

MESA AIR GROUP INC  
Form DEF 14A  
March 07, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A  
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**MESA AIR GROUP, INC.**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- o Fee paid previously with preliminary materials:
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    - (1) Amount previously paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
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**MESA AIR GROUP, INC.**  
**410 North 44th Street**  
**Phoenix, Arizona 85008**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on April 17, 2008**

To Our Shareholders:

The 2008 Annual Meeting of Shareholders of MESA AIR GROUP, INC., a Nevada corporation (the Company), will be held at the Company's offices, 410 N. 44th Street, Suite 160, Phoenix, Arizona 85008 on April 17, 2008, at 10:00 a.m., Arizona time, for the following purposes:

1. To elect eight (8) directors to serve for a one-year term;
2. To ratify the selection of Deloitte & Touche LLP as independent registered public accountants for the Company; and
3. To transact such other business as may properly come before the meeting or any postponement(s) or adjournment(s) thereof.

Our Board of Directors has fixed the close of business on March 3, 2008, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting or any postponement or adjournment thereof. Shares of the Company's common stock may be voted at the meeting only if the holder is present at the meeting in person or by valid proxy. A copy of the Company's 2007 Annual Report, which includes audited financial statements, was mailed with this Notice and Proxy Statement to all shareholders of record on the record date.

Management of the Company cordially invites you to attend the Annual Meeting. Your attention is directed to the attached Proxy Statement for a discussion of the foregoing proposals and the reasons why the Board of Directors encourages you to vote for approval of Proposals 1 and 2.

By Order of the Board of Directors

JONATHAN G. ORNSTEIN  
*Chairman of the Board and Chief Executive Officer*

Phoenix, Arizona  
March 14, 2008

**IMPORTANT: IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THIS MEETING. PLEASE COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

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**MESA AIR GROUP, INC.  
410 North 44th Street  
Phoenix, Arizona 85008**

**PROXY STATEMENT**

The Board of Directors of MESA AIR GROUP, INC., a Nevada corporation (the Company), is soliciting proxies to be used at the 2008 annual meeting of shareholders of the Company to be held on April 17, 2008, at 10:00 a.m., Arizona time, at the Company's offices, 410 N. 44th Street, Suite 160, Phoenix, Arizona 85008, and any adjournment(s) or postponement(s) thereof (the Annual Meeting). This proxy statement and the enclosed form of proxy will be mailed to shareholders beginning March 14, 2008.

**Who Can Vote**

Shareholders of record as of the close of business on March 3, 2008 (the Record Date), may vote at the Annual Meeting and at any adjournment or postponement of the meeting. Each shareholder has one vote for each share of Common Stock held of record on the Record Date. On the Record Date, 26,879,889 shares of the Company's common stock, no par value per share (the Common Stock), were issued and outstanding.

**How You Can Vote**

All valid proxies received by the Secretary of the Company before the Annual Meeting and not revoked will be exercised. All shares represented by proxy will be voted, and where a shareholder specifies by means of his or her proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specifications so made. If you do not specify on your proxy how you want to vote your shares and authority to vote is not specifically withheld, we will vote your shares as follows: (i) for the election of the persons named in the proxy to serve as directors; (ii) for the ratification of Deloitte & Touche LLP (Deloitte & Touche) as the independent registered public accountants of the Company; and (iii) to transact such other business as may properly come before the meeting or any postponement(s) or adjournment(s) thereof. Shareholders who hold their shares in street name (i.e., in the name of a bank, broker or other record holder) must vote their shares in the manner prescribed by their brokers. If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

**How You Can Revoke Your Proxy**

You can revoke your proxy at any time before it is exercised in one of three ways:

- (1) by delivering to the Secretary of the Company a written instrument of revocation bearing a date later than the date of the proxy.
- (2) by duly executing and delivering to the Secretary of the Company a subsequent proxy relating to the same shares.
- (3) by attending the meeting and voting in person, provided that the shareholder notifies the Secretary at the meeting of his or her intention to vote in person at any time prior to the voting of the proxy.

