

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **1-13025**

AirNet Systems, Inc.

(Exact name of Registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

31-1458309

(I.R.S. Employer
Identification No.)

7250 Star Check Drive, Columbus, Ohio

(Address of principal executive offices)

43217

(Zip Code)

(614) 409-4900

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 4, 2006, 10,157,500 of the Registrant's common shares, par value \$0.01, were outstanding.

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AIRNET SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except par value data

	June 30, 2006	December 31, 2005
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,645	\$1,590
Accounts receivable, less allowances	22,552	21,103
Taxes receivable	1,823	1,786
Deposits and prepaids	2,043	2,338
Assets related to discontinued operations	40,938	42,621
Total current assets	69,001	69,438
 Net property and equipment	 52,537	 53,701
 Deposits and other assets	 154	 154
Total assets	\$121,692	\$123,293
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$8,372	\$10,037
Salaries and related liabilities	3,986	4,719
Current portion of notes payable	1,854	1,781
Deferred income taxes	-	124
Notes payable related to discontinued operations	28,761	29,780
Other liabilities related to discontinued operations	583	704
Total current liabilities	43,556	47,145
 Notes payable, less current portion	 20,524	 24,458
Deferred income taxes	7,485	5,311
 Shareholders' equity:		
Preferred shares, \$.01 par value; 10,000 shares authorized; no shares issued and outstanding	-	-
Common shares, \$.01 par value; 40,000 shares authorized; 12,763 issued at June 30, 2006 and December 31, 2005, respectively	128	128
Additional paid-in-capital	76,186	76,318
Retained deficit	(2,789)	(6,454)
Accumulated other comprehensive loss	(13)	(13)
Treasury shares, 2,606 and 2,614 common shares held at cost at June 30, 2006 and December 31, 2005, respectively	(23,385)	(23,600)
Total shareholders' equity	50,127	46,379
Total liabilities and shareholders' equity	\$121,692	\$123,293

See notes to condensed consolidated financial statements

AIRNET SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited

In thousands, except per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
NET REVENUES, NET OF EXCISE TAX				
Bank services	\$29,101	\$28,845	\$57,385	\$56,138
Express services	14,981	12,428	29,025	25,533
Aviation services	272	117	649	284
Total net revenues	44,354	41,390	87,059	81,955
COSTS AND EXPENSES				
Wages and benefits	4,736	4,971	9,711	10,091
Aircraft fuel	7,723	7,049	14,715	13,281
Aircraft maintenance	4,190	3,873	8,285	7,677
Contracted air costs	4,439	3,681	8,608	6,932
Ground courier	8,717	7,634	16,896	15,475
Depreciation	2,868	3,133	5,751	6,249
Insurance, rent and landing fees	2,112	2,244	3,989	4,495
Travel, training and other	1,147	1,356	2,678	2,865
Selling, general and administrative	4,772	4,893	9,237	10,091
Net gain on disposition of assets	(4)	(2)	(12)	(52)
Total costs and expenses	40,700	38,832	79,858	77,104
Income from continuing operations before interest expense	3,654	2,558	7,201	4,851
Interest expense	443	502	973	829
Income from continuing operations before income taxes	3,211	2,056	6,228	4,022
Provision for income taxes	1,146	563	2,267	1,536
Income from continuing operations	2,065	1,493	3,961	2,486
Income (loss) from discontinued operations, net of tax	(87)	562	(296)	1,085
Net income	\$1,978	\$2,055	\$3,665	\$3,571
Income (loss) per common share - basic and diluted:				
Continuing operations	\$0.20	\$0.15	\$0.39	\$0.25
Discontinued operations	(0.01)	0.05	(0.03)	0.10
Net income per common share - basic and diluted	\$0.19	\$0.20	\$0.36	\$0.35

See notes to condensed consolidated financial statements

AIRNET SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Unaudited

In thousands

	Six Months Ended June 30,	
	2006	2005
Operating activities:		
Income from continuing operations	\$3,961	\$2,486
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	5,751	6,249
Deferred taxes	2,174	2,210
Stock-based compensation expense	58	-
Other, net	138	41
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	(1665)	1006
Taxes receivable	(37)	(145)
Accounts payable and accrued expenses	(1723)	(2843)
Salaries and related liabilities	(733)	613
Other, net	248	259
Net cash provided by continuing operations	8,172	9,876
<i>Net cash provided by discontinued operations</i>	2,074	4,894
Net cash provided by operating activities	10,246	14,770
Investing activities:		
Purchases of property and equipment - net	(4587)	(11280)
Net cash used in continuing operations	(4587)	(11280)
<i>Net cash used in discontinued operations</i>	(749)	(1617)
Net cash used in investing activities	(5,336)	(12,897)
Financing activities:		
Proceeds from incentive stock plan programs	25	72
Net repayments of debt	(3861)	(972)
Net cash used in continuing operations	(3836)	(900)
<i>Net cash used in discontinued operations</i>	(1019)	(933)
Net cash used in financing activities	(4,855)	(1,833)
Net increase in cash	55	40
Cash and cash equivalents at beginning of period	1,590	1,086
Cash and cash equivalents at end of period	\$1,645	\$1,126

See notes to condensed consolidated financial statements

AIRNET SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

AirNet Systems, Inc. ("AirNet") is a specialty air carrier for time-sensitive deliveries, operating between most major U.S. cities each working day. AirNet is the leading transporter of cancelled checks and related information for the U.S. banking industry. AirNet also provides specialized, high-priority delivery services to customers, primarily those involved in the life sciences and entertainment industries. AirNet also provides private passenger charter services through its wholly-owned subsidiary, Jetride, Inc. ("Jetride"), which is expected to be sold in the third quarter of 2006 as described in Note 2 below.

The accompanying condensed consolidated financial statements include the accounts of AirNet Systems, Inc. and its subsidiaries. These financial statements are unaudited and have been prepared in accordance with the instructions for Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted as permitted by the instructions for Form 10-Q. The Balance Sheet at December 31, 2005 has been derived from the audited financial statements at that date, but does not include all of the information and disclosures required by U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The results of operations for the three and six month periods ended June 30, 2006 are not necessarily indicative of the results for the full year.

The financial information included herein reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the results of interim periods.

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in those financial statements and accompanying notes thereto. Actual results could differ from those estimates.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN 48) which clarifies the accounting for uncertain tax positions and provides guidance on required disclosures. FIN 48 is effective for fiscal years beginning after December 15, 2006. AirNet is evaluating FIN 48 to determine what impact, if any, it will have upon adoption.

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the three and six month periods ended June 30, 2006.

2. Discontinued Operations

On July 26, 2006, AirNet entered into a definitive purchase agreement with Pinnacle Air, LLC ("Pinnacle") to sell Jetride's passenger charter business for the aggregate consideration of \$41.0 million in cash, of which \$40.0 million is consideration for the sale of nine company-owned aircraft and related engine maintenance programs and \$1.0 million is consideration for the sale of all of the outstanding capital stock of a newly created subsidiary, also called Jetride, Inc. ("New Jetride"). New Jetride will own certain related assets contributed to New Jetride by Jetride. AirNet will retain the working capital of the Jetride business as of the closing date. The transaction is subject to standard closing contingencies (including that there be no material adverse change in Jetride's business) and the receipt of requisite assurances from the U.S. Federal Aviation Administration (the "FAA") that New Jetride is deemed to possess the Part 135 air carrier operating certificate issued by the FAA with respect to Jetride's passenger charter business and that the Part 135 air carrier operating certificate will continue to be operable by New Jetride upon and immediately after the transfer of the New Jetride capital stock to Pinnacle in connection with the closing of the sale transaction. The sale transaction is expected to close during AirNet's third fiscal quarter of 2006. As a result of the transaction, AirNet expects to repay approximately \$29 million of the term loans secured by the Jetride aircraft. Following repayment of Jetride's debt, debt prepayment penalties, and payment of applicable taxes and expenses related to the transaction, AirNet plans to use the remaining net sale proceeds to further reduce the debt outstanding under its secured revolving credit facility.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", AirNet has classified the assets and liabilities of Passenger Charter Services as assets and liabilities related to discontinued operations and presented its results of operations as discontinued operations for all periods presented.

Revenues from Passenger Charter Services, included in income (loss) from discontinued operations, for the three and six month periods ended June 30, 2006, were \$5.9 million and \$12.7 million, respectively, compared to \$8.5 million and \$17.8 million, respectively, for such periods in 2005.

Loss from discontinued operations before taxes for the three and six month periods ended June 30, 2006 was \$0.1 million and \$0.5 million, respectively, compared to income before taxes of \$0.8 million and \$1.8 million for the same periods in 2005.

As a result of the planned disposition of Passenger Charter Services, AirNet has only one reportable segment.

In February 2006, AirNet decided to market for sale all nine of the Cessna 310 Piston cargo aircraft as a result of the reduction in its airline capacity. At that date, AirNet determined that the plan of sale criteria of SFAS No. 144 had been met. The carrying value of the assets was determined to approximate the estimated fair value less cost to sell, based on recent aircraft appraisals. The carrying value of the aircraft approximates \$0.4 million, and is classified in "Assets related to discontinued operations" in the Condensed Consolidated Balance Sheet.

3. Stock Plans and Awards

At June 30, 2006, AirNet had two stock-based employee and director compensation plans, the Amended and Restated 1996 Incentive Stock Plan and the 2004 Stock Incentive Plan. Through December 31, 2005, AirNet accounted for the plans under the recognition and measurement principles of APB Opinion No. 25, "*Accounting for Stock Issued to Employees*", and related interpretations as permitted by Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*". Effective January 1, 2006, AirNet adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123(R)), that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. FAS 123(R) eliminates the ability to account for share-based compensation transactions, as AirNet formerly did, using the intrinsic value method as prescribed by APB Opinion No. 25, and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in the condensed consolidated statements of operations.

AirNet adopted FAS 123(R) using the modified prospective transition method which requires the application of the accounting standard as of January 1, 2006. AirNet's condensed consolidated statements of operations as of and for the three and six month periods ended June 30, 2006 reflects the impact of adopting FAS 123(R). In accordance with the modified prospective transition method, the condensed consolidated statements of operations for prior periods have not been restated to reflect, and do not include, the impact of FAS 123(R).

Stock-based compensation expense recognized during the three and six month periods ended June 30, 2006, is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the condensed consolidated statements of operations during the three and six month periods ended June 30, 2006 included compensation expense for stock-based payment awards granted prior to, but not yet vested, as of December 31, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of FAS 148. Although there have been no grants of stock-based payment awards subsequent to December 31, 2005, compensation expense for the stock-based payment awards to be granted subsequent to December 31, 2005 will be based on the grant date fair value estimated in accordance with FAS 123(R). As stock-based compensation expense recognized in the condensed consolidated statements of income for the three and six month periods ended June 30, 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under FAS 148 for the periods prior to 2006, AirNet accounted for forfeitures as they occurred.

Impact of the Adoption of FAS 123(R)

Currently, AirNet uses the Black-Scholes option pricing model to estimate the value of stock options granted to employees for purposes of computing the stock-based compensation expense and disclosures required by FAS 123(R). During the three and six month periods ended June 30, 2006, AirNet recognized stock-based compensation expense of approximately \$28,000 and \$58,000, respectively (approximately \$17,000 and \$35,000 net of tax, respectively) related to outstanding stock options according to the provisions of FAS 123(R), using the modified

prospective transition method. Basic and diluted net income per share for the three and six month periods ended June 30, 2006 did not change as a result of the adoption of FAS 123(R).

