

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, 2007

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of August 9, 2007, 10,173,692 of the Registrant's common shares, par value \$0.01, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AIRNET SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except par value data

	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,347	\$ 2,244
Accounts receivable, less allowances	21,334	22,345
Taxes receivable	36	-
Deposits and prepaids	1,907	2,463
Assets related to discontinued operations	507	1,465
Assets held for sale	-	280
Total current assets	<u>25,131</u>	<u>28,797</u>
Net property and equipment	27,770	27,690
Deposits and other assets	60	60
Total assets	<u><u>\$ 52,961</u></u>	<u><u>\$ 56,547</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,128	\$ 8,876
Salaries and related liabilities	2,769	4,716
Current portion of notes payable	-	1,944
Taxes payable	-	935
Other liabilities related to discontinued operations	10	50
Total current liabilities	<u>10,907</u>	<u>16,521</u>
Notes payable, less current portion	2,539	6,011
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, 2007 and December 31, 2006, respectively	128	128
Additional paid-in-capital	76,966	76,906
Retained deficit	(14,357)	(19,746)
Accumulated other comprehensive loss	(13)	(13)
Treasury shares, 2,592 and 2,598 common shares held at cost at June 30, 2007 and December 31, 2006, respectively	(23,209)	(23,260)
Total shareholders' equity	<u>39,515</u>	<u>34,015</u>
Total liabilities and shareholders' equity	<u><u>\$ 52,961</u></u>	<u><u>\$ 56,547</u></u>

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,	
	2007	2006	2007	2006
NET REVENUES, NET OF EXCISE TAX				
Bank services	\$ 25,935	\$ 29,101	\$ 52,429	\$ 57,385
Express services	15,140	14,981	29,354	29,025
Aviation services	1,095	272	1,899	649
Total net revenues	42,170	44,354	83,682	87,059
COSTS AND EXPENSES				
Aircraft fuel	6,387	7,723	12,510	14,715
Aircraft maintenance	5,973	4,128	13,301	8,223
Operating wages and benefits	4,519	4,736	9,451	9,711
Contracted air costs	3,788	4,439	7,571	8,608
Ground courier	8,759	8,717	17,665	16,896
Depreciation	1,256	2,930	2,502	5,813
Insurance, rent and landing fees	2,058	2,112	4,196	3,989
Travel, training and other operating	1,509	1,147	3,093	2,678
Selling, general and administrative	4,118	4,772	8,380	9,237
Net (gain) on disposition of assets	(3)	(4)	(883)	(12)
Total costs and expenses	38,364	40,700	77,786	79,858
Income from continuing operations before interest and income taxes	3,806	3,654	5,896	7,201
Interest expense	175	443	307	973
Income from continuing operations before income taxes	3,631	3,211	5,589	6,228
Provision for income taxes	100	1,146	200	2,267
Income from continuing operations	3,531	2,065	5,389	3,961
Income (loss) from discontinued operations, net of tax	-	(87)	-	(296)
Net income	\$ 3,531	\$ 1,978	\$ 5,389	\$ 3,665
Income (loss) per common share - basic and diluted:				
Continuing operations	\$ 0.35	\$ 0.20	\$ 0.53	\$ 0.39
Discontinued operations	-	(0.01)	-	(0.03)
Net income per common share - basic and diluted	\$ 0.35	\$ 0.19	\$ 0.53	\$ 0.36

See notes to condensed consolidated financial statements

AIRNET SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS- Unaudited

In thousands

	Six Months Ended	
	June 30,	
	2007	2006
	<hr/>	<hr/>
Operating activities:		
Income from continuing operations	\$ 5,389	\$ 3,961
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	2,502	5,813
Net (gain) on disposition of assets	(883)	(12)
Deferred income taxes	-	2,174
Stock-based compensation expense	103	58
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	1,011	(1,527)
Taxes receivable or payable	(971)	(37)
Deposits and prepaids	556	295
Accounts payable and accrued expenses:	(1,007)	(1,723)
Salaries and related liabilities	(1,947)	(733)
Other - net	-	(35)
Net cash provided by (used in) continuing operations	<hr/> 4,753	<hr/> 8,234
Net cash provided by (used in) discontinued operations	418	2,074
Net cash provided by (used in) operating activities	<hr/> 5,171	<hr/> 10,308
Investing activities:		
Purchases of property and equipment - net	(2,903)	(4,649)
Proceeds from the sales of property and equipment	1,743	-
Net cash provided by (used in) continuing operations	<hr/> (1,160)	<hr/> (4,649)
Net cash provided by (used in) discontinued operations	500	(749)
Net cash provided by (used in) investing activities	<hr/> (660)	<hr/> (5,398)
Financing activities:		
Net borrowings (repayments) of debt	(5,416)	(3,861)
Other - net	8	25
Net cash provided by (used in) continuing operations:	<hr/> (5,408)	<hr/> (3,836)
Net cash provided by (used in) discontinued operations	-	(1,019)
Net cash provided by (used in) financing activities	<hr/> (5,408)	<hr/> (4,855)
Net increase (decrease) in cash	(897)	55
Cash and cash equivalents at beginning of period	2,244	1,590
Cash and cash equivalents at end of period	<hr/> \$ 1,347	<hr/> \$ 1,645

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 cities in the United States of America ("U.S.") 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 media and entertainment industries. During the first nine months of 2006, AirNet also provided private passenger charter services through its wholly-owned subsidiary, Jetride, Inc. ("Jetride"). The Jetride passenger charter business was sold on September 26, 2006 as described in Note 3 below.

The accompanying condensed consolidated financial statements include the accounts of AirNet 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, 2006 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's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The results of operations for the three and six month periods ended June 30, 2007 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 September 2006, the Financial Accounting Standards Board (FASB) issued Staff Position No. AUG-AIR-1, "Accounting for Planned Major Maintenance Activities" ("FSP AUG-AIR-1"). FSP AUG-AIR-1 provides guidance on the accounting for planned major maintenance activities in the airline industry. The guidance is applicable for fiscal years beginning after December 15, 2006. AirNet has evaluated the guidance provided in FSP AUG-AIR-1 and has determined that it will not have a significant impact on the determination or reporting of AirNet's financial results.

2. Major Bank Services Customers

AirNet depends on certain major Bank Services customers for a large portion of AirNet's net revenues and changes in the services provided to these customers may have a significant impact on AirNet's operating results. If a major Bank Services customer significantly reduces the amount of business it does with AirNet, there would be an adverse impact on AirNet's operating results. For each of the three and six month periods ended June 30, 2007, AirNet had five Bank Services customers that aggregated approximately 38% of total net revenues, one of which comprised approximately 11% of total net revenues in each of these periods.

As a result of Bank Services customers continued transition to image products and other electronic alternatives to the physical movement of cancelled checks, cancelled check pounds shipped per flying day declined approximately 27% and 26%, respectively, for the three and six month periods ended June 30, 2007 compared to the same periods in 2006. 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. AirNet expects the decline in cancelled checks volume to continue in 2007 and thereafter.

3. Discontinued Operations

On July 26, 2006, AirNet, Jetride, and Pinnacle Air, LLC ("Pinnacle") entered into a purchase agreement regarding the sale of Jetride's passenger charter business to Pinnacle (the "Purchase Agreement"). The sale was completed on

September 26, 2006. The purchase price was \$41.0 million in cash, of which \$40.0 million was consideration for the sale of nine company-owned aircraft and related engine maintenance programs and \$1.0 million was consideration for the sale of all of the outstanding capital stock of a newly-created subsidiary of Jetride, also called Jetride, Inc. ("New Jetride"). Upon completion of the sale transaction, Jetride amended its articles of incorporation to change its name to 7250 STARCHECK, INC. Of the total consideration, \$40.0 million was paid at closing and \$1.0 million was paid into escrow to cover indemnification claims which may be made by Pinnacle for up to eighteen months after the closing. To the extent the escrow amount is not used to satisfy indemnification claims, the escrow amount is to be released to AirNet in two installments approximately six and twelve months after the closing. In March 2007, \$500,000 of the escrowed amount was released to AirNet. AirNet retained the net working capital of the Jetride passenger charter business, which was approximately \$2.2 million as of the closing date. In connection with the closing of the sale transaction, Jetride repaid in full six term loans which had been secured by aircraft used in Jetride's passenger charter business. The aggregate principal amount of the loans repaid was approximately \$28.2 million plus accrued interest and early termination prepayment penalties of approximately \$0.3 million through the repayment date. Following repayment of Jetride's loans and expenses related to the transaction, AirNet used the remaining sale proceeds to further reduce debt outstanding under AirNet's secured revolving credit facility. AirNet's lenders under the secured revolving credit facility had consented to the sale of the Jetride passenger charter business and the various transactions necessary to complete the sale.

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 this operating segment's results of operations as discontinued operations for all periods presented. As a result of the disposition of Passenger Charter Services, AirNet has only one reportable segment.

Revenues from Passenger Charter Services, included in discontinued operations, for the three and six month periods ended June 30, 2006 were approximately \$5.9 million and \$12.7 million, respectively. Loss from discontinued operations before income taxes for the three and six month periods ended June 30, 2006 was approximately \$0.1 million and \$0.5 million, respectively.

4. Stock Plans and Awards

At June 30, 2007, 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 SFAS No. 123, *"Accounting for Stock-Based Compensation"*. Effective January 1, 2006, AirNet adopted SFAS 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 expense 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, 2007 and 2006 reflect the impact of adopting FAS 123(R).

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that are ultimately expected to vest. Stock-based compensation expense recognized in the condensed consolidated statements of operations for the three and six month periods ended June 30, 2007 and 2006 included compensation expense for stock-based payment awards granted prior to, but not yet vested, as of each of those respective dates, 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 operations for the three and six month periods ended June 30, 2007 and 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.

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 and directors for purposes of computing the stock-based compensation expense and disclosures required by FAS 123(R). During the three month periods ended June 30, 2007 and 2006, AirNet recognized stock-based compensation expense of approximately \$47,000 and \$28,000, respectively (approximately \$46,000 and \$17,000, net of tax, respectively) related to the vesting of outstanding stock options according to the provisions of FAS 123(R). During the six month periods ended June 30, 2007 and 2006, AirNet recognized stock-based compensation expense of approximately \$103,000 and \$58,000, respectively (approximately \$99,000 and \$35,000, net of tax, respectively) related to the vesting of outstanding stock options according to the provisions of FAS 123(R).

The fair value of the stock options is estimated at the date of grant using the Black-Scholes option pricing model. There were grants of stock options under the 2004 Stock Incentive Plan covering 16,000 common shares during the six month period ended June 30, 2007 and no grants for the comparable period in 2006. Total unamortized stock-based compensation expense for outstanding stock options was approximately \$0.1 million and \$0.2 million at June 30, 2007 and 2006, respectively, and is expected to be recognized over a period of 4.0 years.