**Required Votes**

*Election of Directors.* The eight (8) nominees for director receiving the highest number of votes FOR election will be elected as directors. This is called a plurality. Abstentions are not counted for purposes of electing

directors. You may vote either FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors. Banks and brokerage firms have authority to vote customers' unvoted shares held by the firms in street name for the election of directors. Shares that are not voted will have no effect on the results of this vote.

*Ratification of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm.* The affirmative vote of a majority of shares present in person or represented by proxy is required to ratify

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Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2008. Abstentions are counted as shares present at the meeting for purposes of determining if a quorum exists. Abstentions and unvoted shares will have the effect of votes against this proposal. Banks and brokerage firms have authority to vote customers unvoted shares held by the firms in street name on this proposal. We are not required to obtain the approval of our shareholders to select our independent registered public accounting firm. However, if our shareholders do not ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2008, the Audit Committee of our Board of Directors will reconsider its selection.

**Dissenters Rights or Appraisal**

Pursuant to applicable Nevada law, there are no dissenters or appraisal rights relating to the matters to be acted upon at the Annual Meeting.

**Other Matters to Be Acted Upon at the Meeting**

We do not know of any matters other than the election of directors and the ratification of independent registered public accountants that are expected to be presented for consideration at the Annual Meeting. If any other matters are properly presented at the meeting, the shares represented by proxies will be voted in accordance with the judgment of the persons voting those shares.

**Solicitation**

The cost of soliciting proxies, including the cost of preparing and mailing the Notice and Proxy Statement, will be paid by the Company. Solicitation will be primarily by mailing this Proxy Statement to all shareholders entitled to vote at the meeting. Proxies may also be solicited by officers and directors of the Company personally or by telephone or facsimile, without additional compensation. The Company may reimburse brokers, banks and others holding shares in their names for others for the cost of forwarding proxy materials and obtaining proxies from beneficial owners.

**Communications with the Board of Directors**

Shareholders may communicate with any and all members of our Board of Directors by transmitting correspondence by mail or facsimile addressed to one or more directors by name or, for a communication to the entire board, to the Chairman of the Board at the following address and fax number: Mesa Air Group, Inc., c/o Corporate Secretary, 410 North 44th Street, Suite 100, Phoenix, Arizona 85008; facsimile: (602) 685-4352.

Communications from our shareholders to one or more directors will be collected and organized by our Corporate Secretary. The Corporate Secretary will forward all communications to the Chairman of the Board or to the identified director(s) as soon as practicable, although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. If multiple communications are received on a similar topic, the Corporate Secretary may, in his discretion, forward only representative correspondence.

The Chairman of the Board will determine whether any communication addressed to the entire Board of Directors should be properly addressed by the entire Board of Directors or a committee thereof. If a communication is sent to the Board of Directors or a committee, the Chairman of the Board or the chairman of that committee, as the case may be, will determine whether a response to the communication is warranted. If it is determined that a response to the communication is warranted, the content and method of the response may be coordinated with our counsel.



**Table of Contents****ELECTION OF DIRECTORS  
(PROPOSAL NO. 1)****General Information**

The Company's current directors are Jonathan G. Ornstein, Daniel J. Altobello, Robert Beleson, Carlos E. Bonilla, Joseph L. Manson, Peter F. Nostrand, Maurice A. Parker and Richard R. Thayer. Their terms expire upon the election and qualification of their successors at the Annual Meeting. The Board has nominated each of these current directors as nominees for election as directors in the election to be held at the Annual Meeting. The Board intends to vote its proxies for the election of its nominees, for a term to expire at the Company's 2009 Annual Meeting.

If unforeseen circumstances make it necessary for the Board of Directors to substitute another person for any of the nominees, we will vote your shares for that other person, or, if no substitute is selected by the Board prior to or at the Annual Meeting, for a motion to reduce the present membership of the Board to the number of nominees available. We know of no reason why any nominee would be unable or unwilling to accept nomination or election. The information concerning the nominees and their share holdings in the Company has been furnished by the nominees to the Company.

The eight (8) nominees receiving a plurality of votes by shares represented and entitled to vote at the Annual Meeting, if a quorum is present, will be elected as directors of the Company.