The following table illustrates the effect on operating results and per share information had AirNet accounted for share-based compensation expense in accordance with FAS 123(R) for the periods indicated (in thousands, except per share data):

	<u>Three Months Ended June 30, 2005</u>	<u>Six Months Ended June 30, 2005</u>
Income from continuing operations	\$1,493	\$2,486
Income from discontinued operations, net of tax	<u>562</u>	<u>1,085</u>
Net income, as reported	<u>\$2,055</u>	<u>\$3,571</u>
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	<u>(31)</u>	<u>(54)</u>
Pro forma net income	<u>\$2,024</u>	<u>\$3,517</u>
Net income per common share – basic and diluted:		
Income per common share from continuing operations	\$.15	\$.25
Income per common share from discontinued operations, net of tax	<u>\$.05</u>	<u>\$.10</u>
Net income per common share	<u>\$.20</u>	<u>\$.35</u>

The fair value of the stock options is estimated at the date of grant using the Black-Scholes option pricing model. There were no grants of stock-based payment awards during the three and six month periods ended June 30, 2006 and 2005. Total unamortized stock-based compensation expense for outstanding stock options was approximately \$0.2 million at June 30, 2006 and is expected to be recognized over a period of 3.5 years.

4. Net Income Per Common Share

The following table sets forth the computation of basic and diluted net income per common share (in thousands, except per share data):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Numerator:				
Income from continuing operations	\$2,065	\$1,493	\$3,961	\$2,486
Income (loss) from discontinued operations, net of tax	<u>(87)</u>	<u>562</u>	<u>(296)</u>	<u>1,085</u>
Net income	<u>\$1,978</u>	<u>\$2,055</u>	<u>\$3,665</u>	<u>\$3,571</u>
Denominator:				
Basic – weighted average common shares outstanding	<u>10,144</u>	10,127	<u>10,140</u>	10,123
Diluted				
Dilutive effect of stock options—employees, officers, and directors	-	<u>32</u>	-	<u>16</u>
Adjusted weighted average common shares outstanding	<u>10,144</u>	<u>10,159</u>	<u>10,140</u>	<u>10,139</u>
Net income (loss) per common share – basic and diluted:				
Income from continuing operations	<u>\$0.20</u>	\$0.15	<u>\$0.39</u>	\$0.25
Income (loss) from discontinued operations, net of tax	<u>(.01)</u>	<u>.05</u>	<u>(.03)</u>	<u>.10</u>
Net income per common share	<u>\$0.19</u>	<u>\$0.20</u>	<u>\$0.36</u>	<u>\$0.35</u>

Common shares subject to outstanding stock options excluded from the adjusted weighted average common shares outstanding calculation were 782,000 and 623,000 for the three and six month periods ended June 30, 2006 and 2005, respectively. These stock options were antidilutive and excluded from the calculation because the exercise prices of these stock options were greater than the average fair market value of the underlying common shares in the respective periods.

5. Bank Financing Matters

Term Notes and Revolving Credit Facility

In September 2002, AirNet entered into a \$35.0 million unsecured revolving credit facility and a five-year \$20.0 million unsecured term loan (collectively, the "Credit Agreement"). The term loan required quarterly installments of \$1.0 million beginning in December 2002 and continuing through September 30, 2007. The revolving credit facility under the Credit Agreement was originally scheduled to expire on September 30, 2005 and the secured term loan was to mature on September 30, 2007.

On May 28, 2004, AirNet and its lenders amended the terms and conditions of the Credit Agreement (the "Amended Credit Agreement"). The Amended Credit Agreement has been further amended by the First, Second, Third and Fourth Change in Terms Agreements as described below. The Amended Credit Agreement is secured by a first lien on all of the property of AirNet and its subsidiaries, other than any interest in real estate and certain excluded fixed assets. AirNet also pledged the stock and interests of its subsidiaries to secure the loans under the Amended Credit Agreement, and each of AirNet's subsidiaries guaranteed AirNet's obligations under the Amended Credit Agreement. The Amended Credit Agreement permits AirNet and its subsidiaries to incur other indebtedness for the purpose of purchasing or refinancing aircraft and related tangible fixed assets, subject to certain annual limitations. The Amended Credit Agreement contains limitations on operating leases, indebtedness, significant corporate changes including mergers and sales of assets, investments in subsidiaries and acquisitions, liens, capital expenditures, transactions with affiliates, sales of accounts receivable, sale and leaseback transactions and other off-balance sheet liabilities, contingent obligations and hedging transactions. The Amended Credit Agreement also contains certain financial covenants that require AirNet to maintain a minimum consolidated tangible net worth and to not exceed certain fixed charge coverage and leverage ratios specified in the Amended Credit Agreement.

The Amended Credit Agreement provided for a secured revolving credit facility of up to \$35.0 million and a secured term loan in the aggregate amount of \$14.0 million. The amount of revolving loans available under the Amended Credit Agreement was limited to a borrowing base equal to the aggregate of 80% of eligible accounts receivable, plus 50% of eligible inventory, plus 70% of the market value of certain fixed assets, reduced by the aggregate amount of AirNet's outstanding letters of credit. The Amended Credit Agreement bears interest, at AirNet's option, at (a) a fixed rate equal to LIBOR plus a margin determined by AirNet's leverage ratio as defined in the Amended Credit Agreement, or (b) a floating rate based on the greater of (i) the prime rate established by The Huntington National Bank from time to time plus a margin determined by AirNet's leverage ratio or (ii) the sum of 0.5% plus the federal funds rate in effect from time to time plus a margin determined by AirNet's leverage ratio. At June 30, 2006, as a result of the various timing and duration of short-term debt maturities, AirNet's interest rates ranged from 6.0% to 8.0%.

As a result of the impairment charges recorded in September 2004 as described in Note 2 of the Notes to Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data" of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, AirNet was not in compliance with certain terms of the Amended Credit Agreement, including the fixed charge coverage ratio and the leverage ratio calculated as of September 30, 2004, and AirNet would not have been in compliance with the minimum consolidated tangible net worth requirement as of December 31, 2004. On November 12, 2004, AirNet and its lenders under the Amended Credit Agreement agreed to modify the terms and conditions of the Amended Credit Agreement (the "First Change in Terms Agreement"). The First Change in Terms Agreement modified the fixed charge coverage ratio, the leverage ratio, and the minimum consolidated tangible net worth financial covenants in such a manner that, on a going-forward basis, the September 2004 impairment charges, in and of themselves, would not cause a default of these financial covenants in the future. At the same time as the First Change of Terms Agreement was entered into, AirNet and its lenders executed a waiver of any defaults or potential defaults under the Amended Credit Agreement which occurred, or may have occurred, as a result of AirNet's failure to comply with the foregoing financial covenants due to the September 2004 impairment charges.

On March 24, 2005, AirNet and its lenders entered into a "Second Change in Terms Agreement" that further modified the terms and conditions of the Amended Credit Agreement. In accordance with the Second Change in Terms Agreement, AirNet prepaid in full the remaining \$11.0 million balance outstanding on its secured term loan. Upon the prepayment of the term loan, the term loan portion of the Amended Credit Agreement was terminated. In addition, the revolving credit facility under the Amended Credit Agreement was reduced from \$35.0 million to \$30.0 million. Under the Second Change in Terms Agreement, the term of the revolving credit facility was extended from September 30, 2005 to October 15, 2006. The Second Change in Terms Agreement also provided for the release of certain fixed assets that were securing the loans under the Amended Credit Agreement and modified certain other financial covenants.

As a result of the impairment charge recorded in September 2005 as described in Note 2 of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, AirNet was not in compliance with certain terms of the Amended Credit Agreement, including the fixed charge coverage ratio and the leverage ratio calculated as of September 30, 2005. On November 21, 2005, AirNet and its lenders under the Amended Credit Agreement agreed to modify the terms and conditions of the Amended Credit Agreement (the "Third Change in Terms Agreement"). The Third Change in Terms Agreement modified the fixed charge coverage ratio and the leverage ratio financial covenants in such a manner that, on a going-forward basis, the impairment charge recorded as of September 30, 2005, in and of itself, would not cause a default of these financial covenants in the future. At the same time as the Third Change of Terms Agreement was entered into, AirNet and its lenders executed a waiver of any defaults or potential defaults under the Amended Credit Agreement which occurred, or may have occurred, as a result of AirNet's failure to comply with the foregoing financial covenants due to the September 2005 impairment charge.

On March 28, 2006, AirNet and its lenders entered into a "Fourth Change in Terms Agreement" extending the term of the secured revolving credit facility under the Amended Credit Agreement from October 15, 2006 to October 15, 2007. The Fourth Change in Terms Agreement also reduced the amount of the secured revolving credit facility from \$30 million to \$25 million, reduced the amount of annual capital expenditures permitted under the terms of the Amended Credit Agreement from \$30 million to \$20 million, and modified the calculation of the borrowing base by lowering the percentage of fixed assets AirNet may borrow against from 70% to 50% of their market value. As a result of the Fourth Change in Terms Agreement, amounts outstanding under the revolving credit facility at June 30, 2006 and December 31, 2005 are classified as long-term debt in the Condensed Consolidated Balance Sheets.

As of June 30, 2006, \$13.5 million was outstanding under the secured revolving credit facility which is included in "Notes payable, less current portion" in the Condensed Consolidated Balance Sheet. In addition, AirNet had \$1.3 million in letters of credit outstanding as of such date related to insurance programs, which reduced the amount available under the revolving credit facility. After giving effect to the Fourth Change in Terms Agreement, AirNet had approximately \$10.2 million available to borrow under its secured revolving credit facility under the Amended Credit Agreement as of June 30, 2006.

Other Term Notes

On March 24, 2005, AirNet entered into a three-year term loan totaling \$11.0 million with a fixed interest rate of 8.12%. This term loan is secured by seven Cessna Caravans and nine Learjet 35's from AirNet's cargo aircraft fleet. The aircraft securing this loan were released from the collateral securing the loans under the Amended Credit Agreement in accordance with the Second Change in Terms Agreement. The proceeds from this term loan were used to prepay in full AirNet's term loan under the Amended Credit Agreement as described above. As of June 30, 2006, \$8.9 million was outstanding under this term loan.

Term Loans – Discontinued Operations

During the second quarter of 2004, Jetride entered into four seven-year term loans totaling \$22.5 million with fixed interest rates of approximately 6.7%. In July 2004, Jetride financed two additional passenger charter Learjet 60's for the Passenger Charter fleet at \$5.0 million each with seven-year terms and fixed rates of approximately 6.5%, for a total of \$32.5 million in financing related to AirNet's Passenger Charter Services. As of June 30, 2006 and December 31, 2005, there was \$28.8 million and \$29.8 million, respectively, outstanding under all six loans. These term loans are secured by aircraft used in the Passenger Charter fleet. Each of the term loans is guaranteed by AirNet. AirNet incurred approximately \$0.5 million and \$1.0 million in interest expense in the three and six month periods ended June 30, 2006 related to the financing of the nine Passenger Charter aircraft under all six loans. At June 30, 2006, and December 31, 2005, the six term loans are classified as "Notes payable related to discontinued operations" in current liabilities in the Condensed Consolidated Balance Sheets. In accordance with the related loan agreements, these six term loans are expected to be repaid as a result of the planned sale of AirNet's passenger charter business as described in Note 2 – Discontinued Operations of the Notes to Condensed Consolidated Financial Statements.