5. Net Income (loss) Per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator:				
Income from continuing operations	\$ 3,531	\$ 2,065	\$ 5,389	\$ 3,961
Income (loss) from discontinued operations, net of tax	-	(87)	-	(296)
Net income	\$ 3,531	\$ 1,978	\$ 5,389	\$ 3,665
Denominator:				
Basic – weighted average common shares outstanding	10,171	10,144	10,168	10,140
Diluted				
Dilutive effect of stock options - employees, officers and directors	2	-	-	-
Adjusted weighted average common shares outstanding	10,173	10,144	10,168	10,140
Income (loss) per common share - basic and diluted:				
Income from continuing operations	\$ 0.35	\$ 0.20	\$ 0.53	\$ 0.39
Income (loss) from discontinued operations, net of tax	-	(0.01)	-	(0.03)
Net income per common share	\$ 0.35	\$ 0.19	\$ 0.53	\$ 0.36

Common shares subject to outstanding stock options excluded from the adjusted weighted average common shares outstanding calculation were approximately 484,000 and 782,000 for the three and six month periods ended June 30, 2007 and 2006, 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.

6. Bank Financing Matters

Revolving Credit Facility – Second Amended Credit Agreement - March 29, 2007

On March 29, 2007, AirNet and its lender (The Huntington National Bank) amended and restated the terms and conditions of the Amended and Restated Credit Agreement dated as of May 28, 2004, among The Huntington National Bank and Bank One, N.A., as lenders, and AirNet, as borrower (as amended and restated, the “Amended Credit Agreement”) by entering into a Second Amended and Restated Credit Agreement (the “Second Amended Credit Agreement”). The following description of the Second Amended Credit Agreement is qualified in its entirety by reference to the Second Amended Credit Agreement previously filed as Exhibit 4.50 in AirNet’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The Second Amended Credit Agreement provides for a \$15.0 million secured revolving credit facility and expires on October 15, 2008. The Second Amended Credit Agreement is secured by a first priority lien on all of the property of AirNet, other than any interest in real estate and

certain excluded fixed assets. The stock and interests of AirNet's subsidiaries continue to be pledged to secure the loans under the Second Amended Credit Agreement, and each of AirNet's subsidiaries continues to guarantee AirNet's obligations under the Second Amended Credit Agreement under a Consent and Agreement of Guarantors. The amount of revolving loans available under the Second Amended Credit Agreement is limited to a borrowing base equal to the aggregate of 80% of eligible accounts receivable, plus 50% of eligible aircraft parts. The amount available under the Second Amended Credit Agreement is also reduced by any outstanding letters of credit issued under the Second Amended Credit Agreement. The Second 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 Second 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.

The Second Amended Credit Agreement permits AirNet to maintain and incur other indebtedness in an aggregate amount of up to \$10.0 million for the purpose of purchasing or refinancing aircraft and related tangible fixed assets. The Second Amended Credit Agreement 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 Second Amended Credit Agreement. The Second Amended Credit Agreement also contains limitations on operating leases, 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.

As of June 30, 2007, approximately \$2.5 million was outstanding under the Second Amended Credit Agreement which is included in "Notes payable, less current portion" in the Condensed Consolidated Balance Sheet. As of June 30, 2007, AirNet had approximately \$1.0 million in standby letters of credit outstanding related to insurance programs, which reduced the amount available under the Second Amended Credit Agreement. As of June 30, 2007, AirNet had approximately \$11.5 million available to borrow under the Second Amended Credit Agreement.

As described below, on April 11, 2007, AirNet borrowed approximately \$7.5 million under its revolving credit facility to repay in full AirNet's term loan.

Other Term Loan

On March 24, 2005, AirNet entered into an \$11.0 million three-year term loan with a fixed interest rate of 8.12%. This term loan was secured by seven Cessna Caravans and nine Learjet 35 aircraft from AirNet's cargo aircraft fleet. On April 11, 2007, AirNet repaid in full the \$7.5 million principal balance outstanding under the term loan with borrowings from AirNet's revolving credit facility. In addition to the outstanding principal amount, AirNet paid approximately \$0.1 million in accrued interest and early termination prepayment penalties. Upon repayment in full, the term loan was terminated in accordance with its terms.

Term Loans – Discontinued Operations

In connection with the closing of the sale of the Jetride passenger charter business on September 26, 2006, Jetride repaid in full six term loans which had been (a) secured by aircraft used in the Jetride passenger charter business, and (b) guaranteed by AirNet. In June 2004, Jetride entered into four of the term loans, each with a seven-year term and a fixed interest rate of approximately 6.7%. In July 2004, Jetride entered into the other two term loans, each with a seven-year term and a fixed interest rate of approximately 6.5%. As of September 26, 2006, there was an aggregate principal amount of approximately \$28.2 million outstanding under the six loans. In addition to the outstanding principal amount, Jetride paid approximately \$0.3 million in accrued interest and early termination prepayment penalties through the repayment date. Each of the loan documents and corresponding security and guaranty agreements entered into in connection with the six term loans was terminated upon repayment of the underlying term loans at the closing.

7. Income Taxes

As required by SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), AirNet establishes a valuation allowance against its deferred tax assets if it is "more likely than not" that those deferred tax assets will not be realized.

As of June 30, 2007, AirNet's deferred tax assets substantially consisted of an approximately \$10 million asset related to lower book versus tax carrying values of its aircraft assets primarily attributable to the book impairment charges

recognized in the prior periods that are not currently deductible for tax purposes and approximately \$1.2 million related to net operating loss and alternative minimum tax credit carryforwards generated in prior periods. AirNet has determined that as of June 30, 2007, the "more likely than not" threshold under SFAS No. 109 has not been met and, therefore, has provided a full valuation allowance of approximately \$10.9 million against its remaining net deferred tax assets.

During the three and six month periods ended June 30, 2007, net deferred tax assets decreased by approximately \$1.1 million and \$1.6 million, respectively, and the valuation allowance was reduced by the same amount. The difference between the effective income tax rate and the federal statutory income tax rate for the three and six month periods ended June 30, 2007 is primarily attributable to the net change in the valuation allowance.

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

Effective January 1, 2007, AirNet adopted Financial Accounting Standards Board Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Adoption of FIN 48 did not have an impact on AirNet's condensed consolidated financial statements for the three and six month periods ended June 30, 2007.

AirNet's policy is to recognize interest to be paid on an underpayment of income taxes in interest expense and any related statutory penalties in the provision for income taxes in the consolidated statement of operations. AirNet is open to federal and state tax audits until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete. AirNet is no longer subject to U.S. federal tax examinations by tax authorities for tax years before 2003. For the majority of states where AirNet has a significant presence, it is no longer subject to tax examinations by tax authorities for tax years before 2002.

On December 31, 2006, AirNet filed for a discretionary income tax method change with the Internal Revenue Service ("IRS"). The discretionary method change requires IRS approval prior to the change being effective. As required by SFAS No. 109, the effect of the method change will be reported in the period in which IRS approval is obtained; therefore, AirNet has not reflected the anticipated impact of the method change in the June 30, 2007 financial statements. There is no certainty as to what extent or if the IRS will ultimately approve the elected method change as requested. However, if the method change is approved, it could materially reduce AirNet's current taxes payable, its deferred tax assets and the need for the associated valuation allowance, and provide a significant refund of estimated taxes previously paid.

8. Aircraft Dispositions

On January 10, 2007, one of AirNet's Learjets was damaged and subsequently declared not airworthy. AirNet received insurance proceeds of approximately \$1.2 million on April 19, 2007 related to this loss. The gain on disposition of aircraft primarily reflects the excess of insurance proceeds over the net book value of this Learjet.

In February 2006, AirNet decided to market for sale all nine of the Cessna 310 Piston cargo aircraft as a result of the need to reduce its airline capacity and operating costs. 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. In November 2006, AirNet entered into an agreement to sell all nine of its Cessna 310 aircraft for approximately \$0.5 million. AirNet delivered seven aircraft in the first quarter of 2007 and delivered the two remaining aircraft in June 2007.

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(s)", "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 disclosures 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, 2006 and "ITEM 1A – RISK FACTORS" of Part II of this Quarterly Report on Form 10-Q, 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 the way the FAA is funded could increase AirNet's operating costs; changes in check processing and shipment patterns of bank customers; the continued acceleration of migration of AirNet's Bank Services customers to electronic alternatives to the physical movement of cancelled checks; AirNet's ability to reduce its cost structure to match declining revenues and operating expenses; disruptions to the Internet or AirNet's technology infrastructure, including those impacting AirNet's computer systems and Website; the impact of intense competition on AirNet's ability to maintain or increase its prices for Express Services (including fuel surcharges in response to rising fuel costs); the impact of prolonged weakness in the United States economy on time-critical shipment volumes; significant changes in the volume of shipments transported on AirNet's air transportation network, customer demand for AirNet's various services or the prices it obtains for its services; pilot shortages which could result in a reduction in AirNet's flight schedule or require subcontracting of certain routes; 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; 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 AirNet's 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. 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 disclosures 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, 2006 of AirNet Systems, Inc. (File No. 1-13025) and the disclosure included in "ITEM 1A – RISK FACTORS" of Part II of this Quarterly Report on Form 10-Q 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 (loss) for the year.

Management has discussed the development and selection of AirNet's critical accounting policies and estimates with the Audit Committee of AirNet's Board of Directors and with AirNet's independent registered public accounting firm. Except for recent matters pertaining to income taxes as discussed further in this "Management's Discussion and Analysis of Financial Condition and Results of Operations", 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's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

AirNet's audited consolidated financial statements for the fiscal year ended December 31, 2006, included in "ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of AirNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, 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 4 of the Notes to Condensed Consolidated Financial Statements included in "ITEM 1 – FINANCIAL STATEMENTS" of this Quarterly Report on Form 10-Q.

Sale of Jetride's Passenger Charter Business

On July 26, 2006, AirNet, Jetride, and Pinnacle Air, LLC ("Pinnacle") entered into a purchase agreement regarding the sale of Jetride's passenger charter business to Pinnacle (the "Purchase Agreement"). The sale was completed on September 26, 2006. The purchase price was \$41.0 million in cash, of which \$40.0 million was consideration for the sale of nine company-owned aircraft and related engine maintenance programs and \$1.0 million was consideration for the sale of all of the outstanding capital stock of a newly-created subsidiary of Jetride, also called Jetride, Inc. ("New Jetride"). Upon completion of the sale transaction, Jetride amended its articles of incorporation to change its name to 7250 STARCHECK, INC. Of the total consideration, \$40.0 million was paid at closing and \$1.0 million was paid into escrow to cover indemnification claims which may be made by Pinnacle for up to eighteen months after the closing. To the extent the escrow amount is not used to satisfy indemnification claims, the escrow amount is to be released to AirNet in two installments approximately six and twelve months after the closing. In March 2007, \$500,000 of the escrowed amount was released to AirNet. AirNet retained the net working capital of the Jetride passenger charter business, which was approximately \$2.2 million as of the closing date. In connection with the closing of the sale transaction, Jetride repaid in full six term loans which had been secured by aircraft used in Jetride's passenger charter business. The aggregate principal amount of the loans repaid was approximately \$28.2 million plus accrued interest and early termination prepayment penalties of approximately \$0.3 million through the repayment date. Following repayment of Jetride's loans and expenses related to the transaction, AirNet used the remaining sale proceeds to further reduce debt outstanding under AirNet's secured revolving credit facility. AirNet's lenders under the secured revolving credit facility had consented to the sale of the Jetride passenger charter business and the various transactions necessary to complete the sale.