The following table sets forth the names and ages of the directors of the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Jonathan G. Ornstein	50	Chairman of the Board
Daniel J. Altobello	66	Director
Robert Beleson	57	Director
Carlos E. Bonilla	53	Director
Joseph L. Manson	58	Director
Peter F. Nostrand	60	Director
Maurice A. Parker	62	Director
Richard R. Thayer	50	Director

**Directors**

Biographical information regarding our directors is set forth below.

*Jonathan G. Ornstein* was appointed President and Chief Executive Officer of the Company effective May 1, 1998. Mr. Ornstein became a director in January 1998. Mr. Ornstein assumed the role of Chairman of the Board in June 1999. On June 21, 2000, Mr. Ornstein relinquished his position as President of the Company to Michael J. Lotz. From April 1996 until joining the Company as Chief Executive Officer, Mr. Ornstein served as President and Chief Executive Officer and Chairman of Virgin Express S.A./N.V., a European airline. From 1995 to April 1996, Mr. Ornstein served as Chief Executive Officer of Virgin Express Holdings, Inc. Mr. Ornstein joined Continental Express Airlines, Inc. as President and Chief Executive Officer in July 1994 and, in November 1994, was named Senior Vice President, Airport Services at Continental Airlines, Inc. Mr. Ornstein was previously employed by the Company from 1988 to 1994, as Executive Vice President and as President of the Company's subsidiary, WestAir

Holding, Inc.

*Daniel J. Altobello* has served as a director of the Company since January 1998 and is the current Lead Director. Mr. Altobello also serves as a member of the Compensation Committee and as an ex-officio non-voting member of the Nominating & Corporate Governance Committee. Mr. Altobello is currently the Chairman of Altobello Family Partners, an investment company and is the retired Director and Chairman of Onex FoodServices, the parent corporation of Caterair International, Inc. and LSG/SKY Chefs. From 1989 to 1995, Mr. Altobello served as Chairman, President and Chief Executive Officer of Caterair International Corporation. From 1979 to 1989, he held various managerial positions with the food service management and in-flight catering divisions of Marriott

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Corporation, including Executive Vice President of Marriott Corporation and President of Marriott Airport Operations Group. Mr. Altobello began his management career at Georgetown University as Vice President of Administration Services. He is a member of the board of directors of Friedman, Billings and Ramsey Group, Inc., Diamond Rock Hospitality Trust and JER Investors Trust, all reporting companies, and an advisory director of Thayer Capital Partners, a private company. He is a trustee of Loyola Foundation, Inc. Mr. Altobello obtained a bachelor of arts in English from Georgetown University and a master of business administration from Loyola College.

*Robert Beleson* was elected as a director of the Company in October 2003. Mr. Beleson also serves as Chairman of the Nominating & Corporate Governance Committee and is a member of the Audit Committee. In November 2004, he became the Chief Executive Officer of Christiana Spirits Incorporated and served in that capacity until September 2007. Mr. Beleson is also an equity investor in Christiana Spirits Incorporated and currently serves as its Chairman. Since May 2002, Mr. Beleson has also provided marketing and strategic planning consulting services to select clients in the aviation and wine and spirit industries. This consulting service was formally organized as Brookfield Marketing, L.L.C. on October 1, 2003. From July 2001 to April 2002, he served as Chief Marketing Officer for Avolar, a former division of United Airlines. From March 1996 to December 2000, he served as President of M. Shanken Communications, Inc., New York, New York. From May 1991 to February 1996, he served as Chief Marketing Officer for Playboy Enterprises. Mr. Beleson received a bachelor of science from Cornell University School of Industrial and Labor Relations and a master of business administration from Harvard Business School.

*Carlos E. Bonilla* was elected as a director of the Company in April 2006. Mr. Bonilla also serves as a member of the Compensation Committee. He is currently Senior Vice President of the Washington Group, a government relations firm and has been with such firm since March 2003. He previously served, from January 2001 until March 2003, as a Special Assistant to President George W. Bush, focusing on a variety of transportation and pension issues. Mr. Bonilla received a bachelor of arts in economics from American University and a master of arts in economics from Georgetown University.

