Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

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The risks described in this Item 1A could adversely affect our financial condition, results of operations, liquidity and capital resources as well as the market price of ATSG' s common stock. Investors should carefully consider these risks before making an investment decision regarding ATSG' s common stock. The risks below are not the only risks that we face **, but these are the ones we currently believe have the potential to significantly affect ATSG' s stakeholders if they were to develop adversely (due to size, volatility, or both)** . Additional risks that are currently unknown to us or that we currently consider immaterial or unlikely could also adversely affect us. Please also see the " Cautionary Note Regarding Forward- Looking Statements " preceding Part I of this Form 10- K. Regulatory and Compliance Risk Failure to maintain the operating certificates and authorities of our airlines would adversely affect our business. Our airline subsidiaries have the necessary authority to conduct flight operations pursuant to the economic authority issued by the DOT and the safety based authority issued by the FAA. The continued effectiveness of such authority is subject to their compliance with applicable statutes and DOT, FAA and TSA rules and regulations, including any new rules and regulations that may be adopted in the future. The loss of such authority by an airline subsidiary could cause a default of covenants in our ~~$ 1 billion~~ syndicated credit agreement that includes the ability to execute term loans and a revolving credit facility and is scheduled to mature on October 19, 2027 (the " Senior Credit Agreement ") (see Note F to the consolidated financial statements included in this Form 10- K for more information regarding the Senior Credit Agreement) ~~and~~ **. Such a default** would materially and adversely affect ~~its~~ airline operations, effectively eliminating the airline' s ability to continue to provide air transportation services ~~. Failure to comply with the provisions of payroll support programs could result in the Company being required to repay government funds and also being subject to other remedies. Two of the Company' s airline subsidiaries, OAI and ATI, were granted government funds totaling $ 75. 8 million pursuant to separate payroll support program agreements under the Coronavirus Aid, Relief, and Economic Security Act (the " CARES Act ") and OAI was thereafter granted additional government funds totaling $ 37. 4 million (this grant was subsequently increased by $ 5. 6 million) and $ 40. 0 million pursuant to payroll support program agreements under each of the Consolidated Appropriations Act, 2021 (the " PSP Extension Law ") and the American Rescue Plan Act of 2021 (the" American Rescue Plan"), respectively. The grant of government funds to OAI and ATI under the CARES Act, PSP Extension Law and the American Rescue Plan totaled $ 158. 8 million. Under the CARES Act, the airlines agreed to limit, on behalf of themselves and certain of their affiliates, executive compensation through March 24, 2022; maintain certain air transportation service through March 1, 2022 as may be required by the U. S. Department of Transportation pursuant to its authority under the CARES Act; and maintain certain internal controls and records relating to the funds and comply with certain reporting requirements. OAI agreed as a condition of receiving grants under the PSP Extension Law and thereafter the American Rescue Plan Act, to limit executive compensation through October 1, 2022, and April 1, 2023, respectively. If we were found to be noncompliant with the payroll support program agreements under the CARES Act, the PSP Extension Law or the American Rescue Plan, the Company may be required to repay the government funds and may also be subject to other penalties~~ . Our business could be negatively impacted by adverse audit findings by the U. S. Government. Our DoD contracts are subject to **government** audit ~~by government agencies~~ , including with respect to performance, costs, internal controls and compliance with applicable laws and regulations. If an audit uncovers improprieties **or we otherwise fail to adhere to applicable governmental rules or regulations** , we may be subject to civil or criminal penalties, including termination of such contracts, forfeiture of profits, fines and suspension from doing business with the DoD. In addition, the DOT, FAA, TSA and other government agencies can initiate announced or unannounced investigations of our subsidiary air carriers, repair stations and other entities to determine if they are continuously conducting their operations in accordance with all applicable laws, rules and regulations. If an investigation ~~uncovered~~ **uncovers** a failure to comply, we could be subject to civil or criminal penalties **that may adversely impact one or more of our subsidiaries** . Our participation in the CRAF Program could adversely restrict our commercial business in times of national emergency. All three of our airlines participate in the CRAF Program, which permits the DoD to utilize the airlines' aircraft pledged to the **CRAF** Program during national emergencies when the need for military airlift exceeds the ~~capability~~ **availability** of military aircraft. In the event of such an emergency, our airline subsidiaries could incur the loss of use of such aircraft under commercial arrangements, which could have an adverse impact on our operating results. Proposed rules from the DOT, FAA and TSA could increase our operating costs and