6. Income Taxes

The difference between the effective income tax rate and the federal statutory income tax rate, for each of the three and six month periods ended June 30, 2006 and the three and six month periods ended June 30, 2005, is primarily attributable to changes in the valuation allowance for net operating loss carryforwards and Alternative Minimum Tax Credit carryforwards.

7. Contingencies

In June 2005, AirNet relocated its corporate and operational headquarters from 3939 International Gateway in Columbus, Ohio (the "Port Columbus Facility") to its new facility at Rickenbacker International Airport (the "Rickenbacker Facility"). AirNet's lease of its Port Columbus Facility expired on August 31, 2005.

AirNet maintains certain assets at Port Columbus for dispensing aviation fuel under the terms and conditions of a separate lease agreement (the "Fuel Farm Lease"). The Fuel Farm Lease requires AirNet to return the premises leased under the Fuel Farm Lease to their original condition at the termination of the lease. In lieu of returning the premises to their original condition, the Port Columbus Airport Authority (the "Authority") may take title to any improvements constructed by AirNet on the leased premises. AirNet and the Authority have entered into discussions regarding the transfer of title of AirNet's fuel farm assets to the Authority, which includes two underground fuel storage tanks. If the Authority declines to take title to the fuel farm assets, or if AirNet and the Authority are unable to reach acceptable terms and conditions regarding the transfer of the fuel farm assets to the Authority, AirNet will remove the fuel farm assets and return the premises to their original condition. As of June 30, 2006, AirNet had an accrual of approximately \$0.1 million for the cost of returning the fuel farm premises to their original condition.

AIRNET SYSTEMS, INC.

**ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Safe Harbor Statement

Except for the historical information contained in this Quarterly Report on Form 10-Q, the matters discussed, including, but not limited to, information regarding future economic performance and plans and objectives of AirNet's management, are forward-looking statements that involve risks and uncertainties. When used in this document, the words "believe", "anticipate", "estimate", "expect", "intend", "may", "plan", "project" and similar expressions are intended to be among statements that identify forward-looking statements. Such statements involve risks and uncertainties which could cause actual results to differ materially from any forward-looking statement. The following factors, in addition to those included in the disclosure under the heading "Item 1A – Risk Factors" of Part II of this Quarterly Report on Form 10-Q and the disclosure under the heading "Item 1A - Risk Factors" of Part I of AirNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, could cause actual results to differ materially from those expressed in our forward-looking statements: potential regulatory changes by the Federal Aviation Administration ("FAA"), Department of Transportation ("DOT") and Transportation Security Administration ("TSA"), which could increase the regulation of AirNet's business, or the Federal Reserve, which could change the competitive environment of transporting cancelled checks; changes in check processing and shipment patterns of bank customers; the continued acceleration of migration of AirNet's bank customers to electronic alternatives to the physical movement of cancelled checks; the impact of prolonged weakness in the U.S. economy on time-critical shipment volumes; disruptions to operations due to adverse weather conditions, air traffic control-related constraints or aircraft accidents; potential further declines in the values of aircraft in AirNet's fleet and any related asset impairment charges; potential changes in locally and federally mandated security requirements; increases in aviation fuel costs not fully offset by AirNet's fuel surcharge program; acts of war and terrorist activities; the acceptance of AirNet's time-critical service offerings within targeted express markets; technological advances and increases in the use of electronic funds transfers; our substantial indebtedness; the availability and cost of financing required for operations; insufficient capital for future expansion; and the impact of unusual items resulting from ongoing evaluations of our business strategies; as well as other economic, competitive and domestic and foreign governmental factors affecting AirNet's markets, prices and other facets of its operations; while AirNet expects to be able to close the sale of Jetride to Pinnacle, there can be no assurances that the standard closing conditions, as well as the FAA assurance, required by the definitive agreement will be satisfied and that closing will occur. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Please refer to the disclosure included in "Item 1A – Risk Factors" of Part II of this Quarterly Report on Form 10-Q and the disclosure included in "Item 1A – Risk Factors" of Part I and in the section captioned "Forward-looking statements" in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of the Annual Report on Form 10-K for the fiscal year ended December 31, 2005 of AirNet Systems, Inc. (File No. 1-13025) for additional details relating to risk factors that could affect AirNet's results and cause those results to differ materially from those expressed in the forward-looking statements.

General

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. AirNet maintains a thorough process to review the application of its accounting policies and to evaluate the appropriateness of the estimates; however, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Certain estimates that have a significant effect on quarterly results, such as incentive compensation expense and the effective income tax rates, could require substantial adjustments from quarter to quarter due to changes in estimates of net income for the year.

Management has discussed the development and selection of AirNet's critical accounting policies and estimates with the Audit Committee of AirNet Systems, Inc.'s Board of Directors and with AirNet's independent registered public accounting firm. AirNet's critical accounting policies have not changed significantly from the policies disclosed under the caption "Critical Accounting Policies and Estimates" in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

AirNet's audited consolidated financial statements for the fiscal year ended December 31, 2005, included in "Item 8 – Financial Statements and Supplementary Data" of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, contain additional disclosures regarding AirNet's significant accounting policies and

“Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” of that Annual Report on Form 10-K includes a summary of AirNet’s critical accounting policies. The information appearing therein may be useful when reading this discussion and analysis of financial condition and results of operations.

Effective as of January 1, 2006, AirNet adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (FAS 123(R)). For detailed information regarding this pronouncement and the impact thereof on AirNet’s business, see Note 3 of the Notes to Condensed Consolidated Financial Statements included in “Item 1 – Financial Statements” of this Quarterly Report on Form 10-Q..

Purchase Agreement Related to Sale of Jetride’s Passenger Charter Business

On July 26, 2006, AirNet entered into a definitive purchase agreement with Pinnacle Air, LLC (“Pinnacle”) to sell Jetride’s passenger charter business for the aggregate consideration of \$41.0 million in cash, of which \$40.0 million is consideration for the sale of nine company-owned aircraft and related engine maintenance programs and \$1.0 million is consideration for the sale of all of the outstanding capital stock of a newly created subsidiary, also called Jetride, Inc. (“New Jetride”). New Jetride will own certain related assets contributed to New Jetride by Jetride. AirNet will retain the working capital of the Jetride business as of the closing date. The transaction is subject to standard closing contingencies (including that there be no material adverse change in Jetride’s business) and the receipt of requisite assurances from the U.S. Federal Aviation Administration (the “FAA”) that New Jetride is deemed to possess the Part 135 air carrier operating certificate issued by the FAA with respect to Jetride’s passenger charter business and that the Part 135 air carrier operating certificate will continue to be operable by New Jetride upon and immediately after the transfer of the New Jetride capital stock to Pinnacle in connection with the closing of the sale transaction. The sale transaction is expected to close during AirNet’s third fiscal quarter of 2006. As a result of the transaction, AirNet expects to repay approximately \$29 million of the term loans secured by the Jetride aircraft. Following repayment of Jetride’s debt, debt prepayment penalties, and payment of applicable taxes and expenses related to the transaction, AirNet plans to use the remaining net sale proceeds to further reduce the debt outstanding under its secured revolving credit facility.

Results of Operations

Financial Overview

Income from continuing operations benefited from significantly higher fuel surcharge revenues resulting from increases of approximately 33% and 32%, respectively, in the average fuel price on the OPIS index for the three and six month periods ended June 30, 2006 versus the same periods in 2005. The revenue increases were partially offset by higher ground courier, contracted air, and aircraft fuel expenses.

Income from discontinued operations reflects the revenues and expenses associated with Jetride – see Note 2 of the Notes to Condensed Consolidated Financial Statements. Total Passenger Charter Services revenues decreased approximately \$2.6 million, or 30%, to \$5.9 million and \$5.1 million, or 29% to \$12.7 million, for the three and six month periods ended June 30, 2006, respectively. The declines were primarily attributable to a reduction in flight hours, specifically the net loss of two Challenger passenger aircraft that were operated under management agreements in the comparable periods of 2005. The revenue declines were partially offset by decreased costs and expenses for Passenger Charter Services primarily related to a reduction in payments to owners of managed aircraft and reduced aircraft fuel expenses. The net loss before tax for the three and six months ended June 30, 2006 was \$0.1 million and \$0.5 million, respectively.

As a result of the continuing evolution of electronic alternatives to the physical movement of cancelled checks and other market factors, AirNet’s Bank Services net revenues are expected to decline over time. AirNet continues to evaluate and adjust its operations, including aircraft mix and fleet size, in response to these changing business conditions as well as review its ground operations for efficiencies and cost reductions. In February 2006, AirNet decided to market for sale all nine of the Cessna 310 piston cargo aircraft it operates as a result of the reduction in its required airline capacity.

Net Revenues

Dollars in '000's	Three Months Ended				Increase (Decrease)		Six Months Ended				Increase (Decrease)	
	June 30,				2006 to 2005		June 30,				2006 to 2005	
	% of		% of		\$	%	% of		% of		\$	%
	2006	Total	2005	Total			2006	Total	2005	Total		
Revenues Net of Excise Tax												
Bank Services	\$ 29,101	66%	\$ 28,845	70%	\$ 256	1%	\$ 57,385	66%	\$ 56,138	69%	\$ 1,247	2%
Express Services	14,981	34%	12,428	30%	2,553	21%	29,025	33%	25,533	31%	3,492	14%
Aviation Services	272	0%	117	0%	155	132%	649	1%	284	0%	365	129%
Total Net Revenues	\$ 44,354	100%	\$ 41,390	100%	\$ 2,964	7%	\$ 87,059	100%	\$ 81,955	100%	\$ 5,104	6%

Net revenues increased as a result of significantly higher fuel surcharge revenues for the three and six month periods ended June 30, 2006 over the same periods in 2005.

AirNet generally assesses its bank services customers a fuel surcharge, which is based on the Oil Price Index Summary – Columbus, Ohio (OPIS-CMH index). As index rates increase above a set threshold, surcharge rates increase. The average fuel price on the OPIS index for the three and six month periods ended June 30, 2006 increased approximately 33% and 32%, respectively, over the comparable periods in 2005. AirNet also assesses most of its express services customers a fuel surcharge which is based on the OPIS index, which is adjusted monthly based on changes in the OPIS index.

AirNet expects the significant increases in fuel surcharge revenues for 2006 as compared to 2005 will lessen in the second half of 2006 because of the significant fuel price increases which occurred during the last six months in 2005.

Bank Services Revenues

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2006 to 2005		June 30,		2006 to 2005	
	2006	2005	\$	%	2006	2005	\$	%
Bank Services Revenues								
Bank Services Revenues, Net of Federal Excise Tax Fees	\$ 24,783	\$ 26,003	\$ (1,220)	(5)%	\$ 49,528	\$ 51,185	\$ (1,657)	(3)%
Fuel Surcharge	4,318	2,842	1,476	52%	7,857	4,953	2,904	59%
Total Net Bank Services Revenues	\$ 29,101	\$ 28,845	\$ 256	1%	\$ 57,385	\$ 56,138	\$ 1,247	2%

Total net Bank Services revenues increased during the three and six month periods ended June 30, 2006 from those for the same periods in 2005 due to the significant increase in fuel surcharge revenues as a result of higher fuel prices experienced in 2006 and general price increases. There were the same number of flying days for the three and six month periods ended June 30, 2006 compared to the same periods of 2005. Bank Services shipments consist primarily of cancelled checks (checks processed for settlement), proof of deposit (unprocessed checks) and interoffice mail delivery. Cancelled check pounds shipped per flying day declined approximately 9% and 8%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. Increases in proof of deposit and interoffice mail deliveries partially offset this decline resulting in a net decrease in total Bank Services pounds shipped per flying day of approximately 5% and 4%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005.