*Joseph L. Manson* has been a director of the Company since July 2001. Mr. Manson also serves as a member of the Nominating & Corporate Governance Committee. Mr. Manson joined the Washington, D.C. office of the law firm Baker & Hostetler LLP as a partner in February 2005. Prior to joining Baker & Hostetler, Mr. Manson was employed with Piper Rudnick LLP (which merged with Verner Liipfert Bernhard McPherson and Hand) since 1974. Mr. Manson received a bachelor of science from the University of Virginia and a doctorate in jurisprudence from Emory University.

*Peter F. Nostrand* was elected as a director of the Company in April 2005. Mr. Nostrand also serves as Chairman of the Compensation Committee and is a member of the Audit Committee. He is currently the Chairman Emeritus, SunTrust, Greater Washington where he has served in a variety of functional divisions including International, National, Energy, Commercial and Retail beginning in June 1973. Mr. Nostrand received a bachelor of arts from Amherst College and a master of education from the University of Virginia.

*Maurice A. Parker* has been a director of the Company since November 1998. Mr. Parker has served as Executive Director of Regional Aviation Partners since April 2001. From 1978 to January 1997, Mr. Parker served as a Federal Mediator for the National Mediation Board of the United States government. From 1997 to the present, Mr. Parker has worked as an independent arbitrator, mediator and consultant. Mr. Parker obtained a bachelor of science in technical education from the University of Houston and a doctorate in jurisprudence from South Texas College of Law.

*Richard R. Thayer* was elected as a director of the Company in April 2006. Mr. Thayer also serves as Chairman of the Audit Committee and is a member of the Nominating & Corporate Governance Committee. He is currently the Executive Vice President, Finance at Philadelphia Media Holdings LLC and its principal subsidiary Philadelphia Newspapers LLC, publisher of the Philadelphia Inquirer and the Philadelphia Daily News. Prior to joining

Philadelphia Media Holdings LLC, he was Managing Director at J.P. Morgan Securities, Inc. He has over twenty-five years experience in the banking and securities industries at J.P. Morgan and its predecessor banks including, Managing Director, in its Restructuring, Syndicated & Leveraged Finance and Global Transportation groups. Mr. Thayer obtained a bachelor of science from the Wharton School, University of Pennsylvania with a dual major in Finance and Marketing.

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU  
VOTE FOR THE ELECTION OF JONATHAN G. ORNSTEIN, DANIEL J. ALTOBELLO,  
ROBERT BELESON, CARLOS E. BONILLA, JOSEPH L. MANSON, PETER F. NOSTRAND,  
MAURICE A. PARKER AND RICHARD R. THAYER AS DIRECTORS FOR  
FISCAL YEAR 2008.**

**CORPORATE GOVERNANCE**

The Board of Directors is responsible for providing oversight of the affairs of the Company for the benefit of stockholders. The Board of Directors has adopted Corporate Governance Guidelines, charters for its Audit, Compensation, Nominating/Corporate Governance and Code of Conduct and Ethics for directors, officers and employees of Mesa Air Group, Inc., its subsidiaries and affiliated companies. You can obtain copies of our current committee charters, codes and policies in the Corporate Governance section of our website ([www.mesa-air.com](http://www.mesa-air.com)) or by writing to our Corporate Secretary at 410 North 44th Street, Suite 100, Phoenix, Arizona 85008. Any substantive amendment to, or waiver from, any provision of the Code of Conduct and Ethics with respect to any director or executive officer will be posted on our website.

*Director Selection Criteria.* The Nominating/Corporate Governance Committee of the Board (the Nominating/Corporate Governance Committee ) recommends nominees for director whose background, knowledge, experience, expertise and perspective will complement the qualifications of other directors and strengthen the Board. The criteria considered by such Committee is discussed in more detail below.

*Director Independence.* Each year, the Board reviews the relationships that each director has with the Company. For purposes of making director independence determinations, the Board utilizes the director independence standards set forth in the NASDAQ Marketplace Rules. Only those directors who the Board affirmatively determines have no material relationship with the company, and who do not have any of the categorical relationships that prevent independence under the NASDAQ Marketplace Rules, are considered to be independent directors.