In connection with the transaction, AirNet agreed to provide certain transition services to Pinnacle and its subsidiaries for various specified time periods and various monthly fees, which initially aggregated to approximately \$37,500 per month, primarily for aircraft maintenance services. Effective March 25, 2007, Pinnacle and AirNet extended the term of various transition services provided by AirNet to Pinnacle on a month to month basis. AirNet and Pinnacle also agreed to reduce the monthly fees for such transition services to \$36,250 per month. In addition, in September 2006, AirNet entered into three subleases with New Jetride, under which New Jetride leased a portion of AirNet's facilities located at Rickenbacker International Airport, Dallas Love Field and Birmingham International Airport. The aggregate monthly lease payment under the three subleases was approximately \$10,000. Pinnacle terminated its subleases of AirNet's facilities located at Birmingham International Airport and Dallas Love Field effective April 30, 2007 and June 30, 2007, respectively. The monthly rent under the Birmingham International Airport and Dallas Love Field subleases was \$1,870 and \$2,200 per month, respectively.

Results of Operations

Financial Overview

Net Revenues

Dollars in '000's	Three Months Ended				Increase (Decrease)		Six Months Ended				Increase (Decrease)	
	June 30,		June 30,		2007 to 2006		June 30,		June 30,		2007 to 2006	
	2007	% of Total	2006	% of Total	\$	%	2007	% of Total	2006	% of Total	\$	%
Revenues Net of Excise Tax:												
Bank Services	\$ 25,935	62%	\$ 29,101	66%	\$ (3,166)	(11)%	\$ 52,429	63%	\$ 57,385	66%	\$ (4,956)	(9)%
Express Services	15,140	36%	14,981	34%	159	1%	29,354	35%	29,025	33%	329	1%
Aviation Services	1,095	2%	272	0%	823	303%	1,899	2%	649	1%	1,250	193%
Total Net Revenues	\$ 42,170	100%	\$ 44,354	100%	\$ (2,184)	(5)%	\$ 83,682	100%	\$ 87,059	100%	\$ (3,377)	(4)%

There were the same number of flying days and weekends in the three and six month periods ended June 30, 2007 and 2006.

Bank Services revenues declined in the three and six month periods ended June 30, 2007 as compared to the same periods in 2006, primarily due to a decrease in cancelled check volumes. Bank Services revenues and Express Services revenues are presented net of federal excise tax fees which were approximately 2% for Bank Services revenues and approximately 3% for Express Services revenues in each of the periods presented.

While AirNet's Bank Services revenue declined approximately 11% in the three month period ended June 30, 2007 compared to the same period in 2006, AirNet's net income from continuing operations benefited from a decrease in operating expenses as a result of the reduction in AirNet's flight schedule on March 26, 2007 as discussed below. AirNet's total Express Services revenues increased approximately 1% for the three and six month periods ended June 30, 2007 compared to the same periods in the prior year. AirNet's Express Services revenues and contribution margin are not increasing at a rate sufficient to offset the accelerating decline in Bank Services revenues and contribution margin, which will require further substantial reductions in AirNet's air transportation network. Given the high fixed costs of operating AirNet's air transportation network, AirNet believes that it will be difficult to reduce operating costs in proportion to anticipated declines in Bank Services revenues. Furthermore, additional reductions in AirNet's air transportation network will result in the elimination of certain delivery services to AirNet's Bank Services and Express Services customers, resulting in additional declines in revenues. AirNet expects that the continuing decline in Bank Services revenues, combined with the high fixed costs of operating its air transportation network, will result in a significant decline in AirNet's profitability in future periods. While AirNet continues to evaluate cost reductions to mitigate the decline in Bank Services revenues, there can be no assurances that such cost reductions can be implemented or, if fully implemented, such reductions would be sufficient to offset the trend of declining revenues and profitability in future periods.

AirNet generally assesses its Bank Services customers a fuel surcharge, which is generally based on the Oil Price Index Summary – Columbus, Ohio (OPIS) index. AirNet also assesses most of its Express Services customers a fuel surcharge based on the OPIS index, which is adjusted monthly based on changes in the OPIS index. As index rates fluctuate above a set threshold, surcharge rates will increase or decrease accordingly. The fuel surcharge rate is applied to the revenue amount billed to Bank Services and Express Services customers. AirNet assesses certain Express customers fuel surcharges based on negotiated contractual rates. The average fuel price on the OPIS index decreased approximately 0.4% and 2%, respectively, for the three and six month periods ended June 30, 2007 from the comparable periods in 2006. Fuel surcharge revenues for Bank Services and Express Services for the three and six month periods ended June 30, 2007 decreased approximately \$1.1 million and \$1.6 million, respectively, or 16% and 13%, respectively, from the comparable periods in 2006.

Bank Services Revenues

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2007 to 2006		June 30,		2007 to 2006	
Bank Services Revenues	2007	2006	\$	%	2007	2006	\$	%
Bank Services Revenues	\$ 21,925	\$ 24,783	\$ (2,858)	(12)%	\$ 45,035	\$ 49,528	\$ (4,493)	(9)%
Fuel Surcharge	4,010	4,318	(308)	(7)%	7,394	7,857	(463)	(6)%
Total Net Bank Services Revenues	\$ 25,935	\$ 29,101	\$ (3,166)	(11)%	\$ 52,429	\$ 57,385	\$ (4,956)	(9)%

Revenues before fuel surcharge:

Weekday Revenues Per Flying Day	\$ 406	\$ 465	\$ (59)	(13)%	\$ 426	\$ 472	\$ (46)	(10)%
Weekend Revenues Per Weekend	\$ 122	\$ 144	\$ (22)	(15)%	\$ 126	\$ 144	\$ (18)	(13)%

Bank Services shipments consist primarily of cancelled checks (checks processed for settlement), proof of deposit (unprocessed checks) and interoffice mail delivery. These shipments are transported on AirNet's transportation network and, to a lesser extent, on commercial passenger airlines and dedicated AirNet aircraft charters for specific banks. Total net Bank Services revenues decreased in the three and six month periods ended June 30, 2007 compared to the same periods in 2006 due to, but to a lesser extent than, the decrease in total Bank Services pounds shipped per flying day. Weekday cancelled check pounds shipped per flying day declined approximately 27% and 26%, respectively, for the three and six month periods ended June 30, 2007 compared to the same periods in 2006; and declined approximately 9% and 8%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. Proof of deposit and interoffice mail deliveries also declined, resulting in a total decrease in total Bank Services pounds shipped per flying day of approximately 23% for both the three and six month periods ended June 30, 2007 compared to the same periods in 2006; and declined approximately 5% and 4%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. Bank Services cancelled check pounds shipped per flying day declined in each quarter of 2006 and the first and second quarters of 2007 at an increasing year-over-year rate.

Primarily as a result of the decline in cancelled check volumes, AirNet's weekday revenues per flying day, excluding fuel surcharges, decreased approximately 13% and 10%, respectively, for the three and six month periods ended June 30, 2007 as compared to the same periods in 2006; and declined approximately 3% and 2%, respectively, for the three and six month periods ended June 30, 2006 compared to the same periods in 2005. AirNet expects Bank Services revenues will continue to decline in 2007 and thereafter as a result of continued reductions in cancelled check volume and as a result of the significant reduction in the number of flights conducted by AirNet's air transportation network, as described below.

Bank Services Cancellations

As a result of decreased demand for air transportation services, during 2006 AirNet received a number of service cancellations from its banking customers. These cancellations, which took effect at various times during 2006, did not impact AirNet's 2006 banking revenues on a full year basis. The full financial effect of such periodic service cancellations is not realized until future reporting periods that commence on or after the effective date of the cancellations.

During 2007, AirNet has continued to receive periodic service cancellations from its banking customers, which will result in further reductions in AirNet's 2007 Bank Services revenues. During the three and six month periods ended June 30, 2007, AirNet received revenues of approximately \$2.1 million and \$6.2 million with respect to the service cancellations which are or will be effective at various dates throughout 2007. As discussed above, the full financial effect of such service cancellations is not realized until future reporting periods that commence on or after the effective date of the cancellations. The cancellations which are effective at various dates throughout 2007 represented approximately \$13.4 million of revenues on an annual basis in 2006, including approximately \$1.7 million of fuel surcharge revenues.

AirNet anticipates that it will receive additional service cancellations from its banking customers in the second half of 2007, which will result in further reductions in AirNet's 2007 Bank Services revenues. AirNet has also experienced declines in Bank Services revenues as a result of lower shipment weights on services which are subject to variable pricing and as a result of price reductions on fixed rate services as a result of lower shipment weights.

AirNet continues to consult with its banking customers to determine their future requirements for air transportation services as they transition to image products and other electronic alternatives to the physical movement of cancelled checks. As a result of these discussions, AirNet made significant changes to its air transportation network to meet the evolving service needs of its Bank Services customers, lowering their transportation costs in many cases. These changes, which became effective March 26, 2007, resulted in the elimination of 45 flights, or approximately 10%, of AirNet's weekday flight schedule. A substantial portion of the shipment volume previously transported on the eliminated flights was transitioned to other AirNet flights as AirNet continues to work closely with its Bank Services customers to adjust pick up and delivery deadlines to meet their changing service requirements. AirNet's Bank Services revenues are expected to decline by approximately \$4.2 million on an annual basis, including approximately \$0.5 million of fuel surcharges, as a direct result of these changes to AirNet's air transportation network. This decline in AirNet's Bank Services revenues is in addition to the reductions in Bank Services revenues resulting from the service cancellations, lower shipment weights and price reductions discussed in the preceding paragraph.

Reductions in AirNet's variable operating costs resulting from the March 26, 2007 changes in its air transportation network are expected to substantially offset the anticipated loss of revenues resulting directly from these changes. AirNet did not reduce the number of aircraft in its fleet as a result of these changes in its air transportation network due to the number of aircraft needed to meet the continuing service requirements of its Bank Services and Express Services customers. AirNet expects that the accelerating decline in Bank Services revenues will require substantial further reductions in AirNet's air transportation network.

Express Services Revenues

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2007 to 2006		June 30,		2007 to 2006	
	2007	2006	\$	%	2007	2006	\$	%
Express Services Revenues								
Express Revenues - Non Charter	\$ 9,703	\$ 8,640	\$ 1,063	12%	\$ 18,925	\$ 17,510	\$ 1,415	8%
Express Revenues - Charter	3,638	3,748	(110)	(3)%	7,042	6,980	62	1%
Fuel Surcharge	1,799	2,593	(794)	(31)%	3,387	4,535	(1,148)	(25)%
Total Net Express Services Revenues	\$ 15,140	\$ 14,981	\$ 159	1%	\$ 29,354	\$ 29,025	\$ 329	1%

AirNet's Express Services customers typically operate in time-critical, time-definite, and high control delivery markets, including medical testing laboratories, radioactive pharmaceuticals, medical equipment, controlled sensitive media and mission critical parts. AirNet believes its air transportation network provides certain competitive advantages over other freight forwarders that must rely primarily upon commercial passenger airlines to process their shipments. These advantages include later tendering times, better on-time performance, greater control of shipments, reliable shipment tracking systems and greater flexibility in the design of transportation solutions for customers with specific needs.