AirNet continues to evaluate its operational structure and associated costs to more closely align them with the expected declines in cancelled check volume and related revenue. However, given the high fixed cost nature of AirNet's national airline network, it will become increasingly difficult to reduce costs in proportion to decreases in Bank Services revenues. AirNet continues to focus on additional services for banks, such as proof of deposit and interoffice mail delivery services, which provide additional revenue but at significantly lower revenue yields per pound than AirNet's traditional cancelled check business.

Revenue yields per pound are similar for Bank Services and Express Services shipments; however, because the density of cancelled check shipments is much greater than the typical Express shipment, contribution margins on Bank shipments are substantially higher than Express shipments after considering the cubic dimension of shipments. Furthermore, due to the unscheduled nature of most Express shipments, pick-up and delivery costs per shipment are higher for Express shipments than Bank shipments. AirNet believes that lower check delivery volume as a result of the declining use of checks and electronic alternatives to the physical movement of cancelled checks will contribute to a significant reduction in Bank Services revenues and contribution margin in future periods. As Bank Services

revenues decline, it will be necessary to reduce AirNet's airline capacity because Express Services contribution margins are insufficient to support the operation of AirNet's airline as presently configured.

Express Services Revenues

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2006 to 2005		June 30,		2006 to 2005	
Express Services Revenues	2006	2005	\$	%	2006	2005	\$	%
Express Revenues - Non Charter	\$ 9,130	\$ 8,214	\$ 916	11%	\$ 18,061	\$ 17,244	\$ 817	5%
Express Revenues - Charter	3,589	3,621	(32)	(1)%	7,199	7,208	(9)	0%
Fuel Surcharge	2,593	1,012	1,581	156%	4,535	1,888	2,647	140%
Federal Excise Tax Fee	(331)	(419)	88	21%	(770)	(807)	37	5%
Net Express Services Revenues	\$ 14,981	\$ 12,428	\$ 2,553	21%	\$ 29,025	\$ 25,533	\$ 3,492	14%

Express Revenues – Non Charter represent revenues AirNet derives from shipments on AirNet's airline, commercial airlines and point-to-point surface (ground only) shipments. The increases for the three and six month periods ended June 30, 2006 over the same time periods in 2005 primarily result from increases in revenues from shipments on commercial airlines and point-to-point surface shipments. Non Charter Express revenues derived from shipments transported via point-to-point surface increased approximately 33% and 12%, respectively, during the three and six month periods ended June 30, 2006 compared to the same periods in 2005. The increases were primarily attributed to increased shipping activity from a media/entertainment customer.

Express Revenues – Charters represent revenues AirNet derives from cargo charters transported on AirNet's airline and on aircraft operated by other third parties. Charter revenues decreased less than 1% for both the three and six month periods ended June 30, 2006 compared to the same periods in 2005.

AirNet's Express service offerings are positioned on the premium end of the market and are targeted towards shippers with special needs. Consequently, competitive pressures have led some customers to consider lower priced alternatives to AirNet's Express Services. On May 15, 2006, AirNet received notice from an Express Services customer that the customer intended to terminate its current agreement with AirNet for air transportation services effective August 15, 2006. The customer indicated that it was terminating its current agreement with AirNet in anticipation of designing and implementing a new distribution model, which may result in changes to its current service schedule. The customer has met with AirNet to begin discussions regarding a new agreement with AirNet under which AirNet would provide air transportation services for the customer based upon the customer's new distribution schedule. There can be no assurances that such an agreement will be entered into and, if so, whether the terms of such agreement would result in a decrease or increase in the amount of revenues received from this customer as compared to the amount under its existing agreement. During AirNet's three and six month periods ended June 30, 2006, the revenues from the air transportation services for this customer accounted for approximately \$0.7 million and \$1.3 million of AirNet's Express Services revenues (including \$91,000 and \$204,000 in fuel surcharge revenues), respectively. For the three and six month periods ended June 30, 2005, the air transportation services for this customer accounted for approximately \$0.6 million and \$1.3 million of AirNet's Express Services revenues (including \$44,000 and \$107,000, in fuel surcharge revenues), respectively.

Higher fuel prices during the three and six month periods ended June 30, 2006 resulted in significantly higher fuel surcharge revenues compared to the same time periods in 2005.

Aviation Services

Aviation services revenues primarily relate to AirNet's fixed base operation services for fuel sales and aircraft maintenance provided in Columbus, Ohio.

Costs and Expenses

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2006 to 2005		June 30,		2006 to 2005	
	2006	2005	\$	%	2006	2005	\$	%
Costs and Expenses								
Wages and benefits	\$ 4,736	\$ 4,971	\$ (235)	(5)%	\$ 9,711	\$ 10,091	\$ (380)	(4)%
Aircraft fuel	7,723	7,049	674	10%	14,715	13,281	1,434	11%
Aircraft maintenance	4,190	3,873	317	8%	8,285	7,677	608	8%
Contracted air costs	4,439	3,681	758	21%	8,608	6,932	1,676	24%
Ground courier	8,717	7,634	1,083	14%	16,896	15,475	1,421	9%
Depreciation	2,868	3,133	(265)	(8)%	5,751	6,249	(498)	(8)%
Insurance, rent and landing fees	2,112	2,244	(132)	(6)%	3,989	4,495	(506)	(11)%
Travel, training and other	1,147	1,356	(209)	(15)%	2,678	2,865	(187)	(7)%
Selling, general and administrative	4,772	4,893	(121)	(2)%	9,237	10,091	(854)	(8)%
Net gain on disposition of assets	(4)	(2)	(2)	100%	(12)	(52)	40	77%
Total Costs and Expenses	\$ 40,700	\$ 38,832	\$ 1,868	5%	\$ 79,858	\$ 77,104	\$ 2,754	4%

Total aircraft fuel expense increased as a result of higher fuel prices which were primarily caused by increased global demand and disruptions to supply. The average fuel price on the OPIS index for the three and six month periods ended June 30, 2006 increased approximately 33% and 32%, respectively, over the comparable periods in 2005. A portion of the aircraft fuel expense increase was offset by reduced fuel usage attributable to a decrease in hours flown of 9% and 13%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. Because a portion of the decrease in hours flown was attributable to routes subcontracted to other carriers, part of the decrease in aircraft fuel expense was offset by increased contracted air costs.

Aircraft maintenance is primarily based on pre-determined inspection intervals determined by usage, hours flown, cycles and the number of aircraft take-offs and landings. Consequently, high use, older aircraft such as those in AirNet's cargo fleet require greater maintenance than lower use, newer aircraft.

Aircraft maintenance expense primarily reflects the age of AirNet's cargo fleet, including Learjets, which averaged approximately 24 years in service at the end of 2005. Given the age of the aircraft and the impairment charge taken on September 30, 2005, management determined that none of the major maintenance expenditures incurred after September 30, 2005, with the exception of engine maintenance, extended the useful life of the aircraft. Consequently, such expenditures were charged to aircraft maintenance expense. AirNet does not expect to make any capital additions to the aircraft fleet in 2006, with the exception of certain engine repairs and improvements and payments under manufacturer engine maintenance plans.

Contracted air costs include expenses associated with shipments transported on commercial airlines and costs to third-party aircraft operators for subcontracted air routes to support AirNet's national air transportation network. Subcontracted charter expenses increased approximately \$0.8 million and \$1.5 million, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. These increases are primarily attributable to the additional routes outsourced to third-party operators and fuel surcharges from those vendors.

Ground courier costs increased \$1.1 million and \$1.4 million, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. AirNet's Express customers are more costly to serve than AirNet's traditional Bank customers due to more unscheduled pickup and delivery services and more geographically dispersed locations. AirNet has experienced higher ground courier costs from its vendors for the three and six month periods ended June 30, 2006 as fuel prices have increased. Additionally, ground courier costs have increased as a result of the increases in the number of point-to-point surface shipments compared to the same periods in 2005. Point-to-point surface shipments have a significantly higher ground courier expense to revenue ratio than shipments that are transported via AirNet aircraft or the commercial airlines.

Insurance, rent and landing fees decreased approximately \$0.5 million, or 11%, in the six months ended June 30, 2006 compared to 2005 generally due to reduced landing and tie-down fees as a result of the decline in flight hours in the first six months of 2006 compared to 2005.

The decrease in selling, general and administrative costs for the six month period ended June 30, 2006 compared to 2005 is primarily due to decreases in outside consulting expenses of \$0.4 million associated with AirNet's use of an investment banker to evaluate various strategic alternatives to enhance shareholder value. The decrease is also attributable to decreases in other travel, consulting and advertising costs and expenses.

The decrease in interest expense of approximately \$0.1 million for the three month period ended June 30, 2006 compared to the same period in 2005 primarily reflects the reduction in the average loan principal outstanding on AirNet's revolving credit facility. The increase in interest expense of approximately \$0.1 million for the six month period ended June 30, 2006 compared to 2005 primarily reflects the capitalization of interest related to the construction of the Rickenbacker Facility during the first quarter and a portion of the second quarter of 2005.

The provision for income taxes for the three month period ended June 30, 2006 increased approximately \$0.6 million from the same period in 2005 as a result of higher income from continuing operations and a higher effective tax rate for the three month period ended June 30, 2006 as compared to 2005. The effective tax rate for the three month period ended June 30, 2006 and 2005 was 35.7% and 27.4%, respectively. The lower effective tax rate for the three month period ended June 30, 2005 was due to a change in the valuation allowance for deferred taxes.

Liquidity and Capital Resources

Cash flow from operating activities – Continuing Operations

Net cash provided by operating activities from continuing operations was approximately \$8.2 million for the six months ended June 30, 2006, compared to approximately \$9.9 million for the same period in 2005. The decrease in cash from operating activities was primarily due to changes in operating assets and liabilities related to an increase in receivables and the timing of cash disbursements.

Cash flow from operating activities – Discontinued Operations

The change in net cash provided by operating activities from discontinued operations for the six month periods ended June 30, 2006 and 2005 is primarily attributable to the decrease in net income and a decrease in accrued expenses related to a reduction in payments to owners of managed aircraft.

Financing Activities – Continuing Operations

In September 2002, AirNet entered into a \$35.0 million unsecured revolving credit facility and a five-year \$20.0 million unsecured term loan (collectively, the "Credit Agreement"). The term loan required quarterly installments of \$1.0 million beginning in December 2002 and continuing through September 30, 2007. The revolving credit facility under the Credit Agreement was originally scheduled to expire on September 30, 2005 and the secured term loan was to mature on September 30, 2007.

On May 28, 2004, AirNet and its lenders amended the terms and conditions of the Credit Agreement (the "Amended Credit Agreement"). The Amended Credit Agreement has been further amended by the First, Second, Third and Fourth Change in Terms Agreements as described below. The Amended Credit Agreement is secured by a first lien on all of the property of AirNet and its subsidiaries, other than any interest in real estate and certain excluded fixed assets. AirNet also pledged the stock and interests of its subsidiaries to secure the loans under the Amended Credit Agreement, and each of AirNet's subsidiaries guaranteed AirNet's obligations under the Amended Credit Agreement. The Amended Credit Agreement permits AirNet and its subsidiaries to incur other indebtedness for the purpose of purchasing or refinancing aircraft and related tangible fixed assets, subject to certain annual limitations. The Amended Credit Agreement contains limitations on operating leases, indebtedness, significant corporate changes including mergers and sales of assets, investments in subsidiaries and acquisitions, liens, capital expenditures, transactions with affiliates, sales of accounts receivable, sale and leaseback transactions and other off-balance sheet liabilities, contingent obligations and hedging transactions. The Amended Credit Agreement also contains certain financial covenants that require AirNet to maintain a minimum consolidated tangible net worth and to not exceed certain fixed charge coverage and leverage ratios specified in the Amended Credit Agreement.