reduce customer utilization of airfreight. FAA rules for Flightcrew Member Duty and Rest Requirements (**"** FMDRR **"**) for passenger airline operations apply to our operation of passenger and combi aircraft for the DoD and other customers ~~and~~ **. The FMDRR** impact the required amount and timing of rest periods for pilots between work assignments and modified duty and rest requirements based on the time of day, number of scheduled segments, flight types, time zones and other factors. Failure to remain in compliance with these rules may subject us to fines or other enforcement action. There are separate crew rest requirements applicable to all- cargo aircraft of the type operated by the Company. The FAA has rejected, as have the courts, an attempt to apply the passenger airline crew rest rules to all- cargo operations. If such rest requirements and restrictions were imposed on our cargo operations, these rules could have a significant impact on the costs incurred by our airlines. ~~The~~ **Our** ~~airlines~~ - **airline subsidiaries** would attempt to pass such additional costs through to their customers in the form of price increases. Customers, as a result, may seek to reduce their utilization of aircraft in favor of less expensive transportation alternatives. The NMB could determine that two or more of our airline subsidiaries constitute a single transportation system. During 2017, the NMB ruled that ABX and ATI do not constitute a single transportation system for the purposes of collective bargaining. The NMB could reconsider whether the airlines constitute a single transportation system and require that the ABX and ATI crewmembers, or that the ABX, ATI and OAI crewmembers, be represented by the same union. A single transportation system determination by the NMB could give rise to complex contractual issues, including integrating the airlines' seniority lists, and materially impact the dynamics with respect to future collective bargaining agreement (" CBA") negotiations. While it is unlikely that the NMB would reconsider or find that ABX and ATI, or that ABX, ATI and OAI, constitute a single transportation system, the case- by- case analysis used by the NMB makes such predictions uncertain. Such a finding could have material adverse consequences to the Company. We may be impacted by government requirements associated with transacting business in foreign jurisdictions and trade policies. The U. S. and other governments have imposed trade and economic sanctions in certain geopolitical areas and on certain organizations and individuals. The U. S. Departments of Justice, Commerce and Treasury, as well as other government agencies have a broad range of civil and criminal penalties they may seek to impose for violations of the Foreign Corrupt Practices Act (" FCPA ") or other regulations, including sanctions administered by the **Office of Foreign Assets Control ("** OFAC **")** . In addition, the DOT, FAA and TSA may at times limit the ability of our airline subsidiaries to conduct flight operations in certain areas of the world. Under such laws and regulations, we may be obliged to limit our business activities, incur additional costs for compliance programs and may be subject to enforcement actions or penalties for noncompliance. In recent years, the U. S. government has increased its oversight and enforcement activities with respect to these laws and the relevant agencies may continue to increase these activities. Any trade agreements that may be entered into are subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to the products covered by existing tariffs. The impact of new laws, regulations and policies that affect global trade cannot be predicted. Penalties, fines and sanctions levied by governmental agencies or the costs of complying with government regulations could negatively affect our results of operations. The operations of ~~the~~ our subsidiaries are subject to complex aviation, transportation, security, environmental, labor, employment and other laws and regulations. These laws and regulations generally require our subsidiaries to maintain and comply with **the** terms of a wide variety of certificates, permits, licenses and other approvals. Their inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations could result in substantial fines or, in the case of DOT and FAA requirements, possible suspension or revocation of their authority to conduct operations. The costs of maintaining our aircraft in compliance with government regulations could negatively affect our results of operations and require further investment in our aircraft fleet. Manufacturer Service Bulletins, FAA regulations and FAA Airworthiness Directives issued under its " Aging Aircraft " program cause our airlines, as operators of older aircraft, to be subject to additional inspections and modifications to address problems of corrosion and structural fatigue at specified times. The FAA may issue airworthiness directives that could require significant costly inspections and major modifications to such aircraft. The FAA may issue airworthiness directives that could limit the usability of certain aircraft types. In addition, FAA regulations require that aircraft manufacturers establish limits on aircraft flight cycles to address issues involving aging, but still economically viable, aircraft, as described in Item 1 of this Form 10- K, under" Federal Aviation Administration." These regulations may increase our maintenance costs and eventually limit the use of our aircraft. See Item 2 of this Form 10- K," Properties," for a description of **our** ~~the company' s~~ aircraft, including year of manufacture.