The Board has determined that all of the directors, excluding Messrs. Ornstein and Parker (who are considered employees of the Company) have no material relationships with the Company and qualify as independent directors. The Board concluded that none of these directors possessed the categorical relationships set forth in the NASDAQ Marketplace Rules that prevent independence and had no other business or other relationships with the Company relevant to a determination of their independence.

The Board committees currently consist only of directors who are not employees of the Company and who are independent within the meaning of the NASDAQ Marketplace Rules. The members of our Audit Committee also meet the additional NASDAQ and SEC independence and experience requirements applicable specifically to members of the Audit Committee.

*Recommendation of Candidates for Director by Stockholders; Direct Nominations by Stockholders.* The Nominating/Corporate Governance Committee will consider, but is not required to approve, recommendations from stockholders concerning the nomination of directors. Recommendations should be submitted in writing to the Corporate Secretary of the Company and state the stockholder's name and address, the name and address of the candidate, and the qualifications of and other detailed background information regarding the candidate. Recommendations must be received not later than 120 calendar days preceding the date of release of the prior year's proxy statement. The Nominating/Corporate Governance Committee intends to evaluate candidates recommended by stockholders in the same manner that it evaluates other candidates. The Company has not received any stockholder recommendations of director candidates with regard to the election of directors covered by this proxy statement or otherwise.

*Board Meetings.* The Board held nine meetings during the 2007 fiscal year. No director attended less than 75% of the Board meetings while serving as such director, or less than 75% of all committee meetings on which he served as a committee member.

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*Meeting Attendance.* The Company does not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of shareholders, but strongly encourages directors to attend. All members of the Board of Directors attended the 2007 annual meeting of shareholders.

At various times throughout the year non-management directors hold meetings without the presence of management personnel. The Lead Director, Daniel J. Altobello, chairs these meetings.

*Board Committees.* The Audit, Nominating/Corporate Governance and Compensation committees are the standing committees of the Board. The fiscal year 2007 committees were comprised as follows:

<b>Audit</b>	<b>Nominating/Corporate Governance</b>	<b>Compensation</b>
Richard R. Thayer*	Robert Beleson*	Peter F. Nostrand*
Peter F. Nostrand	Richard R. Thayer	Daniel J. Altobello
Robert Beleson	Joseph L. Manson	Carlos E. Bonilla
	Daniel J. Altobello, ex-officio	

\* Chairman

*Audit Committee.* The Audit Committee of the Board (the Audit Committee ) held eight meetings during fiscal 2007. The main function of our Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), is to oversee our accounting and financial reporting processes, internal systems of control, independent auditor relationships and the audits of our financial statements. This committee s responsibilities include:

Selecting and hiring our independent auditors;

Evaluating the qualifications, independence and performance of our independent auditors;

Approving the audit and non-audit services to be performed by our independent auditors;

Reviewing the design, implementation, adequacy and effectiveness of our internal controls and our critical accounting policies;

Overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

Reviewing with management any earnings announcements and other public announcements regarding our results of operations;

Reviewing regulatory filings with management and our auditors; and

Preparing any report the Securities and Exchange Commission ( SEC ) requires for inclusion in our annual proxy statement.

The Audit Committee acts under a written charter adopted and approved by the Board in May 2000. The Audit Committee Charter was amended in April 2002, July 2004 and November 2006. The revised charter is attached as

Exhibit A to this Proxy Statement. The Audit Committee is composed of outside directors who are not officers or employees of the Company or its subsidiaries. In the opinion of the Board and as independent is defined under current standards of NASDAQ (including the heightened independence requirements of audit committee members), these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee. Additionally, the Board has determined that Peter F. Nostrand and Richard R. Thayer, each of the Audit Committee, is an audit committee financial expert, as such term is defined in Item 407(d)(5)(ii) of Regulation S-K. Messrs. Thayer's and Nostrand's relevant experience is included in the biographical information set forth above.

*Nominating/Corporate Governance Committee.* The Nominating/Corporate Governance Committee held three meetings in fiscal 2007. The Nominating/Corporate Governance Committee Charter was adopted in August 2004 and amended in July 2005 and November 2006. The revised charter is attached as Exhibit B to this Proxy Statement. The Nominating/Corporate Governance Committee is responsible for identifying and nominating



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individuals qualified to serve on the Board and the Committees of the Board, as well as reviewing the effective corporate governance policies and procedures and recommending any applicable modifications thereto.