The Amended Credit Agreement provided for a secured revolving credit facility of up to \$35.0 million and a secured term loan in the aggregate amount of \$14.0 million. The amount of revolving loans available under the Amended Credit Agreement was limited to a borrowing base equal to the aggregate of 80% of eligible accounts receivable, plus 50% of eligible inventory, plus 70% of the market value of certain fixed assets, reduced by the aggregate amount of AirNet's outstanding letters of credit. The Amended Credit Agreement bears interest, at AirNet's option, at (a) a fixed rate equal to LIBOR plus a margin determined by AirNet's leverage ratio as defined in the Amended Credit Agreement, or (b) a floating rate based on the greater of (i) the prime rate established by The Huntington National Bank from time to time plus a margin determined by AirNet's leverage ratio or (ii) the sum of 0.5% plus the federal funds rate in effect from time to time plus a margin determined by AirNet's leverage ratio. At June 30, 2006, as a result of the various timing and duration of short-term debt maturities, AirNet's interest rates ranged from 6.0% to 8.0%.

As a result of the impairment charges recorded in September 2004 as described in Note 2 of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, AirNet was not in compliance with certain terms of the Amended Credit Agreement, including the fixed charge coverage ratio and the leverage ratio calculated as of September 30, 2004, and AirNet would not have been in compliance with the minimum consolidated tangible net worth requirement as of December 31, 2004. On November 12, 2004, AirNet and its lenders under the Amended Credit Agreement agreed to modify the terms and conditions of the Amended Credit Agreement (the "First Change in Terms Agreement"). The First Change in Terms Agreement modified the fixed charge coverage ratio, the leverage ratio, and the minimum consolidated tangible net worth financial covenants in such a manner that, on a going-forward basis, the September 2004 impairment charges, in and of themselves, would not cause a default of these financial covenants in the future. At the same time as the First Change of Terms Agreement was entered into, AirNet and its lenders executed a waiver of any defaults or potential defaults under the Amended Credit Agreement which occurred, or may have occurred, as a result of AirNet's failure to comply with the foregoing financial covenants due to the September 2004 impairment charges.

On March 24, 2005, AirNet and its lenders entered into a "Second Change in Terms Agreement" that further modified the terms and conditions of the Amended Credit Agreement. In accordance with the Second Change in Terms Agreement, AirNet prepaid in full the remaining \$11.0 million balance outstanding on its secured term loan. Upon the prepayment of the term loan, the term loan portion of the Amended Credit Agreement was terminated. In addition, the revolving credit facility under the Amended Credit Agreement was reduced from \$35.0 million to \$30.0 million. Under the Second Change in Terms Agreement, the term of the revolving credit facility was extended from September 30, 2005 to October 15, 2006. The Second Change in Terms Agreement also provided for the release of certain fixed assets that were securing the loans under the Amended Credit Agreement and modified certain other financial covenants.

As a result of the impairment charge recorded in September 2005 as described in Note 2 of the Notes to Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data" of AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, AirNet was not in compliance with certain terms of the Amended Credit Agreement, including the fixed charge coverage ratio and the leverage ratio calculated as of September 30, 2005. On November 21, 2005, AirNet and its lenders under the Amended Credit Agreement agreed to modify the terms and conditions of the Amended Credit Agreement (the "Third Change in Terms Agreement"). The Third Change in Terms Agreement modified the fixed charge coverage ratio and the leverage ratio financial covenants in such a manner that, on a going-forward basis, the impairment charge recorded as of September 30, 2005, in and of itself, would not cause a default of these financial covenants in the future. At the same time as the Third Change of Terms Agreement was entered into, AirNet and its lenders executed a waiver of any defaults or potential defaults under the Amended Credit Agreement which occurred, or may have occurred, as a result of AirNet's failure to comply with the foregoing financial covenants due to the September 2005 impairment charge.

On March 28, 2006, AirNet and its lenders entered into a "Fourth Change in Terms Agreement" extending the term of the secured revolving credit facility under the Amended Credit Agreement from October 15, 2006 to October 15, 2007. The Fourth Change in Terms Agreement also reduced the amount of the secured revolving credit facility from \$30 million to \$25 million, reduced the amount of annual capital expenditures permitted under the terms of the Amended Credit Agreement from \$30 million to \$20 million, and modified the calculation of the borrowing base by lowering the percentage of fixed assets AirNet may borrow against from 70% to 50% of their market value. As a result of the Fourth Change in Terms Agreement, amounts outstanding under the revolving credit facility at June 30, 2006 and December 31, 2005 are classified as long-term debt in the Condensed Consolidated Balance Sheets.

As of June 30, 2006, \$13.5 million was outstanding under the secured revolving credit facility which is included in "Notes payable, less current portion" in the Condensed Consolidated Balance Sheet. In addition, AirNet had \$1.3 million in letters of credit outstanding as of such date related to insurance programs, which reduced the amount available under the revolving credit facility. After giving effect to the Fourth Change in Terms Agreement, AirNet had approximately \$10.2 million available to borrow under its secured revolving credit facility under the Amended Credit Agreement as of June 30, 2006.

On March 24, 2005, AirNet entered into a three-year term loan totaling \$11.0 million with a fixed interest rate of 8.12%. This term loan is secured by seven Cessna Caravans and nine Learjet 35's from AirNet's cargo aircraft fleet. The aircraft securing this loan were released from the collateral securing the loans under the Amended Credit Agreement in accordance with the Second Change in Terms Agreement. The proceeds from this term loan were used to prepay in full AirNet's term loan under the Amended Credit Agreement as described above. As of June 30, 2006, \$8.9 million was outstanding under this term loan.

Financing Activities – Discontinued Operations

During the second quarter of 2004, Jetride entered into four seven-year term loans totaling \$22.5 million with fixed interest rates of approximately 6.7%. In July 2004, Jetride financed two additional passenger charter Learjet 60's for the Passenger Charter fleet at \$5.0 million each with seven-year terms and fixed rates of approximately 6.5%, for a total of \$32.5 million in financing related to AirNet's Passenger Charter Services. As of June 30, 2006 and December 31, 2005, there was \$28.8 million and \$29.8 million, respectively, outstanding under all six loans. These term loans are secured by aircraft used in the Passenger Charter fleet. Each of the term loans is guaranteed by AirNet. AirNet incurred approximately \$0.5 million and \$1.0 million in interest expense in the three and six month periods ended June 30, 2006 related to the financing of the nine Passenger Charter aircraft under all six loans. At June 30, 2006, and December 31, 2005, the six term loans are classified as "Notes payable related to discontinued operations" in current liabilities in the Condensed Consolidated Balance Sheets. In accordance with the related loan agreements, these six term loans are expected to be repaid as a result of the planned sale of AirNet's passenger charter business as described in Note 2 – Discontinued Operations of the Notes to Condensed Consolidated Financial Statements.

Investing Activities – Continuing Operations

Capital expenditures from continuing operations totaled \$4.6 million for the three months ended June 30, 2006 versus \$11.3 million for the same period in 2005. The 2006 expenditures were primarily for major aircraft engine overhauls. The 2005 expenditures were primarily for major aircraft engine overhauls, the Rickenbacker Facility, and periodic aircraft inspections. AirNet's income from operations was used to finance the 2006 expenditures, while income from operations and the revolving credit facility had been used to finance the 2005 capital expenditures. AirNet anticipates it will spend between \$10.0 million and \$14.0 million in total capital expenditures in 2006.

In February 2000, AirNet announced a stock repurchase plan allowing AirNet to purchase up to \$3.0 million of its common shares. As of the end of the 2001 fiscal year, \$2.4 million of common shares had been repurchased, and there has been no repurchase activity under the plan since. As such, purchases of approximately \$0.6 million of AirNet's common shares may still be made in the open market or through privately negotiated transactions. Such future purchases would be considered based on availability of funds, current market conditions, the stock price and the restrictions on share repurchases in AirNet's financing agreements.

AirNet anticipates that operating cash and capital expenditure requirements will continue to be funded by cash flow from operations, cash on hand, borrowings in conjunction with the Amended Credit Agreement or other sources, including leasing. There were no material capital commitments at June 30, 2006.

AirNet maintains certain assets at Port Columbus for dispensing aviation fuel under the terms and conditions of a separate lease agreement (the "Fuel Farm Lease"). The Fuel Farm Lease requires AirNet to return the premises leased under the Fuel Farm Lease to their original condition at the termination of the lease. In lieu of returning the premises to their original condition, the Port Columbus Airport Authority (the "Authority") may take title to any improvements constructed by AirNet on the leased premises. AirNet and the Authority have entered into discussions regarding the transfer of title of AirNet's fuel farm assets to the Authority, which includes two underground fuel storage tanks. If the Authority declines to take title to the fuel farm assets, or if AirNet and the Authority are unable to reach acceptable terms and conditions regarding the transfer of the fuel farm assets to the Authority, AirNet will remove the fuel farm assets and return the premises to their original condition. As of June 30, 2006, AirNet had an accrual of approximately \$0.1 million for the cost of returning the fuel farm premises to their original condition.

There have been no material changes in AirNet's contractual obligations from those disclosed in AirNet Systems, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Investing Activities – Discontinued Operations

Net cash was used in investing activities for discontinued operations for the six month periods ended June 30, 2006 and 2005 as a result of capital expenditures, primarily for aircraft engine overhauls, and, in addition, for the six month period ended June 30, 2005, capital expenditures for aircraft improvements.

Regulation

AirNet holds an air carrier operating certificate granted by the FAA pursuant to Part 135 of the Federal Aviation Regulations. AirNet also holds a repair station certificate granted by the FAA pursuant to Part 145 of the Federal Aviation Regulations. In addition, Jetride holds its own air carrier operating certificate granted by the FAA pursuant to Part 135. These certificates are of unlimited duration and remain in effect so long as AirNet and Jetride maintain the required standards of safety and meet the operational requirements of the Federal Aviation Regulations. The FAA's

regulatory authority relates primarily to operational aspects of air transportation, including aircraft standards and maintenance, personnel, and ground facilities.

As discussed above in "Purchase Agreement Related to the Sale of Jetride's Passenger Charter Business," the pending sale of Jetride's passenger charter business to Pinnacle is subject to the receipt of requisite assurances from the FAA that New Jetride is deemed to possess the Part 135 air carrier operating certificate issued by the FAA with respect to Jetride's passenger charter business and that the Part 135 air carrier operating certificate will continue to be operable by New Jetride upon and immediately after the transfer of the New Jetride capital stock to Pinnacle in connection with the closing of the sale transaction.

The U. S. Department of Transportation ("DOT") and Transportation Security Administration ("TSA") have regulatory authority concerning operational and security concerns in transportation, including safety, insurance and hazardous materials. AirNet holds various operational certificates issued by these agencies, including a DOT-SP 7060 special permit, which permits AirNet to transport higher volumes of time-critical radioactive pharmaceuticals than is allowed by the DOT for most carriers. On April 24, 2006, Transport Canada issued AirNet a "Permit for Equivalent Level of Safety". The Permit for Equivalent Level of Safety is comparable to AirNet's DOT-SP 7060 permit and allows AirNet to transport higher volumes of time-critical radioactive pharmaceuticals in Canada than is allowed by Transport Canada for other carriers.