Express Revenues – Non Charter represents revenues AirNet derives from Express shipments on AirNet's air transportation network, commercial passenger airlines and point-to-point surface (ground only) shipments. Although the total number of express shipments declined in the three and six month periods ended June 30, 2007 compared to the same periods in 2006, revenues increased primarily because of rate increases and an overall increase in the average weight per shipment. A substantial portion of the Express Services price increases that were instituted in the fourth quarter of 2006 and the first quarter of 2007 increased the base transportation rates and lowered fuel surcharge rates resulting in an increase in Express Revenues – Non Charter and a corresponding decrease in fuel surcharge revenues. Revenues before fuel surcharges for point-to-point surface shipments increased approximately 46% and 48%, respectively, for the three and six month periods ended June 30, 2007 compared to the same periods in 2006 as a result of an increase in shipment weights and distances transported.

The total number of Non Charter Express shipments decreased approximately 10% and 9%, respectively, for the three and six month periods ended June 30, 2007 from the same periods in 2006. The number of Non Charter shipments transported on AirNet's air transportation network decreased approximately 14% and 13%, respectively, over the comparable periods in 2006. The number of Non Charter Express shipments transported on commercial passenger airlines decreased approximately 7% and 3%, respectively, for the three and six month periods ended

June 30, 2007 compared to the same periods in 2006. The number of Non Charter Express shipments transported via point-to-point surface shipments decreased approximately 2% for the three month period ended June 30, 2007 and increased approximately 0.4% for the six month period ended June 30, 2007 compared to the same periods in 2006.

AirNet instituted a price increase on July 16, 2007 for one of its larger Express Services customers that provides distribution services to the entertainment industry. The price increase was implemented as a result of very low contribution margins that AirNet was realizing from this customer. The customer ceased shipping with AirNet shortly after the price increase was implemented. This customer represented approximately 4% of Express Services revenues for the three and six month periods ended June 30, 2007, approximately 5% of Express Services revenues for the three and six month periods ended June 30, 2006, and approximately 7% of Express Services revenues for the year ended December 31, 2006.

Express Revenues – Charter represent revenues AirNet derives from scheduled and unscheduled cargo charters transported on AirNet’s airline and on aircraft operated by other third parties. AirNet typically provides charter solutions for customers involved in radioactive pharmaceuticals, entertainment and the life sciences industry.

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 Services shipment, contribution margins on Bank Services shipments are substantially higher than Express Services shipments after considering the cubic dimension of shipments. Furthermore, due to the unscheduled nature of most Express Services shipments, pick-up and delivery costs per shipment are higher for Express Services shipments than Bank Services shipments. Lower check delivery volumes due to the increased use of image products and other electronic alternatives to the physical movement of cancelled checks will contribute to a significant reduction in AirNet’s Bank Services revenues and contribution margin in future periods.

Aviation Services

Aviation Services revenues primarily relate to AirNet’s fixed base operation services for fuel sales and aircraft maintenance provided in Columbus, Ohio. The increase in Aviation Services primarily resulted from certain retail maintenance services provided to Pinnacle as described above under “Sale of Jetride’s Passenger Charter Business”.

Costs and Expenses

Dollars in '000's	Three Months Ended		Increase (Decrease)		Six Months Ended		Increase (Decrease)	
	June 30,		2007 to 2006		June 30,		2007 to 2006	
Costs and Expenses	2007	2006	\$	%	2007	2006	\$	%
Aircraft fuel	\$ 6,387	\$ 7,723	\$ (1,336)	(17)%	\$ 12,510	\$ 14,715	\$ (2,205)	(15)%
Aircraft maintenance	5,973	4,128	1,845	45%	13,301	8,223	5,078	62%
Operating wages and benefits	4,519	4,736	(217)	(5)%	9,451	9,711	(260)	(3)%
Contracted air costs	3,788	4,439	(651)	(15)%	7,571	8,608	(1,037)	(12)%
Ground courier	8,759	8,717	42	0%	17,665	16,896	769	5%
Depreciation	1,256	2,930	(1,674)	(57)%	2,502	5,813	(3,311)	(57)%
Insurance, rent and landing fees	2,058	2,112	(54)	(3)%	4,196	3,989	207	5%
Travel, training and other operating	1,509	1,147	362	32%	3,093	2,678	415	15%
Selling, general and administrative	4,118	4,772	(654)	(14)%	8,380	9,237	(857)	(9)%
Net gain on disposition of assets	(3)	(4)	1	*	(883)	(12)	(871)	*
Total Costs and Expenses	\$ 38,364	\$ 40,700	\$ (2,336)	(6)%	\$ 77,786	\$ 79,858	\$ (2,072)	(3)%

* The percentage increase (decrease) is not meaningful.

Total aircraft fuel expense decreased primarily as a result of fewer hours flown. Aircraft hours flown decreased approximately 12% and 9%, respectively, for the three and six month periods ended June 30, 2007 compared to the same periods in 2006. The average fuel price on the OPIS index decreased approximately 0.4% and 2%, respectively, for the three and six month periods ended June 30, 2007 over the comparable periods in 2006.

Aircraft maintenance is primarily based on pre-determined inspection intervals, determined by hours flown, cycles and the number of aircraft take-offs and landings. High use, older aircraft that are no longer in production, such as those in AirNet’s cargo fleet, incur higher maintenance costs than lower use, newer aircraft. The increase in aircraft

maintenance expense reflects the following factors: expensing approximately 75% of the engine maintenance plan prepayments, as further described below; the increase in retail maintenance services provided to third parties; the timing of major maintenance events; and the age of AirNet's cargo fleet, including Learjets which averaged approximately 25 years in service at the end of 2006, and the related increase in maintenance required on older aircraft.

AirNet uses manufacturer engine maintenance plans to provide maintenance for recurring inspections and major overhaul maintenance for most of the engines in its Learjet fleet. Approximately 95% of AirNet's Learjet 35 aircraft engines are covered under manufacturer engine maintenance plans. Under the manufacturer engine maintenance plans, AirNet pays in advance for certain maintenance, repair and overhaul costs based on an amount per hour for each hour flown. In October 2006, following the write down of a substantial portion of the prepaid assets related to these engine maintenance plans in connection with the 2006 asset impairment charge, AirNet changed its estimate of the portion of these payments that should be capitalized and began expensing approximately 75% of the prepayments, which are included in aircraft maintenance expense. Management estimates that expensing payments made under manufacturer engine maintenance plans at this rate will maintain engine values at the amounts determined to be appropriate as part of the 2006 asset impairment charge. The portion of the prepayments expensed totaled approximately \$1.3 million and \$2.7 million, respectively, for the three and six month periods ended June 30, 2007.

In October 2005, following the write down of aircraft assets in connection with the 2005 asset impairment charge, management determined that none of the major maintenance expenditures incurred after September 30, 2005, with the exception of engine repairs and improvements and maintenance payments made under manufacturer engine maintenance plans, extended the useful life of the aircraft. Consequently, beginning in October 2005, such expenditures were charged to aircraft maintenance expense.

AirNet does not expect to capitalize any significant expenditures made in 2007 related to the aircraft fleet, with the exception of certain major engine repairs and improvements to engines not covered by manufacturer engine maintenance plans, and a portion of the prepayments under manufacturer engine maintenance plans related to the Learjet 35 aircraft.

Contracted air costs include expenses associated with shipments transported on commercial passenger airlines and costs to third-party aircraft operators for subcontracted air routes to support or supplement AirNet's national air transportation network. Approximately 15% of AirNet's cargo flights per night are subcontracted to third-party aircraft operators. Costs related to back-up and subcontracted air routes decreased approximately 19% and 11%, respectively, for the three and six month periods ended June 30, 2007 from the comparable periods in 2006 primarily due to the elimination and restructuring of certain air routes that had been outsourced to third-party operators. Commercial freight costs also decreased for the three and six month periods ended June 30, 2007 compared to the same periods in 2006 primarily due to the decrease in Bank Services and Express Services shipments transported on commercial passenger airlines.

Ground courier costs increased slightly for the three month period ended June 30, 2007 and increased approximately \$0.8 million for the six month period ended June 30, 2007 compared to the same periods in 2006. AirNet's Express customers are more costly to serve than AirNet's traditional Bank customers due to more unscheduled pickup and delivery services which are typically performed in more geographically dispersed locations. Additionally, ground courier costs increased for the six month period ended June 30, 2007 as a result of the increases in shipment weights and distances transported compared to the same period in 2006. Point-to-point surface shipments have a significantly higher ground courier expense to revenue ratio than shipments that are transported on AirNet's aircraft or on commercial airlines.

Aircraft depreciation decreased for the three and six month periods ended June 30, 2007 from the comparable periods in 2006 primarily due to the reduction in AirNet's aircraft values as a result of the impairment charges recorded in 2006. Additionally, aircraft engine depreciation, which is based on engine hours operated, decreased because of the decline in flight hours for the three and six month periods ended June 30, 2007 compared to the same periods in 2006. Management expects 2007 depreciation expense to remain significantly below 2006 levels as a result of the 2006 asset impairment charge and a decrease in flight hours.

Travel, training and other operating expenses increased in the three and six month periods ended June 30, 2007 compared to the same periods in 2006 primarily due to increased aircraft pilot travel and training costs and as a result of overall increases in other costs at certain field operational locations.

The decrease in selling, general and administrative costs is primarily due to approximately \$0.7 million and \$1.0 million, respectively, of incentive compensation expense recorded in the three and six month periods ended June 30, 2006 compared to \$0.1 million of incentive compensation expense recorded in the comparable periods in 2007.

On January 10, 2007, one of AirNet's Learjets was damaged and subsequently declared not airworthy. AirNet received insurance proceeds of approximately \$1.2 million on April 19, 2007 related to this loss. The gain on disposition of aircraft primarily reflects the excess of insurance proceeds over net book value of this Learjet.

The decrease in interest expense related to continuing operations of approximately \$0.3 million and \$0.7 million, respectively, for the three and six month periods ended June 30, 2007 compared to the same periods in 2006 primarily reflects the reduction in the average debt outstanding, including the substantial reduction in September 2006 of the amount outstanding under AirNet's revolving credit facility and the repayment in full of the principal balance outstanding under AirNet's term loan.

AirNet's effective tax rates, excluding the effect of discontinued operations, were 2.8% and 35.7%, respectively, for the three month periods ended June 30, 2007 and 2006 and were 3.6% and 36.4%, respectively, for the six month periods ended June 30, 2007 and 2006. The effective tax rates deviate from statutory federal, state and local rates primarily as a result of tax benefits from changes in the valuation allowance for deferred tax assets of approximately \$(1.1) million and \$(0.2) million, respectively, for the three month period ended June 30, 2007 and 2006 and approximately \$(1.6) million and \$(0.3) million, respectively, for the six month period ended June 30, 2007 and 2006.