In evaluating the suitability of potential nominees for membership on the Board, the Nominating/Corporate Governance Committee will consider the criteria discussed above, as well as the Board's current composition, including expertise, diversity, and balance of inside, outside and independent directors, and the general qualifications of the potential nominees, such as:

Unquestionable integrity and honesty;

The ability to exercise sound, mature and independent business judgment in the best interests of the shareholders as a whole;

Recognized leadership in business or professional activity;

A background and experience that will complement the talents of the other Board members;

Willingness and capability to take the time to actively participate in Board and Committee meetings and related activities;

Ability to work professionally and effectively with other Board members and the Company's management;

An age to enable the Director to remain on the Board long enough to make an effective contribution; and

Lack of realistic possibilities of conflict of interest or legal prohibition.

The Committee will also see that all necessary and appropriate inquiries are made into the backgrounds of such candidates. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating/Corporate Governance Committee may also consider such other factors as it may deem to be in the best interests of the Company and its stockholders.

In obtaining the names of possible new nominees, the Committee may make its own inquiries and will receive suggestions from other Directors, stockholders and other sources. All potential nominees must first be considered by the Committee before being contacted as possible nominees and before having their names formally considered by the full Board.

*Compensation Committee.* The Compensation Committee of the Board (the "Compensation Committee") operates under a charter adopted in February 2004 and amended in November 2006 and held five meetings during the 2007 fiscal year. The revised charter is attached as Exhibit C to this Proxy Statement. The Compensation Committee assists the Board of Directors with its overall responsibility relating to compensation and management development, including recommending to the Board of Directors for approval the compensation of our Chief Executive Officer, approval of compensation for our other executive officers, administration of our equity-based compensation plans and oversight of our executive development programs. The report of the Compensation Committee appears on page 14 of this Proxy Statement. It is expected that all current committee members will be nominated for re-election to such committees at a Board meeting to be held immediately following the Annual Meeting.

*Communication with Directors.* Stockholders may communicate with the Board of Directors by writing to the Board of Directors in care of the Corporate Secretary of the Company (or, at the stockholder's option, to a specific director) as follows: Board of Directors, c/o Corporate Secretary, Mesa Air Group, Inc., 410 North 44th Street, Phoenix,

Arizona 85008. The Corporate Secretary will ensure that these communications (assuming they are properly marked to the Board of Directors or to a specific director) are delivered to the Board of Directors or the specified director, as the case may be.

**REPORT OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee assists the Board in fulfilling its responsibility for oversight of the internal control, accounting, auditing and financial reporting practices of the Company.

The Committee regularly meets with management to consider the adequacy of the Company's internal controls and the integrity of its financial reporting. The Committee discusses these matters with the Company's independent registered public accountants and with appropriate Company financial personnel and internal auditors.

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The Committee regularly meets privately with management, the independent registered public accountants and the internal auditors. The independent registered public accountants have unrestricted access to the Committee.

The Committee retains and, if circumstances warrant, replaces the independent registered public accountants and regularly reviews their performance and independence from management. The Committee also pre-approves all audit and permitted non-audit services and related fees.

The Board of Directors has determined that none of the directors serving on the Committee has a relationship with the Company that may interfere with their independence from the Company and its management. As a result, each director who serves on the Committee is independent as required by NASDAQ listing standards (including the heightened independence requirements of audit committee members) and Section 10A of the Exchange Act.

The Board of Directors has adopted a written charter setting out the roles and responsibilities the Committee is to perform. The Board has determined that Peter F. Nostrand and Richard R. Thayer, each of the Audit Committee, is an audit committee financial expert, as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal controls.

## **Review of Audited Financial Statements**

The Audit Committee has reviewed the Company's financial statements for the fiscal year ended September 30, 2007, as audited by Deloitte & Touche LLP, the Company's independent registered public accountants, and has discussed these financial statements with management. In addition, the Audit Committee has:

Discussed with Deloitte & Touche LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards, AU 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

Received the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as adopted by the PCAOB in Rule 3600T, and has discussed with Deloitte & Touche LLP its independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended September 30, 2007 be included in the Company's Annual Report on Form 10-K, for filing with the Securities and Exchange Commission.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with accepted auditing standards of the Public Company Accounting Oversight Board, that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America and that the Company's independent registered public accountants are in fact independent.