AirNet conducts a portion of its operations through the transportation of packages via commercial airlines. TSA regulations provide that only indirect air carriers that maintain a TSA approved Indirect Air Carrier Standard Security Program ("IACSSP") may tender packages to commercial airlines. AirNet Management, Inc. ("AirNet Management"), a wholly-owned subsidiary of AirNet, maintains a TSA approved IACSSP. AirNet has entered into a service agreement with AirNet Management under which AirNet has retained the services of AirNet Management to process and tender packages to commercial airlines.

On May 26, 2006, the TSA amended its regulations to enhance and improve the security of air cargo transportation. The new regulations impact all areas of air cargo transportation, including companies that maintain an IACSSP such as AirNet Management. The new regulations, which become effective on October 23, 2006, will require that AirNet Management modify its IACSSP and that AirNet implement new security procedures to remain in compliance with the TSA regulations. AirNet is in the process of evaluating the impact of the new regulations on its various security programs. AirNet expects that the required modifications to its security programs may be significant. Compliance with the new TSA regulations will likely increase AirNet's cost of doing business. AirNet's inability or failure to comply with new regulations could restrict AirNet's ability to conduct certain portions of its business conducted on commercial airlines. AirNet is unable to estimate the cost of complying with the new regulations at this time.

AirNet is also subject to Food and Drug Administration regulation of AirNet's transportation of pharmaceuticals and live animals. In addition to federal regulations, AirNet's operations are subject to various state and local regulations, and in many instances, require permits and licenses from state authorities.

AirNet believes that AirNet and Jetride have all permits, approvals and licenses required to conduct their respective operations and that they are in compliance with applicable regulatory requirements relating to their operations, including all applicable noise level regulations. Some of these permits, approvals and licenses are of limited duration and must be periodically renewed. The ability of AirNet, AirNet Management and Jetride to maintain these permits, approvals and licenses is conditioned upon continuing compliance with the rules and regulations under which such permits, approvals and licenses are granted.

Continuation of Brown Gibbons Lang & Company Engagement and Establishment of Strategy Committee

On January 5, 2005, upon the approval of the Board of Directors (the "Board") of AirNet, AirNet engaged Brown Gibbons Lang & Company ("BGL") to serve as AirNet's exclusive financial advisor and investment banker to review, develop and evaluate various strategic alternatives to enhance shareholder value, including the possible sale of AirNet. AirNet's Board also established a Special Committee, consisting solely of independent directors, to oversee the marketing process. While the Special Committee evaluated several proposed transactions, none of the proposed transactions met the Special Committee's criteria and none of the proposed transactions resulted in the execution of a definitive sales agreement.

In December of 2005, the Board dissolved the Special Committee and appointed a Strategy Committee to work with management on the ongoing business strategy and alternatives for AirNet to enhance shareholder value. The Strategy Committee, together with the full Board, determined that AirNet's business strategy would include operating its businesses with emphasis on cash flows from operations while seeking other de-leveraging opportunities. The Board has elected to continue its engagement of BGL as its financial advisor on a month-to-month basis in

connection with the development and evaluation of various strategies and opportunities to enhance shareholder value and de-leverage the business, including the sale of Jetrider's passenger charter business and the repayment of associated debt as discussed in Note 2 of the Notes to Condensed Consolidated Financial Statements included in "Item 1 – Financial Statements" of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

AirNet had no "off-balance sheet" arrangements as of June 30, 2006, as that term is described by the Securities and Exchange Commission.

Seasonality and Variability in Quarterly Results

AirNet's operations historically have been somewhat seasonal and somewhat dependent on the number of banking holidays falling during the quarter. Because financial institutions are currently AirNet's principal customers, AirNet's air transportation system is scheduled primarily around the needs of financial institution customers. When financial institutions are closed, AirNet does not operate a full air transportation system. AirNet's fiscal quarter ending December 31 is often the most impacted by bank holidays (including Thanksgiving and Christmas) recognized by its primary customers. When these holidays fall on Monday through Thursday, AirNet's revenues and net income are adversely affected. AirNet's annual results fluctuate as well based on when holidays fall during the week over the course of the year. Operating results are also affected by the weather. AirNet generally experiences higher maintenance costs during its fiscal quarter ending March 31. Winter weather often requires additional costs for de-icing, hangar rental and other aircraft services.

ITEM 3 – Quantitative and Qualitative Disclosures About Market Risk

Inflation and Interest Rates

AirNet is exposed to certain market risks from transactions that are entered into during the normal course of business. AirNet's primary market risk exposure relates to interest rate risk. At June 30, 2006, AirNet had a \$13.5 million outstanding balance under its Amended Credit Agreement (described above in "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations") subject to market rate changes in interest. The Amended Credit Agreement bears interest, at AirNet's option, at (a) a fixed rate equal to LIBOR plus a margin determined by AirNet's leverage ratio as defined in the Amended Credit Agreement, or (b) a floating rate based on the greater of (i) the prime rate established by The Huntington National Bank from time to time plus a margin determined by AirNet's leverage ratio as defined in the Amended Credit Agreement or (ii) the sum of 0.5% plus the federal funds rate in effect from time to time plus a margin determined by AirNet's leverage ratio. Assuming borrowing levels at June 30, 2006, a one hundred basis point change in interest rates would impact net interest expense by approximately \$135,000 per year.

Fuel Surcharge

AirNet generally assesses its bank services customers a fuel surcharge which is based on the Oil Price Index Summary – Columbus, Ohio (OPIS-CMH Index). Fuel surcharges are assessed to Bank and Express Services customers as a percentage of transportation charges. As index rates increase above established base rates, AirNet increases the fuel surcharge percentage applied to the transportation charges. AirNet also assesses most of its express services customers a fuel surcharge which is based on the OPIS index, which is adjusted monthly based on changes in the OPIS index.

ITEM 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

With the participation of the Chairman of the Board, Chief Executive Officer and President (the principal executive officer) and the Chief Financial Officer, Treasurer and Secretary (the principal financial officer) of AirNet, AirNet's management has evaluated the effectiveness of AirNet's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, AirNet's Chairman of the Board, Chief Executive Officer and President and AirNet's Chief Financial Officer, Treasurer and Secretary have concluded that:

- information required to be disclosed by AirNet in this Quarterly Report on Form 10-Q and the other reports that AirNet files or submits under the Exchange Act would be accumulated and

communicated to AirNet's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;

- information required to be disclosed by AirNet in this Quarterly Report on Form 10-Q and the other reports that AirNet files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms; and
- AirNet's disclosure controls and procedures are effective as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to AirNet and its consolidated subsidiaries is made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q is being prepared.

Changes in Internal Control Over Financial Reporting

There were no changes in AirNet's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during AirNet's fiscal quarter ended June 30, 2006, that have materially affected, or are reasonably likely to materially affect, AirNet's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 – Legal Proceedings

In July 2005, AirNet received a letter from an attorney representing an association of software publishers indicating that the association had evidence that AirNet had engaged in the unlawful installation and use of certain software products. At the request of the association's attorney, AirNet conducted a company wide review of its use of software published by members of the association. The internal review did not disclose any unauthorized installation or use of such software and the results of the review were submitted to the association's attorney. The attorney for the association has requested certain supplemental information regarding AirNet's software usage. AirNet is in the process of compiling the supplemental information regarding its software usage, which it intends to submit to the association's attorney. AirNet believes that it is in compliance with all software licensing requirements and that it has not engaged in any unlawful use of the software published by the association's members.

In prior years, AirNet used a significant number of independent contractors as couriers to pick up and deliver its packages. During 2004, the California Employment Development Department (the "EDD") concluded an employment tax audit of AirNet's operations in California. As a result of its audit, the EDD concluded that certain independent contractors used by AirNet should be reclassified as employees. Based upon such reclassification, the EDD proposed a \$53,061 assessment against AirNet under Section 1127 of the California Unemployment Insurance Code. After receipt of the proposed assessment, AirNet filed a Petition for Reassessment with the California Unemployment Insurance Appeals Board. Since the filing of the Petition for Reassessment, AirNet has submitted further documentation to the EDD to reduce the assessment based upon employment taxes paid directly to the State of California by the affected independent contractors. No hearing has been scheduled with regard to AirNet's Petition for Reassessment.

Other than the items noted above, there are no pending legal proceedings involving AirNet and its subsidiaries other than routine litigation incidental to their respective business. In the opinion of AirNet's management, these proceedings should not, individually or in the aggregate, have a material adverse effect on AirNet's results of operations or financial condition.

ITEM 1A – Risk Factors

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. In "Item 1A – Risk Factors" of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (the "2005 Form 10-K"), we included a detailed discussion of our risk factors. The following additional risk factor should be read in conjunction with the other information set forth in this Quarterly Report on Form 10-Q as well as the risk factors disclosed in the 2005 Form 10-K, as filed with the U.S. Securities and Exchange Commission on March 31, 2006 and available at www.sec.gov.

The conditions to the consummation of the sale of the Jetride passenger charter business to Pinnacle required by the definitive purchase agreement may not be satisfied.

The pending sale of Jetride's passenger charter business to Pinnacle is subject to standard closing conditions (including that there be no material adverse change in Jetride's business) and receipt of requisite assurances from the FAA that New Jetride is deemed to possess the Part 135 air carrier operating certificate issued by the FAA with respect to Jetride's passenger charter business and that the Part 135 air carrier operating certificate will continue to be operable by New Jetride upon and immediately after the transfer of the New Jetride capital stock to Pinnacle in connection with the closing of the sale transaction. While AirNet expects to be able to close the sale of the Jetride passenger charter business to Pinnacle, there can be no assurance that the closing conditions, as well as the FAA assurances, required by the definitive purchase agreement will be satisfied and that the closing will occur.

The foregoing could materially affect our business, financial condition or future results. These risk factors are not the only risks facing AirNet. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2 – Unregistered Sales of Equity Securities and Use of Proceeds

- (a) Not applicable.
- (b) Not applicable.
- (c) Neither AirNet Systems, Inc. nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, purchased any common shares of AirNet Systems, Inc. during the fiscal quarter ended June 30, 2006. On February 18, 2000, AirNet Systems, Inc. announced a stock repurchase plan under which up to \$3.0 million of its common shares may be repurchased from time to time. These repurchases may be made in open market transactions or through privately negotiated transactions. As of June 30, 2006, AirNet Systems, Inc. had the authority to repurchase approximately \$0.6 million of its common shares under this stock repurchase plan.

ITEM 3 – Defaults Upon Senior Securities. Not Applicable

ITEM 4 – Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Shareholders (the "2006 Annual Meeting") of AirNet Systems, Inc. was held on August 3, 2006. The number of common shares of AirNet Systems, Inc. outstanding and entitled to vote at the 2006 Annual Meeting was 10,157,500. The number of common shares represented in person or by proxy at the 2006 Annual Meeting was 9,831,667.

