive officer s beneficiaries would receive life insurance proceeds in the amount of 2 times his annual base salary, rounded up to the next $10,000, up to a maximum of $1 million. Further, in the event the cause of death was attributable to an accident, the beneficiaries would receive an additional $100,000 over and above the life insurance benefit.

In addition, the restriction on any shares of restricted stock would be removed automatically and the stock distributed to the executive s beneficiaries. Further, a pro-rata portion of the award of any performance-based stock units would be paid out to the executive s beneficiaries at the end of the performance period.

Payments Upon Change In Control

The Company has entered into change-in-control agreements with certain of its executive officers, including certain of its named executive officers, as described below under the heading Potential Payments Upon Termination or Change in Control Table. The agreements provide that, in the event of a change in control of the Company or the subsidiary that employs the executive, the executive will have the right to remain employed, at not less than his respective rate of compensation in effect as of the date of the change in control, for at least four years thereafter.

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A change in control is generally defined in the agreements as (i) the direct or indirect acquisition by any person of a greater than fifty percent (50%) ownership interest in or voting power over the Company or the subsidiary of the Company that employs the executive, (ii) the direct or indirect acquisition by any person, within any twelve (12) month period, of a thirty percent (30%) or more ownership interest in or voting power over the Company or the subsidiary of the Company that employs the executive, (iii) a majority of the members of the Board are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, or (iv) the acquisition by any person, within any twelve (12) month period, of assets from the Company or the subsidiary of the Company that employs the executive that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company or the subsidiary, as applicable.

The agreements generally provide that, if an executive is terminated without cause (defined as willful and continued failure to perform duties after demand from the Board, or willful or gross misconduct) within four years after a change in control, the Company must pay the executive, in addition to all accrued compensation, the equivalent of two years (three years in the case of the President and Chief Executive Officer) salary and bonus. In addition, the executive is entitled to the continuation of his group health insurance coverage and certain other benefits for the remainder of the term of the agreement, reimbursement for outplacement services and increased benefits under his employer s supplemental executive retirement plan. The Company or subsidiary that employs the executive is required to provide the same additional compensation and benefits described above in the event an executive officer resigns due to a material reduction, by his employer, in his salary, authority, duties or responsibilities or a material change in the geographic location of his employment.

In the event of a change in control, the restrictions on any shares of restricted stock will lapse and the stock will be distributed. In addition, the performance objectives imposed on any performance-based stock units will be deemed to have been met at the threshold level or any higher level actually achieved as of the date of the change in control (Accelerated Units) and the executive will receive cash or stock (depending on the nature of the change in control) as if the performance period ended on the date of the change in control. The amount awarded with respect to performance-based stock units will be determined by multiplying the Accelerated Units by the number of whole months between the beginning of the performance period and the date of the change in control divided by the number of whole months in the performance period.

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Potential Payments Upon Termination or Change in Control Table

The table below shows potential payments to the named executive officers upon retirement, disability, death or termination upon a change in control of the Company and under the terms of an employment agreement with the Company. The amounts shown assume that a termination was effective as of December 31, 2008 and are estimates of the amounts that would be paid to the executives upon their termination in addition to the base salary and bonus earned by the executives during 2008 and any applicable pension amounts payable to the executive officers described above under the headings Pension Benefits and Pension Benefits Table. The actual amounts to be paid can only be determined at the actual time of an executive s termination.

Name	Type of Benefit	Retirement ($)	Disability ($)	Death ($)	Termination Without Cause or for Good Reason Under an Employment Agreement or After a Change in Control ($)
Joseph C. Hete	Long-Term Disability Payments(1)		180,000		
	Life and Accidental Death Insurance Proceeds(2)			1,200,000	
	Restricted Stock(3)		23,382	23,382	23,382
	Performance-Based Stock Units(4)		4,110	4,110	4,110
	Severance Pay under Change-in-Control Agreement(5)				5,322,175
	Health Care Continuation Coverage(6)				70,552
Quint O. Turner	Long-Term Disability Payments(1)		173,333		
	Life and Accidental Death Insurance Proceeds(2)			650,000	
	Restricted Stock(3)		8,730	8,730	8,730
	Performance-Based Stock Units(4)		1,442	1,442	1,442
	Severance Pay under Change-in-Control Agreement(5)				1,467,687
	Health Care Continuation Coverage(6)				70,552
John W. Graber	Long-Term Disability Payments(1)		180,000		
	Life and Accidental Death Insurance Proceeds(2)			850,000	
	Restricted Stock(3)		8,622	8,622	8,622
	Performance-Based Stock Units(4)				
	Severance Pay under Change-in-Control Agreement(5)				1,253,564
	Health Care Continuation Coverage(6)				70,552
W. Joseph Payne	Long-Term Disability Payments(1)		133,333		
	Life and Accidental Death Insurance Proceeds(2)			500,000	
	Restricted Stock(3)		5,868	5,868	5,868
	Performance-Based Stock Units(4)		677	677	677
	Severance Pay under Change-in-Control Agreement(5)				905,680
	Health Care Continuation Coverage(6)				70,552
Peter F. Fox	Long-Term Disability Payments(1)		72,000		
	Life and Accidental Death Insurance Proceeds(2)			640,000	
	Restricted Stock(3)	8,190	8,190	8,190	8,190