Accounting principles generally accepted in the United States require AirNet to record a valuation allowance against future deferred tax assets if it is "more likely than not" that AirNet will not be able to utilize such benefits in the future. At June 30, 2007 and December 31, 2006, AirNet maintained a valuation allowance of \$10.9 million and \$12.5 million, respectively. In 2007, the valuation allowance offset deferred tax assets in excess of deferred tax liabilities. In 2006, the valuation allowance offset AirNet's net operating loss carry forwards and Alternative Minimum Tax credit carry forwards.

On December 31, 2006, AirNet filed for a discretionary income tax method change with the Internal Revenue Service ("IRS"). The discretionary method change requires IRS approval prior to the change being effective. As required by SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109") the effect of the method change will be reported in the period in which IRS approval is obtained; therefore, AirNet has not reflected the anticipated impact of the method change in the June 30, 2007 financial statements. There is no certainty as to what extent or if the IRS will ultimately approve the elected method change as requested. However, if the method change is approved, it could materially change AirNet's current taxes payable, its deferred tax assets and the need for the associated valuation allowance, and provide a significant refund of estimated taxes previously paid.

Liquidity and Capital Resources

Cash flow from operating activities – Continuing Operations

Net cash provided by operating activities from continuing operations was approximately \$4.8 million for the six month period ended June 30, 2007, compared to approximately \$8.2 million for the same period in 2006. The approximate \$3.4 million decrease in cash from operating activities was due to a \$6.3 million decline in non-cash adjustments reduced by a \$1.4 million increase in income from continuing operations and a \$1.5 million increase in working capital component changes. Net income adjustments for non-cash items include the approximate \$0.9 million non-operating gain relating to the disposition of aircraft, the 2007 reduction in non-cash depreciation expense of approximately \$3.3 million (as discussed above), and the \$2.2 million reduction in deferred income taxes attributable to changes in the valuation allowance. The increase in cash attributable to changes in working capital components was primarily due to the reduction in accounts receivable offsetting the estimated tax payments made in the first quarter of 2007 and reduction in accrued salaries and related liabilities attributable to the reduction in incentive compensation.

Cash flow from operating activities – Discontinued Operations

Net cash provided by operating activities from discontinued operations of approximately \$0.4 million for the six month period ended June 30, 2007 primarily reflects collection of outstanding Jetride receivables, while the comparable period of 2006 reflects operating activities.

Financing Activities – Continuing Operations

Revolving Credit Facility – Second Amended Credit Agreement - March 29, 2007

On March 29, 2007, AirNet and its lender (The Huntington National Bank) amended and restated the terms and conditions of the Amended and Restated Credit Agreement dated as of May 28, 2004, among The Huntington National Bank and Bank One, N.A., as lenders, and AirNet, as borrower (as amended and restated, the "Amended Credit Agreement") by entering into a Second Amended and Restated Credit Agreement (the "Second Amended Credit Agreement"). The following description of the Second Amended Credit Agreement is qualified in its entirety by reference to the Second Amended Credit Agreement previously filed as Exhibit 4.50 in AirNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The Second Amended Credit Agreement provides for a \$15.0 million secured revolving credit facility and expires on October 15, 2008. The Second Amended Credit Agreement is secured by a first priority lien on all of the property of AirNet, other than any interest in real estate and certain excluded fixed assets. The stock and interests of AirNet's subsidiaries continue to be pledged to secure the loans under the Second Amended Credit Agreement, and each of AirNet's subsidiaries continues to guarantee AirNet's obligations under the Second Amended Credit Agreement under a Consent and Agreement of Guarantors.

The amount of revolving loans available under the Second Amended Credit Agreement is limited to a borrowing base equal to the aggregate of 80% of eligible accounts receivable, plus 50% of eligible aircraft parts. The amount available under the Second Amended Credit Agreement is also reduced by any outstanding letters of credit issued under the Second Amended Credit Agreement. The Second 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 Second 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.

The Second Amended Credit Agreement permits AirNet to maintain and incur other indebtedness in an aggregate amount of up to \$10.0 million for the purpose of purchasing or refinancing aircraft and related tangible fixed assets. The Second Amended Credit Agreement 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 Second Amended Credit Agreement. The Second Amended Credit Agreement also contains limitations on operating leases, 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.

As of June 30, 2007, approximately \$2.5 million was outstanding under the Second Amended Credit Agreement which is included in "Notes payable, less current portion" in the Condensed Consolidated Balance Sheet. As of June 30, 2007, AirNet had approximately \$1.0 million in letters of credit outstanding related to insurance programs, which reduced the amount available under the Second Amended Credit Agreement. As of June 30, 2007, AirNet had approximately \$11.5 million available to borrow under the Second Amended Credit Agreement.

As described below, on April 11, 2007, AirNet borrowed approximately \$7.5 million under its revolving credit facility to repay in full AirNet's term loan.

Other Term Loan

On March 24, 2005, AirNet entered into an \$11.0 million three-year term loan with a fixed interest rate of 8.12%. This term loan was secured by seven Cessna Caravans and nine Learjet 35 aircraft from AirNet's cargo aircraft fleet. On April 11, 2007, AirNet repaid in full the \$7.5 million principal balance outstanding under the term loan with borrowings from AirNet's revolving credit facility. In addition to the outstanding principal amount, AirNet paid approximately \$0.1 million in accrued interest and early termination prepayment penalties. Upon repayment in full, the term loan was terminated in accordance with its terms.

Financing Activities – Discontinued Operations

The 2006 net cash used for financing activities of discontinued operations reflects principal payments on term loans secured by aircraft used in the Jetride passenger charter business. Jetride repaid in full the term loans in connection with the sale of the Jetride passenger charter business on September 26, 2006.

Investing Activities – Continuing Operations

Capital expenditures from continuing operations totaled approximately \$2.9 million for the six month period ended June 30, 2007 versus approximately \$4.6 million for the same period in 2006. The 2007 and 2006 expenditures were primarily for major aircraft engine overhauls. AirNet anticipates it will spend between \$5.5 million and \$6.5 million in total capital expenditures in 2007. The proceeds from sales of property and equipment primarily reflect insurance

proceeds from a damaged Learjet declared not airworthy, and amounts received upon the disposition of nine Cessna 310s delivered in the first half of 2007 under the terms of a sales agreement.

AirNet anticipates that operating cash and capital expenditure requirements will continue to be funded by cash flow from operations, cash on hand, borrowings under the Second Amended Credit Agreement or other sources, including leasing and the sale of aircraft. There were no material capital commitments at June 30, 2007.

There have been no material changes in AirNet's contractual obligations, other than the repayment of AirNet's term loan as described in Note 6 of the Notes to Condensed Consolidated Financial Statements, from those disclosed in AirNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Investing Activities – Discontinued Operations

Net cash was provided by investing activities related to discontinued operations for the six month period ended June 30, 2007 as a result of a partial release of escrowed cash closing proceeds from the sale of Jetride in September 2006. Net cash was used by investing activities in the comparable period in 2006, for capital expenditures, primarily for aircraft engine overhauls.

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, until the sale of Jetride's passenger charter business in September 2006, Jetride held its own air carrier operating certificate granted by the FAA pursuant to Part 135. AirNet's certificates are of unlimited duration and remain in effect so long as AirNet maintains the required standards of safety and meets 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.

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 and other governmental agencies, including grantee status to DOT-SP 7060 Special Permit and a Transport Canada Permit for Equivalent Level of Safety, which permit AirNet to transport higher volumes of time-critical radioactive pharmaceuticals than is allowed by the DOT and Transport Canada for most carriers operating aircraft of similar size. AirNet's grantee status under the DOT-SP 7060 Special Permit expires in August 2010 and its Permit for Equivalent Level of Safety expires in March 2008. These permits may be renewed at such times. AirNet is also subject to regulation by the Food and Drug Administration, which regulates the transportation of pharmaceuticals and live animals, as well as by various state and local authorities.

AirNet believes that it has all permits, approvals and licenses required to conduct its operations and that it is in compliance with applicable regulatory requirements relating to its operations, including all applicable noise level regulations.

AirNet transports packages on both its airline and on commercial airlines. The TSA requires that AirNet maintain certain security programs related to its operations, including a Twelve-Five Standard Security Program ("TFSSP") and an Indirect Air Carrier Standard Security Program ("IACSSP"). The TFSSP governs security procedures applicable to AirNet's airline and the IACSSP governs security procedures for tendering packages to commercial airlines. AirNet maintains a TSA approved TFSSP. AirNet Management, Inc., a wholly-owned subsidiary of AirNet ("AirNet Management"), maintains a TSA approved IACSSP. AirNet and AirNet Management believe that they are in compliance with all the requirements of the TFSSP and IACSSP programs that they maintain.

As a result of increased concerns regarding airline security, in May 2006 the TSA adopted new rules and regulations to enhance the security requirements relating to the transportation of cargo on both passenger and all-cargo aircraft. These new rules, when fully implemented, will require air carriers maintaining TFSSP and IACSSP programs to institute new or additional security measures, including enhanced training of personnel responsible for maintaining such programs or involved in the processing of air cargo, more extensive background checks of such personnel, and new rules for verifying the identity of shippers and individuals tendering packages to commercial airlines. AirNet has implemented the new TSA rules and regulations that are currently in effect and intends to implement other security measures as they become effective.

On August 3, 2007, President Bush signed into law the "Improving America's Security Act of 2007" (the "Act"). The Act mandates heightened inspection and screening measures for cargo placed on commercial passenger airlines and requires all cargo placed on commercial passenger airlines after August 3, 2010 to be screened for threats to transportation security. When implemented, the heightened inspection and screening measures required under the Act may necessitate earlier tendering times for cargo transported on commercial passenger airlines, which may impact AirNet's ability to meet current shipping timeframes for its customers.

On February 14, 2007, the FAA submitted its reauthorization funding proposal to Congress entitled "*The Next Generation Air Transportation System Financing Reform Act of 2007*". The FAA proposal, if enacted, would significantly change the way the federal government funds the FAA. The FAA proposal would shift a significant portion of the FAA's funding from general tax receipts to a fee based funding system. The FAA proposal, if enacted, would also increase the federal tax on aviation fuel. Neither the U.S. Senate nor the House of Representatives adopted all of the FAA's funding recommendations contained in the "*The Next Generation Air Transportation System Financing Reform Act of 2007*". The U.S. Senate and House of Representatives have proposed alternative FAA funding legislation entitled, respectively, the "*Aviation Investment and Modernization Act of 2007*" and the "*FAA Reauthorization Act of 2007*". The U.S. Senate's initial proposed FAA funding legislation included a proposed \$25 per landing surcharge. The financial impact of any FAA funding legislation on AirNet is dependent on the version of the legislation that is ultimately enacted into law. AirNet will closely monitor the pending legislation to determine the financial impact on its costs of operation.

Off-Balance Sheet Arrangements

AirNet had no "off-balance sheet" arrangements as of June 30, 2007, as that term is defined by the Securities and Exchange Commission.