(b) Directors elected at the 2006 Annual Meeting for terms expiring at the 2007 Annual Meeting of Shareholders:

<u>Director</u>	<u>For</u>	<u>Withheld</u>
Joel E. Biggerstaff	7,136,312	2,695,355
James M. Chadwick	9,501,464	330,203
Russell M. Gertmenian	9,517,586	314,081
Gerald Hellerman	9,465,401	366,266
Bruce D. Parker	9,465,791	365,876,
James E. Riddle	9,515,754	315,913

ITEM 5 – Other Information - None

ITEM 6 – Exhibits

Exhibits:

Exhibit No.	Description
2	Purchase Agreement dated as of July 26, 2006, among Jetride, Inc., an Ohio Corporation, Pinnacle Air, LLC, a Delaware limited liability company, and AirNet Systems, inc., an Ohio corporation (Incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of AirNet Systems, Inc. dated and filed July 28, 2006 (SEC File No. 001-13025))
14	Code of Business Conduct and Ethics, as revised on August 2, 2006
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)

AIRNET SYSTEMS, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRNET SYSTEMS, INC.

Dated: August 9, 2006

By: /s/ Gary W. Qualmann
Gary W. Qualmann,
Chief Financial Officer, Treasurer and Secretary
(Duly Authorized Officer)
(Principal Financial Officer)

Dated: August 9, 2006

By: /s/ Ray L. Druseikis
Ray L. Druseikis,
Vice President of Finance and Controller
(Duly Authorized Officer)
(Principal Accounting Officer)

AIRNET SYSTEMS, INC.

INDEX TO EXHIBITS

Exhibit No. _____ Description _____

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32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)

**AirNet Systems, Inc.
Code of Business Conduct and Ethics
As Revised on August 2, 2006**

Directors, officers and team members of AirNet Systems, Inc. and its subsidiaries (collectively, "AirNet") are all ambassadors of the organization. As ambassadors, each individual has a responsibility to project professionalism, honesty, integrity and trust on behalf of the organization, to AirNet's shareholders, customers, potential customers and suppliers and fellow team members. This Code of Business Conduct and Ethics ("Code of Ethics") has been adopted by the Board of Directors of AirNet Systems, Inc. to demonstrate to the public and AirNet's various stakeholders the importance that the Board of Directors and management place on ethical conduct. The Code of Ethics is intended to set forth AirNet's expectations for the conduct of ethical business practices by its officers, directors and team members, to promote advanced disclosure and review of potential conflicts of interest and similar matters, to protect and encourage the reporting of questionable behavior and to discipline appropriately those who engage in improper conduct.

It is AirNet's expectation that each and every officer, director and team member of AirNet will carry out their responsibilities in accordance with this Code of Ethics and that each such individual shall:

- ***Act with honesty and integrity, avoiding actual or apparent conflicts of interest between interests of AirNet and the personal interest of the individual or his or her family.***

Conflicts of interest occur when business judgments or decisions may be influenced by personal interests not shared by the organization as a whole. Conflicts of interest will cast doubts as to an individual's ability to act in an objective, disinterested and impartial manner. A conflict situation may arise when a team member, officer or director, or a member of his or her family, takes actions or has interests that make it difficult to perform his or her work for AirNet objectively, impartially and effectively such as when a team member, officer or director, or a member of his or her family, has an interest in a transaction to which AirNet is a party, competes with AirNet, uses corporate property, information or position for personal gain or takes advantage of an opportunity that belongs to AirNet. Conflicts of interest may also occur when officers, directors or team members receive loans, guarantees, excessive gifts, kick-backs or other improper personal benefits from persons with whom AirNet does business.

When a conflict of interest arises, an officer, director or team member has a duty to place AirNet's interests ahead of his or her own personal interests. It is essential that in those instances where a decision or practice of AirNet may appear to have been made to advance a personal interest, that the decision be made or approved by the independent and "disinterested" officers or directors of AirNet. Thus, in those instances where a team member faces a potential conflict of interest, the team member should report the potential conflict of interest to the Director of Human Resources for his or her review. Any action or transaction in which the personal interests of an officer or a director of AirNet may be in conflict with those of AirNet must be promptly reported to the chairperson of the Audit Committee of the Board of Directors of AirNet Systems, Inc. (the "Audit Committee"). The Audit Committee shall have the right to determine in advance that any such action or transaction does not constitute a conflict of interest in violation of this Code of Ethics.

For purposes of determining whether a conflict of interest exists, the receipt of any personal benefit (such as a gift, gratuity or entertainment) that is not clearly reasonable and business-related from any person with whom AirNet does business, must be reported to the Audit Committee, in the case of an officer or a director, or to the Chief Financial Officer, in the case of a team member. The Audit Committee or the Chief Financial Officer, as the case may be, shall have the right to determine in advance that any such personal benefit does not constitute a conflict of interest in violation of this Code of Ethics and/or to require that such personal benefit be returned to the provider and/or reimbursed by AirNet.

Generally, AirNet team members may accept gifts, gratuities or entertainment from non-government suppliers, potential non-government suppliers or non-government customers that are reasonable, customary in value and business-related. AirNet team members may not, however, accept gifts, gratuities or entertainment from government suppliers, potential government suppliers or government customers that are greater than modest in value (\$25). Small gifts of food items may be shared among team members. Large gifts of food items should be donated to local area food banks.

Customer requests for donation of significant sums of money should be forwarded to the Chief Financial Officer for approval. Team members are not permitted to make a donation at a customer's request and then seek reimbursement from AirNet as a business expense. All corporate donations must have appropriate prior approval and be paid directly by AirNet.

- ***Assist AirNet in meeting its accounting, financial reporting and disclosure obligations and work to ensure that AirNet's public reports and communications are accurate, certifiable, complete, objective, relevant and timely.***

In compliance with the rules and regulations of the United States Securities and Exchange Commission and the American Stock Exchange, AirNet is required to issue financial statements in conformity with accounting principles generally accepted in the United States and to make public disclosures regarding certain aspects of its business. It is expected that all officers, directors and team members of AirNet will demonstrate honesty in our accounting policies, keep accurate and complete books, records and accounts and report all transactions in an accurate, complete and timely manner which will enable AirNet to in turn meet its accounting and financial reporting obligations in a timely manner. False or misleading records, information or accounting entries (as to either purpose or amount) are prohibited. Team members may not modify or sign documents without the proper authorization. It is expected that any officer, director or team member of AirNet involved in preparing AirNet's disclosures, or any team member or officer asked to provide information relevant to such disclosure, will adhere to the above stated principles. Any team member or officer who, in good faith, believes that AirNet's accounting method is inappropriate or not in compliance with accounting principles generally accepted in the United States, or has concerns about any questionable accounting or auditing matters or any other accounting, internal accounting control or auditing matter, should report this concern immediately to the Audit Committee by contacting the Human Resources Department or by contacting the Mysafeworkplace.com Hotline to confidentially and anonymously report your concern. Mysafeworkplace.com may be reached at 800-461 9330 or via e mail at www.mysafeworkplace.com. The Audit Committee has established a procedure for such reports that ensures the confidentiality of the reporting person. In addition, any officer or team member who becomes aware of a material event or fact involving AirNet that has not been previously disclosed publicly by AirNet should immediately report such material event or fact to AirNet's Chief Financial Officer, Controller or Director of Human Resources.

- ***Comply with applicable federal, state, local and foreign laws, rules and regulations governing AirNet's business and operations, including insider trading laws.***

While this principle is seemingly self-explanatory, at times, the application of any particular law, rule or regulation to AirNet may not be perfectly clear. Where a team member is unsure or has any question as to the application to AirNet of any law, rule or regulation, it is expected that the team member will seek appropriate guidance from the Director of Human Resources, who may seek guidance from the Chief Financial Officer or outside counsel to AirNet. Officers and directors of AirNet should seek guidance from outside counsel to AirNet. In addition, the Audit Committee is specifically empowered to engage non-company counsel if and when it believes such engagement is prudent.

During the course of employment or association with AirNet, officers, directors and team members will acquire proprietary and/or confidential information. It is unlawful to use non-public information of AirNet or a customer or a supplier of AirNet to engage in securities transactions. If any officer, director or team member has material, non-public information relating to AirNet or another company with which AirNet does business, including any of AirNet's customers or suppliers, it is the policy of AirNet that the officer, director or team member may not buy or sell the securities of AirNet or the other company or engage in any other action to take personal advantage of that information. Equally important, the information may not be passed on to others, including family members and friends. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve AirNet's reputation for adhering to the highest standards of conduct. The very same restrictions apply to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose securities transactions are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in securities). You are responsible for the compliance of these other persons. A copy of AirNet's "Statement of Company Policy Regarding Securities Trades by Officers, Directors and Team Members" can be obtained from the Chief Financial Officer or the Secretary of AirNet.

AirNet expects that no director, officer or team member will perjure himself or herself or obstruct justice while associated with or employed at AirNet.

- ***Work to deal fairly with AirNet's customers, suppliers, vendors and team members.***

No officer, director or team member of AirNet should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Failure to negotiate, perform or sell in good faith damages the reputation of AirNet and is not acceptable. For example, material purchases should be made only after receiving quotes from multiple suppliers. AirNet does not sanction offering or making payments of any kind, whether of money, services or property, to any domestic or foreign governmental or other public official or employee (whether a supplier, potential supplier, customer or potential customer) or of providing personal benefits that are not clearly reasonable and business-related to any employee, agent or representative of any non-governmental organization seeking to or doing business with AirNet. Special rules may apply when dealing with state or local public officials such as Port Authorities and, as described below, special rules will apply when dealing with the Federal government and its agencies. In any event, offering bribes, kickbacks, lavish gifts or entertainment to a customer or its purchasing agent or any other person employed by a customer in order to secure business is strictly prohibited. If there is any question as to whether any such personal benefit is clearly reasonable and business-related, an officer or director should seek pre-approval from the Audit Committee, and a team member from the Chief Financial Officer.

All gifts made to any customer or potential customer must be properly and promptly reported to the Accounting Department of AirNet or recorded on expense reports. Business entertainment must be moderately scaled and clearly intended to create understanding and goodwill among business partners. For example, if tickets to a sporting or cultural event are offered, the individual offering the ticket should plan to attend the event as well. As a general guideline, business entertainment in the form of meals and beverages is acceptable, as long as it is not lavish and does not become routine. You should refer to the Expense Report Guidelines for details on recording entertainment expenses for tax purposes.

- **Contracting with Agencies of the Federal Government**

When you are selling to or contracting with an agency of the Federal government, the offering or giving of any gifts is strictly forbidden. Government contracts require that all team members associated with the contract follow the regulations of the Office of Federal Procurement Policy Act, as amended, which is codified at 41 U.S.C. 423 and commonly known as the Procurement Integrity Act.

The requirements of the Procurement Integrity Act relate to contractors, such as AirNet, who seek procurement contracts from the Federal government in order to provide the government or one of its agencies with goods or services. For AirNet, the majority of such relationships include air cargo transportation (scheduled - 481212; nonscheduled - 481112), charter services (481219) and passenger charter (481211). The Procurement Integrity Act provides that no officer, team member or agent of AirNet may knowingly, directly or indirectly:

- Make any offer or promise of future employment or business opportunity to, or engage in any discussion of future employment or business opportunity with, any Federal procurement officer;
- Offer, give or promise to offer or give any gratuity, gift, favor, entertainment, loan or anything of monetary value to any Federal procurement officer; or
- " Solicit or obtain from any officer or employee of a Federal agency, prior to the award of a contract, any contractor bid or proposal information, any other proprietary information or any source selection information regarding such procurement.

The Chief Executive Officer of AirNet is responsible for establishing procedures to comply with the Procurement Integrity Act, including the requirement to obtain a written certificate of compliance from each officer, team member and/or agent who personally and substantially participates, or will participate, in the preparation or submission of a bid or offer under the Procurement Integrity Act. The certification will state that the participant: (1) is familiar with and will comply with the requirements of the Procurement Integrity Act; and (2) will report immediately any information concerning a violation of the Procurement Integrity Act.