Performance-Based Stock Units(4)	
Severance Pay under Employment Agreement(5)	572,400
Health Care Continuation Coverage(6)	

(1) This amount represents the value of long-term disability payments for one year. However, the executive officer would receive short-term disability benefits for the first six months of any disability, which in the case of Messrs. Hete, Turner, Graber and Payne would constitute 50% of their base salary (up to a maximum of $1,000 per week) and, in the case of Mr. Fox, would constitute 60% of his base salary (up to a maximum of $1,385 per week).

(2) This amount assumes the cause of death was not attributable to an accident. The following amounts would be paid to the executive officers beneficiaries in the event the cause of death was attributable to an accident: Hete ($2,400,000), Turner ($1,300,000), Graber ($1,700,000), Payne ($1,000,000) and Fox ($740,000). Further, the following amounts would be paid to the executive officers beneficiaries in the event the cause of death was attributable to an accident while traveling on business: Hete ($2,900,000), Turner ($1,800,000), Graber ($2,200,000), Payne ($1,400,000) and Fox ($740,000).

(3) The amounts in this column were calculated using a per share value of $0.18, the closing market price of our common stock on December 31, 2008, the last business day of the year. Only Mr. Fox was eligible for early retirement as of December 31, 2008.

(4) The amounts in this column were calculated using a per share value of $0.18, the closing market price of our common stock on December 31, 2008, the last business day of the year. In addition, the stock performance units were valued at the threshold amount and the return-on-equity units were valued at the target amount for the performance-based stock units awarded in 2006 and at the threshold amount for both the stock performance units and return-on-equity units awarded in 2007 and 2008. Only Mr. Fox was eligible for early retirement as of December 31, 2008.

(5) This amount constitutes, in the case of Messrs. Hete, Turner, Graber and Payne, the equivalent of two years (three years in the case of Mr. Hete) salary and bonus as well as the cash value of the retirement benefits that the executive would have received under the terms of their respective change-in-control agreements with the Company. In the case of Mr. Fox, this amount constitutes the equivalent of one year s base salary and bonus at the target amount in the event he was terminated by the Company without cause or he terminated his employment for good reason under the terms on an employment agreement with the Company.

(6) This amount reflects the value of COBRA continuation coverage for the 4-year term of the change-in-control agreement and is merely intended as an estimate. Under the change-in-control agreement, the Company will pay the executive officer s health insurance premiums, provided that the executive has elected COBRA continuation coverage, for the remaining term of the agreement, and at the end of such continuation coverage period shall arrange for the executive to receive health benefits substantially similar to those which the executive was receiving immediately prior to the termination of the coverage period.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between the members of the Board or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. None of the members of the Compensation Committee are officers or employees, or former officers or employees, of the Company or any of its subsidiaries.

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STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth information as to the shares of common stock beneficially owned (or deemed to be beneficially owned pursuant to the rules of the SEC) by each director of the Company, by the Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers of the Company and its subsidiaries (the named executive officers) at March 23, 2009 and by all directors and executive officers as a group:

Name	Common Stock of the Company Beneficially Owned(1)	Percentage of Common Stock Outstanding(2)
Directors(3)		
James E. Bushman	86,500	*
James H. Carey	60,913	*
Jeffrey A. Dominick		*
John D. Geary	13,000	*
Randy D. Rademacher	20,000	*
J. Christopher Teets(4)		*
Jeffrey J. Vorholt	65,000	*
Named Executive Officers(5)		
Joseph C. Hete, President and Chief Executive Officer(6)	505,186	*
Quint O. Turner, Chief Financial Officer	137,629	*
John W. Graber, President, ABX Air, Inc.	234,400	*
W. Joseph Payne, Senior Vice President, Corporate General Counsel & Secretary	51,082	*