Seasonality and Variability in Quarterly Results

AirNet's operations historically have been dependent on the number of banking holidays falling during the quarter and are seasonal in some respects. 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, 2007, AirNet had a \$2.5 million outstanding balance under its Second Amended Credit Agreement (described above in the section captioned "Liquidity and Capital Resources – Financing Activities – Continuing Operations" in "ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION" of this Quarterly Report on Form 10-Q). On March 29, 2007, AirNet and its lender (The Huntington National Bank) amended the terms and conditions of the Amended Credit Agreement by entering into the Second Amended Credit Agreement. The Second 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 Second 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 Second Amended Credit Agreement and (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, 2007, a one hundred basis point change in interest rates would impact net interest expense by approximately \$25,000 per year.

Fuel Surcharge

AirNet generally assesses its Bank Services customers a fuel surcharge, which is generally based on the Oil Price Index Summary – Columbus, Ohio (OPIS) index. AirNet also assesses most of its Express Services customers a fuel surcharge based on the OPIS index, which is adjusted monthly based on changes in the OPIS index. As index rates

fluctuate above a set threshold, surcharge rates will increase or decrease accordingly. The fuel surcharge rate is applied to the revenue amount billed to Bank Services and Express Services customers. AirNet assesses certain Express customers fuel surcharges based on negotiated contractual rates.

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 Systems, Inc. ("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 periods specified in the SEC's rules and forms; and
- AirNet's disclosure controls and procedures were effective as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q.

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 quarterly period ended June 30, 2007, 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 2006, 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. AirNet's 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 subsequently requested certain supplemental information regarding AirNet's software usage, which AirNet supplied to the attorney for the association. By letter dated July 23, 2007, the attorney for the association informed AirNet that the association had decided to close its file on this matter based upon the cooperation AirNet had exhibited in connection with the audit. The attorney indicated that the closing of the file was done without waiver of any right or remedy the association might have against AirNet should new information be discovered which might reflect unauthorized software usage by AirNet.

Other than the item 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 AirNet's business that could cause our actual results to differ materially from those anticipated. In "ITEM 1A – RISK FACTORS" of Part I of AirNet's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the "2006 Form 10-K"), we included a detailed discussion of AirNet's risk factors. These risk factors could materially affect our business, financial condition or future results. The risk factors

described in AirNet's 2006 Form 10-K are not the only risks facing AirNet. The following risk factors as well as additional risks and uncertainties not currently known to AirNet or that AirNet currently deems to be immaterial also may materially adversely affect AirNet's business, financial condition and/or operating results.

Proposed legislative changes in the manner in which the FAA is funded by the federal government may increase AirNet's operating costs.

On February 14, 2007, the FAA sent proposed legislation to Congress that would significantly alter the manner in which the federal government funds the FAA. The proposed legislation, entitled the "Next Generation Air Transportation System Financing Reform Act of 2007" would generate revenue to fund FAA operations from a number of sources, including the imposition of certain fees for using the air traffic system and increases in the fuel tax. Neither the Senate nor the House of Representatives adopted the FAA's proposed legislation, and the Senate and the House of Representatives each introduced its own FAA funding legislation entitled, respectively, the "Aviation Investment and Modernization Act of 2007" and the "FAA Reauthorization Act of 2007". The Senate and House of Representative proposed bills have been referred to their respective committees and neither bill has been approved by the full Senate or full House of Representatives. Any FAA funding legislation that contains new user fees or increases the fuel tax, if enacted, would significantly increase AirNet's operating costs and could adversely impact AirNet's financial performance.

The U.S. aviation industry is experiencing a shortage of qualified pilots which could adversely impact AirNet's flight schedule and air transportation network.

The U.S. aviation industry is currently experiencing a shortage of qualified pilots. AirNet competes for qualified pilots with major passenger airlines, regional passenger carriers, fractional ownership operators, corporate flight departments and other cargo airlines. AirNet's inability to recruit and retain a sufficient number of qualified pilots could adversely impact AirNet's air transportation network and require AirNet to charter certain routes to other third party operators or reduce its current flight schedule. AirNet's inability to maintain its current flight schedule as a result of a pilot shortage would have a significant and immediate adverse effect on AirNet's business. The shortage of qualified pilots also will require AirNet to increase the compensation of pilots in order to attract and retain qualified pilots.

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 quarterly period ended June 30, 2007. 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, 2007, 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 2007 Annual Meeting of Shareholders (the "2007 Annual Meeting") of AirNet Systems, Inc. was held on June 6, 2007. The number of common shares of AirNet Systems, Inc. outstanding and entitled to vote at the 2007 Annual Meeting was 10,168,588. The number of common shares represented in person or by proxy at the 2007 Annual Meeting was 9,879,526.

(b) Directors elected at the 2007 Annual Meeting for terms expiring at the 2008 Annual Meeting of Shareholders:

<u>Director</u>	<u>For</u>	<u>Withheld</u>
James M. Chadwick	9,663,258	216,268
Russell M. Gertmenian	9,549,689	329,837
Gerald Hellerman	9,547,699	331,827
Bruce D. Parker	9,564,058	315,468
James E. Riddle	9,594,101	305,368

(c) Adoption of proposed amendments to Sections 1.04(A) and 1.04(B) of AirNet's Code of Regulations:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Adoption of Amendments to Sections 1.04(A) and 1.04(B) of AirNet's Code of Regulations	9,594,101	273,920	11,505

ITEM 5 – Other Information

On August 10, 2007, the Compensation Committee of the Board of Directors of AirNet Systems, Inc. ("the Board"), authorized an incentive compensation payment in the amount of \$72,000 to Mr. Bruce D. Parker, AirNet's Chairman of the Board, Chief Executive Officer and President. Subject to the provisions of Mr. Parker's 2007 Incentive Compensation Plan, Mr. Parker was awarded 40% of his annual base salary for the six months ended June 30, 2007 based upon the full attainment of the personal goals established for Mr. Parker by the Board of Directors.

ITEM 6 – Exhibits

Exhibits:

Exhibit No.	Description	Location
3.1	Certificate Regarding Adoption of Amendments to Sections 1.04(A) and 1.04(B) of AirNet Systems, Inc.'s Code of Regulations by the Shareholders on June 6, 2007	Incorporated herein by reference from Exhibit 3.1 to AirNet Systems, Inc.'s Current Report on Form 8-K dated June 11, 2007 and filed with the SEC on the same date (File No. 1-13025)
3.2	Code of Regulations of AirNet Systems, Inc. (reflecting all amendments through June 6, 2007) [for SEC reporting compliance purposes only]	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)	Filed herewith

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 14, 2007

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

Dated: August 14, 2007

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

AIRNET SYSTEMS, INC.

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CODE OF REGULATIONS

OF

AIRNET SYSTEMS, INC.

**(reflecting amendments through June 6, 2007)
[For SEC reporting compliance purposes only]**

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CODE OF REGULATIONS

OF

AIRNET SYSTEMS, INC.

(reflecting amendments through June 6, 2007)
[For SEC reporting compliance purposes only]

ARTICLE ONE

MEETINGS OF SHAREHOLDERS

Section 1.01. Annual Meetings. The annual meeting of the shareholders for the election of directors, for the consideration of reports to be laid before such meeting and for the transaction of such other business as may properly come before such meeting, shall be held on the fourth Monday in January in each year or on such other date as may be fixed from time to time by the directors.

Section 1.02. Calling of Meetings. Meetings of the shareholders may be called only by the chairman of the board, the president, or, in case of the president's absence, death, or disability, the vice president authorized to exercise the authority of the president; the secretary; the directors by action at a meeting, or a majority of the directors acting without a meeting; or the holders of at least fifty percent (50%) of all shares outstanding and entitled to vote thereat.

Section 1.03. Place of Meetings. All meetings of shareholders shall be held at the principal office of the corporation, unless otherwise provided by action of the directors. Meetings of shareholders may be held at any place within or without the State of Ohio.

Section 1.04. Notice of Meetings.

(A) Written notice stating the time, place and purposes of a meeting of the shareholders shall be given either by personal delivery or by mail, overnight delivery service, or any other means of communication authorized by the shareholder to whom the notice is given, not less than ten nor more than sixty days before the date of the meeting (i) to every shareholder of record entitled to notice of the meeting (ii) by or at the direction of the president, the secretary, or another officer expressly authorized by action of the directors to give such notice. If mailed or sent by overnight delivery service, such notice shall be sent to the shareholder at such shareholder's address as it appears on the records of the corporation. If sent by another means of communication authorized by the shareholder, the notice shall be sent to the address furnished by the shareholder for those transmissions. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting. In the event of a transfer of shares after the record date for determining the shareholders who are entitled to receive notice of a meeting of shareholders, it shall not be necessary to give notice to the transferee. Nothing herein contained shall prevent the setting of a record date in the manner provided by law, the Articles or the Regulations for the determination of shareholders who are entitled to receive notice of or to vote at any meeting of shareholders or for any purpose required or permitted by law. [Amended June 6, 2007.]

(B) Upon request in writing delivered either in person or by registered mail to the president or the secretary, specifying the purpose or the purposes for which the persons properly making such request have called a meeting of shareholders, that officer shall cause to be given to the shareholders entitled thereto notice of a meeting to be held on a date not less than ten nor more than sixty days after the receipt of such request, as the officer may fix. If the notice is not given within fifteen days after the receipt of such request by the president or the secretary, then, and only then, the persons properly calling the meeting may fix the time of the meeting and give notice thereof in accordance with the provisions of the Regulations, or cause the notice to be so given by any designated representative. [Amended June 6, 2007.]

(C) A shareholder seeking to bring business before an annual meeting of the shareholders shall provide written notice thereof to the Secretary of the corporation, stating his intent and the subject of business. Such notice shall be personally delivered to, or mailed by United States mail, postage prepaid, and received at, the principal executive offices of the corporation not less than sixty, nor more than ninety days, prior to the date of the annual meeting. If, however, notice or public disclosure of the date of the annual meeting is given or made less than

seventy days prior to the annual meeting, then written notice by the shareholder must be received by the Secretary of the corporation no later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. Notwithstanding the provisions of this Division (C) of Section 1.04, a shareholder's proposal shall be considered timely submitted to the corporation if it is submitted in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation. The chairman of the annual meeting may refuse to acknowledge the proposal of any person to bring business before the annual meeting not made in compliance with the foregoing procedure and applicable federal securities laws.

Section 1.05. Waiver of Notice. Notice of the time, place and purpose or purposes of any meeting of shareholders may be waived in writing, either before or after the holding of such meeting, by any shareholders, which writing shall be filed with or entered upon the records of such meeting. The attendance of any shareholder, in person or by proxy, at any such meeting without protesting the lack of proper notice, prior to or at the commencement of the meeting, shall be deemed to be a waiver by such shareholder of notice of such meeting.

Section 1.06. Quorum. At any meeting of shareholders, the holders of a majority of the voting shares of the corporation then outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum for such meeting. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, or the chairman of the board, the president, or the officer of the corporation acting as chairman of the meeting, may adjourn such meeting from time to time, and if a quorum is present at such adjourned meeting any business may be transacted as if the meeting had been held as originally called.