- ***Protect AirNet's assets, using them only for legitimate business purposes, and the confidentiality of information entrusted by AirNet to an officer, director or team member.***

Theft, carelessness and waste of AirNet's assets have a direct impact on AirNet's profitability and cannot be tolerated. You are entrusted with the use of company assets and resources for legitimate business purposes. Those individuals authorized to use funds of AirNet are responsible for assuring that AirNet receives proper value in return. The use of AirNet's funds for personal, improper or illegal purposes is strictly prohibited and AirNet will take

appropriate action, including notifying the appropriate civil authorities, if this principle is violated and in any such case, disciplinary action will be taken. Further, the use of any company assets in a manner that is offensive, disruptive or destructive is prohibited.

AirNet's property also includes confidential information as well as certain corporate opportunities which may be disclosed to AirNet's officers, directors or team members while carrying out their duties for AirNet. AirNet strives to provide information to team members and the public which is accurate, complete, relevant, timely and understandable. No officer, director or team member of AirNet should disclose any such confidential information except when disclosure is authorized or legally mandated, or utilize such confidential information or corporate opportunity for his or her own personal gain. Each officer, director and team member has a duty to advance the best interests of AirNet and, except with the prior approval of the Audit Committee, in the case of an officer or director, or AirNet's Chief Financial Officer, in the case of a team member, to refrain from engaging in any conduct which may compete with AirNet or interfere with the AirNet's pursuit of its business opportunities.

THERE ARE MANY OTHER POLICIES THAT ARE VERY IMPORTANT TO AIRNET AND ITS OPERATIONS, INCLUDING THOSE SET FORTH BELOW. NOTHING HEREIN SHALL RELIEVE ANY OFFICER, DIRECTOR OR TEAM MEMBER FROM COMPLYING WITH ANY OTHER APPLICABLE POLICY OF AIRNET.

Equal Employment Opportunity Employer

It is the policy of AirNet to provide equal employment opportunities without regard to race, color, religion, sex, national origin, age, sexual orientation, disability or veteran status. Team members will be hired, evaluated, and promoted based on ability, performance, experience and achievement. AirNet has a no tolerance policy against any form of discrimination as well as any form of harassment including sexual harassment.

Team Member Privacy

Team member data is to be used for the purpose of supporting company operations and providing team member benefits. Matters regarding these records are to be addressed to the Director of Human Resources.

Drug and Alcohol

AirNet is committed to providing a healthy, safe and drug/alcohol free work environment. The illegal use, sale or possession of drugs or other controlled substances while on company business or property is strictly prohibited. Being under the influence of illegal drugs or alcohol while on company business or property is strictly prohibited and will result in disciplinary action, up to and including termination of employment. All team members are subject to pre-employment drug testing as well as random testing as outlined by FAA and DOT regulations and AirNet policy.

Reporting Violations of Code of Ethics

AirNet expects full compliance with this Code of Ethics. In that regard, team members are encouraged to report any violation of the Code of Ethics to their supervisor or team leader, to the Director of Human Resources or to the Audit Committee. Officers and directors are to report any violation of the Code of Ethics to the Audit Committee. Reporting violations of the Code of Ethics is not an act of disloyalty, but an action that shows a sense of responsibility and fairness to fellow team members, customers, suppliers and shareholders. Directors, officers and managers are expected to handle reported violations in a prompt and professional manner. AirNet will not permit any retaliation against a team member or an officer who appropriately reports a matter that he or she believes, in good faith, to be a violation of the Code of Ethics to the appropriate personnel. Any such retaliation will result in disciplinary action, including the possible termination of employment. Reports to the Audit Committee may be made on a confidential basis through the procedure established by the Audit Committee and summarized below.

The procedures that team members may use to report a possible violation of the Code of Ethics are as follows:

- Direct your inquiry to your immediate supervisor, team leader and/or the Director of Human Resources.
- Contact the Mysafeworkplace.com Hotline to confidentially and anonymously report your concern. Mysafeworkplace.com may be contacted via e-mail at www.mysafeworkplace.com or by calling their toll-free number at 800-461 9330.
- "If your immediate supervisor does not resolve your inquiry or if your immediate/local team leader is unclear or particularly sensitive to the concern (for example, if that individual is involved in the possible violation), contact AirNet's Director of Human Resources.

Any team member who is found to have violated the Code of Ethics may be subject to discipline, including termination of employment.

The Audit Committee shall investigate any and all violations of the Code of Ethics by any of AirNet's officers or directors. In the event that the Audit Committee determines that a violation of the Code of Ethics has occurred, the Audit Committee shall be authorized to take any action it deems appropriate, including disciplinary action. In the event that the Audit Committee recognizes that a violation by an executive officer or a director has occurred but elects not to take any remedial or other actions against the offending executive officer or director, AirNet shall disclose the facts and circumstances of its election to waive the Code of Ethics by posting the same on AirNet's website or by any other such means required under applicable law or the requirements of the Securities and Exchange Commission or the American Stock Exchange.

Also, nothing in this Code of Ethics affects the general policy of AirNet that employment is at will and can be terminated by AirNet at any time and for any or no reason.

Acknowledgement of Code of Ethics

All team members are required to read this Code of Ethics and sign an acknowledgement form promising to uphold AirNet's commitment to promoting an ethical working environment. Abiding by the Code of Ethics is a condition of employment at AirNet and any violation will result in disciplinary action.

Each director, officer and member of senior management will be required annually to certify such individual's compliance with the Code of Ethics. It is essential that each of these individuals engages in honest and ethical conduct including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. These individuals must avoid conflicts of interest, including the disclosure to the Audit Committee of any material transaction or relationship that reasonably could be expected to give rise to such a conflict.

**TEAM MEMBER'S ACKNOWLEDGEMENT
OF
AIRNET SYSTEMS, INC.
CODE OF BUSINESS CONDUCT AND ETHICS**

The foregoing Code of Ethics will not answer or resolve every question you may have. If you are uncertain about what the right thing to do is, you are encouraged to seek the advice and guidance of your supervisor, your team leader, the Director of Human Resources or the Chief Financial Officer of AirNet.

YOU MAY ALWAYS DIRECTLY REPORT ANY MATTER WHICH YOU BELIEVE, IN GOOD FAITH, TO BE A VIOLATION OF THE FOREGOING CODE OF ETHICS TO THE AUDIT COMMITTEE ON A CONFIDENTIAL BASIS.

I have read and understand the foregoing Code of Ethics, have been given a copy to retain for my reference, and agree to be bound by its terms. I understand I can be subject to discipline, dismissal from my job and prosecution under the law for violating any of the above provisions of the Code of Ethics.

Print Name _____ SSN _____

Signature _____ Date _____

**OFFICER'S ACKNOWLEDGEMENT
OF
AIRNET SYSTEMS, INC.
CODE OF BUSINESS CONDUCT AND ETHICS**

The foregoing Code of Ethics will not answer or resolve every question you may have. If you are uncertain about what the right thing to do is, you are encouraged to seek the advice and guidance of the Chief Financial Officer of AirNet.

YOU MAY ALWAYS DIRECTLY REPORT ANY MATTER WHICH YOU BELIEVE, IN GOOD FAITH, TO BE A VIOLATION OF THE FOREGOING CODE OF ETHICS TO THE AUDIT COMMITTEE ON A CONFIDENTIAL BASIS.

I have read and understand the foregoing Code of Ethics, have been given a copy to retain for my reference, and agree to be bound by its terms. I understand I can be subject to discipline, dismissal from my job and prosecution under the law for violating any of the above provisions of the Code of Ethics.

Print Name _____ SSN _____

Signature _____ Date _____

**DIRECTOR'S ACKNOWLEDGEMENT
OF
AIRNET SYSTEMS, INC.
CODE OF BUSINESS CONDUCT AND ETHICS**

The foregoing Code of Ethics will not answer or resolve every question you may have. If you are uncertain about what the right thing to do is, you are encouraged to seek the advice and guidance of outside counsel to AirNet or other counsel designated by the Audit Committee of the Board of Directors.

YOU MAY ALWAYS DIRECTLY REPORT ANY MATTER WHICH YOU BELIEVE, IN GOOD FAITH, TO BE A VIOLATION OF THE FOREGOING CODE OF ETHICS TO THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OR TO THE FULL BOARD.

I have read and understand the foregoing Code of Ethics, have been given a copy to retain for my reference, and agree to be bound by its terms. I understand I can be subject to discipline, removal for cause from the Board of Directors and prosecution under the law for violating any of the above provisions of the Code of Ethics.

Print Name _____ SSN _____

Signature _____ Date _____

Federal Procurement Integrity Act Certification Copy

(Participating Officer, Team Member, Agent, Representative and/or Consultant)

Pursuant to the requirements of subsection 27 (d)(7)(A) of the Office of Federal Procurement Policy Act, 41 U.S.C. 423 (hereinafter the Act), and Sections 3.104-1 through 3.104-9 of the Federal Acquisition Regulation (FAR) and preparation and/or submission of bids and/or offers for which the undersigned has participated or will participate personally and substantially, the undersigned declares that:

I am familiar with, and will comply with, the requirements of subsection 27(a) of the Act and FAR 3.104-3 as follows:

During the course of any Federal agency procurement of property or services, I understand that I am prohibited from knowingly, directly or indirectly:

1. making any offer or promise of future employment or business opportunity to, or engaging in any discussion of future employment or business opportunity with any procurement official of such agency;
2. offering, giving, or promising to offer or give any gratuity, gift, favor, entertainment, loan or anything of monetary value to any procurement official of such agency; or
3. soliciting or obtaining from any officer or employee of such agency, prior to the award of a contract, any contractor bid or proposal information, any other proprietary information or any source selection information regarding such procurement; and that

I will report immediately to the officer or team member of AirNet Systems, Inc. responsible for the offer or bid for any contract or the modification of such contract, as the case may be, any information concerning a violation or possible violation of subsections 27 (a), (b), (c), or (d) of the Act, as implemented in Section 3.104 of FAR.

In witness whereof, I have signed this certification this ____ day of _____, 20____.

Signature: _____

Printed Name: _____

Title: _____

**Rule 13a-14(a)/15d-14(a) Certification
(Principal Executive Officer)**

I, Joel E. Biggerstaff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 of AirNet Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2006

By: /s/ Joel E. Biggerstaff

Printed Name: Joel E. Biggerstaff

Title: Chairman of the Board, Chief Executive
Officer and President

**Rule 13a-14(a)/15d-14(a) Certification
(Principal Financial Officer)**

I, Gary W. Qualmann, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 of AirNet Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Reserved];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2006

By: /s/ Gary W. Qualmann

Printed Name: Gary W. Qualmann

Title: Chief Financial Officer, Treasurer
and Secretary

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of AirNet Systems, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Joel E. Biggerstaff, Chairman of the Board, Chief Executive Officer and President, and Gary W. Qualmann, Chief Financial Officer, Treasurer and Secretary, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation and its subsidiaries.

/s/ Joel E. Biggerstaff
Joel E. Biggerstaff
Chairman of the Board, Chief Executive Officer and
President

/s/ Gary W. Qualmann
Gary W. Qualmann
Chief Financial Officer, Treasurer and
Secretary

Dated: August 9, 2006

Dated: August 9, 2006

* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Corporation specifically incorporates it by reference into any such filing.