Section 1.07. Votes Required. At all elections of directors the candidates receiving the greatest number of votes shall be elected. Any other matter submitted to the shareholders for their vote shall be decided by the vote of such proportion of the shares, or of any class of shares, or of each class, as is required by law, the Articles or the Regulations.

Section 1.08. Order of Business. The order of business at any meeting of shareholders shall be determined by the officer of the corporation acting as chairman of such meeting unless otherwise determined by a vote of the holders of a majority of the voting shares of the corporation then outstanding, present in person or by proxy, and entitled to vote at such meeting.

Section 1.09. Shareholders Entitled to Vote. Each shareholder of record on the books of the corporation on the record date for determining the shareholders who are entitled to vote at a meeting of shareholders shall be entitled at such meeting to one vote for each share of the corporation standing in his name on the books of the corporation on such record date. The directors may fix a record date for the determination of the shareholders who are entitled to receive notice of and to vote at a meeting of shareholders, which record date shall not be a date earlier than the date on which the record date is fixed and which record date may be a maximum of sixty days preceding the date of the meeting of shareholders.

Section 1.10. Proxies. At meetings of the shareholders, any shareholder of record entitled to vote thereat may be represented and may vote by proxy or proxies appointed by an instrument in writing signed by such shareholder or appointed in any other manner permitted by Ohio law. Any such instrument in writing or record of any such appointment shall be filed with or received by the secretary of the meeting before the person holding such proxy shall be allowed to vote thereunder. No appointment of a proxy is valid after the expiration of eleven months after it is made unless the writing or other communication which appoints such proxy specifies the date on which it is to expire or the length of time it is to continue in force. [Amended May 12, 2000.]

Section 1.11. Inspectors of Election. In advance of any meeting of shareholders, the directors may appoint inspectors of election to act at such meeting or any adjournment thereof; if inspectors are not so appointed, the officer of the corporation acting as chairman of any such meeting may make such appointment. In case any person appointed as inspector fails to appear or act, the vacancy may be filled only by appointment made by the directors in advance of such meeting or, if not so filled, at the meeting by the officer of the corporation acting as chairman of such meeting. No other person or persons may appoint or require the appointment of inspectors of election.

ARTICLE TWO

DIRECTORS

Section 2.01. Authority and Qualifications. Except where the law, the Articles or the Regulations otherwise provide, all authority of the corporation shall be vested in and exercised by its directors. Directors need not be shareholders of the corporation.

Section 2.02. Number of Directors and Term of Office.

(A) Until changed in accordance with the provisions of these Regulations, the number of directors of the corporation shall be three. Each director shall be elected to serve until the next annual meeting of shareholders and his or her successor is duly elected and qualified or until his or her earlier resignation, removal from office, or death.

(B) The number of directors may be fixed or changed at a meeting of the shareholders called for the purpose of electing directors at which a quorum is present, only by the affirmative vote of the holders of not less than a majority of the voting shares which are represented at the meeting, in person or by proxy, and entitled to vote on such proposal.

(C) The directors may fix or change the number of directors and may fill any director's office that is created by an increase in the number of directors; provided, however, that the directors may not increase the number of directors to more than nine nor reduce the number of directors to less than three.

(D) No reduction in the number of directors shall of itself have the effect of shortening the term of any incumbent director.

Section 2.03. Election. At each annual meeting of the shareholders for the election of directors, the successors to the directors whose term shall expire in that year shall be elected, but if the annual meeting is not held or if one or more of such directors are not elected thereat, they may be elected at a special meeting called for that purpose. The election of directors shall be by ballot whenever requested by the presiding officer of the meeting or by the holders of a majority of the voting shares outstanding, entitled to vote at such meeting and present in person or by proxy, but unless such request is made, the election shall be viva voce.

Section 2.04. Nominations. Nominations for the election of directors may be made by the board of directors of the corporation or a committee by the board or by any shareholder entitled to vote in the election of directors generally. However, any shareholders entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given to the Secretary of the corporation. Such notice shall be personally delivered to, or mailed by United States mail, postage prepaid, and received at, the principal executive offices of the corporation not less than sixty, nor more than ninety days, prior to the date of the meeting at which such election is to occur. If, however, notice or public disclosure of the date of the meeting is given or made less than seventy days prior to the meeting, then written notice by the shareholder must be received by the Secretary of the corporation not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Each such notice shall set forth: (A) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (B) a representation that the shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (C) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (D) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the board of directors of the corporation; and (E) the consent of each nominee to serve as a director of the corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 2.05. Removal. A director or directors may be removed from office only for cause and only by the vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation to elect directors in place of those to be removed. In case of any removal, a new director may be elected at the same meeting for the unexpired term of each director removed. Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the board.

Section 2.06. Vacancies. The remaining directors, though less than a majority of the whole authorized number of directors, may, by the vote of a majority of their number, fill any vacancy in the board for the unexpired term. A vacancy in the board exists within the meaning of this Section 2.06 in case the shareholders increase the authorized number of directors but fail at the meeting at which such increase is authorized, or an adjournment thereof, to elect the additional directors provided for, or in case the shareholders fail at any time to elect the whole authorized number of directors.

Section 2.07. Meetings. A meeting of the directors shall be held immediately following the adjournment of each annual meeting of shareholders at which directors are elected, and notice of such meeting need not be given. The directors shall hold such other meetings as may from time to time be called, and such other meetings of directors may be called only by the chairman of the board, the president, or any two directors. All meetings of directors shall be held at the principal office of the corporation in Columbus, Ohio or at such other place within or without the State of Ohio, as the directors may from time to time determine by a resolution. Meetings of the directors may be held through any communications equipment if all persons participating can hear each other and participation in a meeting pursuant to this provision shall constitute presence at such meeting.

Section 2.08. Notice of Meetings. Notice of the time and place of each meeting of directors for which such notice is required by law, the Articles, the Regulations or the By-Laws shall be given to each of the directors by at least one of the following methods:

- (A) In a writing mailed not less than three days before such meeting and addressed to the residence or usual place of business of a director, as such address appears on the records of the corporation; or
- (B) By telegraph, cable, radio, wireless, or a writing sent or delivered to the residence or usual place of business of a director as the same appears on the records of the corporation, not later than the day before the date on which such meeting is to be held; or
- (C) Personally or by telephone not later than the day before the date on which such meeting is to be held.

Notice given to a director by any one of the methods specified in the Regulations shall be sufficient, and the method of giving notice to all directors need not be uniform. Notice of any meeting of directors may be given only by the chairman of the board, the president or the secretary of the corporation. Any such notice need not specify the purpose or purposes of the meeting. Notice of adjournment of a meeting of directors need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

Section 2.09. Waiver of Notice. Notice of any meeting of directors may be waived in writing, either before or after the holding of such meeting, by any director, which writing shall be filed with or entered upon the records of the meeting. The attendance of any director at any meeting of directors without protesting, prior to or at the commencement of the meeting, the lack of proper notice, shall be deemed to be a waiver by him of notice of such meeting.

Section 2.10. Quorum. A majority of the whole authorized number of directors shall be necessary to constitute a quorum for a meeting of directors, except that a majority of the directors in office shall constitute a quorum for filling a vacancy in the board. The act of a majority of the directors present at a meeting at which a quorum is present is the act of the board, except as otherwise provided by law, the Articles or the Regulations.

Section 2.11. Executive Committee. The directors may create an executive committee or any other committee of directors, to consist of not less than three directors, and may authorize the delegation to such executive committee or other committees of any of the authority of the directors, however conferred, other than that of filling vacancies among the directors or in the executive committee or in any other committee of the directors.

Such executive committee or any other committee of directors shall serve at the pleasure of the directors, shall act only in the intervals between meetings of the directors, and shall be subject to the control and direction of the directors. Such executive committee or other committee of directors may act by a majority of its members at a meeting or by a writing or writings signed by all of its members.

Any act or authorization of any act by the executive committee or any other committee within the authority delegated to it shall be as effective for all purposes as the act or authorization of the directors. No notice of a meeting of the executive committee or of any other committee of directors shall be required. A meeting of the

executive committee or of any other committee of directors may be called only by the president or by a member of such executive or other committee of directors. Meetings of the executive committee or of any other committee of directors may be held through any communications equipment if all persons participating can hear each other and participation in such a meeting shall constitute presence thereat.

Section 2.12. Compensation. Directors shall be entitled to receive as compensation for services rendered and expenses incurred as directors, such amounts as the directors may determine.

Section 2.13. By-Laws. The directors may adopt, and amend from time to time, By-Laws for their own government, which By-Laws shall not be inconsistent with the law, the Articles or the Regulations.

ARTICLE THREE

OFFICERS

Section 3.01. Officers. The officers of the corporation to be elected by the directors shall be a president, a secretary, a treasurer, and, if desired, one or more vice presidents and such other officers and assistant officers as the directors may from time to time elect. The directors may elect a chairman of the board, who must be a director. Officers need not be shareholders of the corporation, and may be paid such compensation as the board of directors may determine. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law, the Articles, the Regulations or the By-Laws to be executed, acknowledged, or verified by two or more officers.

Section 3.02. Tenure of Office. The officers of the corporation hold office at the pleasure of the directors. Any officer of the corporation may be removed, either with or without cause, at any time, by the affirmative vote of a majority of all the directors then in office; such removal, however, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 3.03. Duties of the Chairman of the Board. The chairman of the board, if any, shall preside at all meetings of the directors. He shall have such other powers and duties as the directors shall from time to time assign to him.

Section 3.04. Duties of the President. The president shall be the chief executive officer of the corporation and shall exercise supervision over the business of the corporation and shall have, among such additional powers and duties as the directors may from time to time assign to him, the power and authority to sign all certificates evidencing shares of the corporation and all deeds, mortgages, bonds, contracts, notes and other instruments requiring the signature of the president of the corporation. It shall be the duty of the president to preside at all meetings of shareholders.

Section 3.05. Duties of the Vice Presidents. In the absence of the president or in the event of his inability or refusal to act, the vice president, if any (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election), shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all restrictions upon the president. The vice presidents shall perform such other duties and have such other powers as the directors may from time to time prescribe.

Section 3.06. Duties of the Secretary. It shall be the duty of the secretary, or of an assistant secretary, if any, in case of the absence or inability to act of the secretary, to keep minutes of all the proceedings of the shareholders and the directors and to make a proper record of the same; to perform such other duties as may be required by law, the Articles or the Regulations; to perform such other and further duties as may from time to time be assigned to him by the directors or the president; and to deliver all books, paper and property of the corporation in his possession to his successor, or to the president.

Section 3.07. Duties of the Treasurer. The treasurer, or an assistant treasurer, if any, in case of the absence or inability to act of the treasurer, shall receive and safely keep in charge all money, bills, notes, choses in action, securities and similar property belonging to the corporation, and shall do with or disburse the same as directed by the president or the directors; shall keep an accurate account of the finances and business of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, stated capital and shares, together with such other accounts as may be required and hold the same open for inspection and examination by the directors; shall give bond in such sum with such security as the directors may require for the

faithful performance of his duties; shall, upon the expiration of his term of office, deliver all money and other property of the corporation in his possession or custody to his successor or the president; and shall perform such other duties as from time to time may be assigned to him by the directors.

ARTICLE FOUR

SHARES

Section 4.01. Certificates. Certificates evidencing ownership of shares of the corporation shall be issued to those entitled to them. Each certificate evidencing shares of the corporation shall bear a distinguishing number; the signatures of the chairman of the board, the president, or a vice president, and of the secretary or an assistant secretary (except that when any such certificate is countersigned by an incorporated transfer agent or registrar, such signatures may be facsimile, engraved, stamped or printed); and such recitals as may be required by law. Certificates evidencing shares of the corporation shall be of such tenor and design as the directors may from time to time adopt and may bear such recitals as are permitted by law.

Section 4.02. Transfers. Where a certificate evidencing a share or shares of the corporation is presented to the corporation or its proper agents with a request to register transfer, the transfer shall be registered as requested if:

(A) An appropriate person signs on each certificate so presented or signs on a separate document an assignment or transfer of shares evidenced by each such certificate, or signs a power to assign or transfer such shares, or when the signature of an appropriate person is written without more on the back of each such certificate; and

(B) Reasonable assurance is given that the indorsement of each appropriate person is genuine and effective; the corporation or its agents may refuse to register a transfer of shares unless the signature of each appropriate person is guaranteed by a commercial bank or trust company having an office or a correspondent in the City of New York or by a firm having membership in the New York Stock Exchange; and

(C) All applicable laws relating to the collection of transfer or other taxes have been complied with; and

(D) The corporation or its agents are not otherwise required or permitted to refuse to register such transfer.

Section 4.03. Transfer Agents and Registrars. The directors may appoint one or more agents to transfer or to register shares of the corporation, or both.

Section 4.04. Lost, Wrongfully Taken or Destroyed Certificates. Except as otherwise provided by law, where the owner of a certificate evidencing shares of the corporation claims that such certificate has been lost, destroyed or wrongfully taken, the directors must cause the corporation to issue a new certificate in place of the original certificate if the owner:

(A) So requests before the corporation has notice that such original certificate has been acquired by a bona fide purchaser; and

(B) Files with the corporation, unless waived by the directors, an indemnity bond, with surety or sureties satisfactory to the corporation, in such sums as the directors may, in their discretion, deem reasonably sufficient as indemnity against any loss or liability that the corporation may incur by reason of the issuance of each such new certificate; and

(C) Satisfies any other reasonable requirements which may be imposed by the directors, in their discretion.

Section 4.05. Uncertificated Shares. Anything contained in this Article FOUR to the contrary notwithstanding, the directors may provide by resolution that some or all of any or all classes and series of shares of the corporation shall be uncertificated shares, provided that such resolution shall not apply to (A) shares of the corporation represented by a certificate until such certificate is surrendered to the corporation in accordance with applicable provisions of Ohio law or (B) any certificated security of the corporation issued in exchange for an

uncertificated security in accordance with applicable provisions of Ohio law. The rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical, except as otherwise expressly provided by law.

ARTICLE FIVE

INDEMNIFICATION AND INSURANCE

Section 5.01. Mandatory Indemnification. The corporation shall indemnify any officer or director of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a director, officer, manager or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. A person claiming indemnification under this Section 5.01 shall be presumed, in respect of any act or omission giving rise to such claim for indemnification, to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal matter, to have had no reasonable cause to believe his conduct was unlawful and the termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, rebut such presumption.

Section 5.02. Court-Approved Indemnification. Anything contained in the Regulations or elsewhere to the contrary notwithstanding:

(A) the corporation shall not indemnify any officer or director of the corporation who was a party to any completed action or suit instituted by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager or agent of another corporation (domestic or foreign, nonprofit or for profit), limited liability company, partnership, joint venture, trust or other enterprise, in respect of any claim, issue or matter asserted in such action or suit as to which he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation unless and only to the extent that the Court of Common Pleas of Franklin County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances of the case, he is fairly and reasonably entitled to such indemnity as such Court of Common Pleas or such other court shall deem proper; and

(B) the corporation shall promptly make any such unpaid indemnification as is determined by a court to be proper as contemplated by this Section 5.02.

Section 5.03. Indemnification for Expenses. Anything contained in the Regulations or elsewhere to the contrary notwithstanding, to the extent that an officer or director of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01, or in defense of any claim, issue or matter therein, he shall be promptly indemnified by the corporation against expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs) actually and reasonably incurred by him in connection therewith.

Section 5.04. Determination Required. Any indemnification required under Section 5.01 and not precluded under Section 5.02 shall be made by the corporation only upon a determination that such indemnification of the officer or director is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 5.01. Such determination may be made only (A) by a majority vote of a quorum consisting of directors of the corporation who were not and are not parties to, or threatened with, any such action, suit or proceeding, or (B) if such a quorum is not obtainable or if a majority of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation, or any person to be indemnified, within the past five years, or (C) by the shareholders, or (D) by the Court of Common Pleas of Franklin County, Ohio or (if the corporation

is a party thereto) the court in which such action, suit or proceeding was brought, if any; any such determination may be made by a court under division (D) of this Section 5.04 at any time [including, without limitation, any time before, during or after the time when any such determination may be requested of, be under consideration by or have been denied or disregarded by the disinterested directors under division (A) or by independent legal counsel under division (B) or by the shareholders under division (C) of this Section 5.04]; and no failure for any reason to make any such determination, and no decision for any reason to deny any such determination, by the disinterested directors under division (A) or by independent legal counsel under division (B) or by shareholders under division (C) of this Section 5.04 shall be evidence in rebuttal of the presumption recited in Section 5.01. Any determination made by the disinterested directors under division (A) or by independent legal counsel under division (B) of this Section 5.04 to make indemnification in respect of any claim, issue or matter asserted in an action or suit threatened or brought by or in the right of the corporation shall be promptly communicated to the person who threatened or brought such action or suit, and within ten (10) days after receipt of such notification such person shall have the right to petition the Court of Common Pleas of Franklin County, Ohio or the court in which such action or suit was brought, if any, to review the reasonableness of such determination.

Section 5.05. Advances for Expenses. Expenses (including, without limitation, attorneys' fees, filing fees, court reporters' fees and transcript costs) incurred in defending any action, suit or proceeding referred to in Section 5.01 shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding to or on behalf of the officer or director promptly as such expenses are incurred by him, but only if such officer or director shall first agree, in writing, to repay all amounts so paid in respect of any claim, issue or other matter asserted in such action, suit or proceeding in defense of which he shall not have been successful on the merits or otherwise:

(A) if it shall ultimately be determined as provided in Section 5.04 that he is not entitled to be indemnified by the corporation as provided under Section 5.01; or

(B) if, in respect of any claim, issue or other matter asserted by or in the right of the corporation in such action or suit, he shall have been adjudged to be liable for acting with reckless disregard for the best interests of the corporation or misconduct (other than negligence) in the performance of his duty to the corporation, unless and only to the extent that the Court of Common Pleas of Franklin County, Ohio or the court in which such action or suit was brought shall determine upon application that, despite such adjudication of liability, and in view of all the circumstances, he is fairly and reasonably entitled to all or part of such indemnification.

Section 5.06. Article FIVE Not Exclusive. The indemnification provided by this Article FIVE shall not be exclusive of, and shall be in addition to, any other rights to which any person seeking indemnification may be entitled under the Articles, the Regulations, any agreement, a vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an officer or director of the corporation and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 5.07. Insurance. The corporation may purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit, or self-insurance, on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation (domestic or foreign, nonprofit or for profit), partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the obligation or the power to indemnify him against such liability under the provisions of this Article FIVE. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

Section 5.08. Certain Definitions. For purposes of this Article FIVE, and as examples and not by way of limitation:

(A) A person claiming indemnification under this Article FIVE shall be deemed to have been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.01, or in defense of any claim, issue or other matter therein, if such action, suit or proceeding shall be terminated as to such person, with or without prejudice, without the entry of a judgment or order against him, without a conviction of him, without the imposition of a fine upon him and without his payment or agreement to pay any amount in settlement thereof (whether or not any such termination is based upon a judicial or other determination of the lack of merit of the claims made against him or otherwise results in a vindication of him); and

(B) References to an "other enterprise" shall include employee benefit plans; references to a "fine" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the

corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" within the meaning of that term as used in this Article FIVE.

Section 5.09. Venue. Any action, suit or proceeding to determine a claim for indemnification under this Article FIVE may be maintained by the person claiming such indemnification, or by the corporation, in the Court of Common Pleas of Franklin County, Ohio. The corporation and (by claiming such indemnification) each such person consent to the exercise of jurisdiction over its or his person by the Court of Common Pleas of Franklin County, Ohio in any such action, suit or proceeding.

ARTICLE SIX

MISCELLANEOUS

Section 6.01. Amendments.

(A) The Regulations may be amended, or new regulations may be adopted, at a meeting of the shareholders held for such purpose, only by the affirmative vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal.

(B) Division (A) of this Section 6.01 notwithstanding, the shareholders shall have no right to (1) amend or repeal, in any respect, Section 2.05, Article FIVE, this Division (B) of Section 6.01 or Division (B) of Section 6.02 of these Regulations; or (2) adopt, amend or repeal any other provision which would modify or circumvent Section 2.05, Article FIVE, this Division (B) of Section 6.01 or Division (B) of Section 6.02 of these Regulations, unless, in each case, the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the total voting power of the corporation shall have voted in favor of such action.

Section 6.02. Action by Shareholders or Directors Without a Meeting.

(A) Anything contained in the Regulations to the contrary notwithstanding, except as provided in Division (B) of this Section 6.02, any action which may be authorized or taken at a meeting of the shareholders or of the directors or of a committee of the directors, as the case may be, may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all the shareholders who would be entitled to notice of a meeting of the shareholders held for such purpose, or all the directors, or all the members of such committee of the directors, respectively, which writings shall be filed with or entered upon the records of the corporation.

(B) Notwithstanding the provisions of Division (A) of this Section 6.02, from and after the date of the closing of the initial public offering of the common shares of the corporation registered pursuant to the Securities Act of 1933, as amended, the Regulations may be amended, or new regulations adopted, by the shareholders only at a meeting of the shareholders held for such purpose.

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

I, Bruce D. Parker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 14, 2007

By: /s/ Bruce D. Parker

Printed Name: Bruce D. Parker

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

Exhibit 31.2

**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, 2007 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 14, 2007

By: /s/ Gary W. Qualmann

Printed Name: Gary W. Qualmann

Title: Chief Financial Officer, Treasurer
and Secretary

Exhibit 32

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, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Bruce D. Parker, 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) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Corporation and its subsidiaries.

/s/ Bruce D. Parker
Bruce D. Parker
Chairman of the Board, Chief Executive Officer and
President

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

Dated: August 14, 2007

Dated: August 14, 2007

* 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, as amended, or the Exchange Act, except to the extent that the Corporation specifically incorporates this certification by reference into any such filing.