AUDIT COMMITTEE

Richard R. Thayer, Chairman

Peter F. Nostrand

Robert Beleson

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**RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

**(PROPOSAL NO. 2)**

Deloitte & Touche LLP has been selected as the Company's independent registered public accountants for the fiscal year ending September 30, 2008. Shareholder ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accountants is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of Deloitte & Touche LLP for shareholder ratification as a matter of good corporate practice. Deloitte & Touche LLP has audited the Company's financial statements since 2000. Notwithstanding the selection, the Board, in its discretion, may direct appointment of a new independent accounting firm at any time during the year if the Board feels that such a change would be in the best interests of the Company and its shareholders. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting with the opportunity to make a statement if he or she so desires and to be available to respond to appropriate questions.

Ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants for fiscal year 2008 will require the affirmative vote of the holders of at least a majority of the outstanding Common Stock represented in person or by proxy at the Annual Meeting. All of the directors and executive officers of the Company have advised the Company that they will vote their shares of Common Stock FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants for fiscal year 2008. If the holders of at least a majority of the outstanding Common Stock fail to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants, the Audit Committee will consider such failure at a subsequent meeting of the Audit Committee and determine, in its discretion, what actions it should take, if any.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU  
VOTE FOR RATIFICATION OF THE APPOINTMENT OF  
DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT  
REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL YEAR 2008.**

**Table of Contents****DISCLOSURE OF AUDIT AND NON-AUDIT FEES****Pre-approval Policy**

In August 2003, the Audit Committee adopted a Pre-approval Policy ( Policy ) governing the approval of all audit and non-audit services performed by the independent registered public accountants in order to ensure that the performance of such services does not impair the independent registered public accountants.

According to the Policy, the Audit Committee will review and pre-approve the services and fees that may be provided by the independent registered public accountants. The Policy specifically describes the services and fees related to the annual audit, other services that are audit-related, preparation of tax returns and tax related compliance services and all other services that have the pre-approval of the Audit Committee.

Any service to be provided by the independent registered public accountants that has not received general pre-approval under the Policy is required to be submitted to the Audit Committee for approval prior to the commencement of a substantial portion of the engagement. Any proposed service exceeding pre-approved cost levels is also required to be submitted to the Audit Committee for specific approval.

The Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accountant to management.

**Fees**

The following table sets forth the aggregate fees billed by Deloitte & Touche LLP for fiscal 2007 and 2006:

<b>Year</b>	<b>Audit Fees(1)</b>	<b>Audit Related Fees(2)</b>	<b>Tax Fees(3)</b>	<b>All Other Fees(4)</b>	<b>Total</b>
<b>2006</b>	\$ 1,532,000	\$ 125,000	\$ 139,000	\$ 10,000	\$ 1,806,000
<b>2007</b>	\$ 2,593,125	\$ 37,650	\$ 200,625	\$ 69,401	\$ 2,900,801

- (1) Includes fees for the annual audit and quarterly reviews. This category also includes fees for the audit of internal controls, as required by Section 404 of the Sarbanes-Oxley Act of 2002.
- (2) Includes fees for services for miscellaneous compliance audits and other SEC filings.
- (3) Includes fees for annual federal and state income tax compliance services.
- (4) All Other Fees consist principally of professional services performed by our independent auditor with respect to certain transactional work contemplated by the Company during fiscal 2007 and in connection with preparing workpapers for retention to comply with a court order in our Aloha Airlines litigation.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of February 4, 2008 by (i) each director of the Company, (ii) each of the Company's officers named in the Summary Compensation Table (collectively, the "Named Executive Officers"), (iii) each person who is known by the Company to be the beneficial owner of more than five percent of the Company's outstanding Common Stock, and (iv) all directors and executive officers as a group. Except as otherwise indicated below, each person named has sole voting and investment power with respect to the shares indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			Total(1)	Percent(1)
	Shares(1)	Options/ Warrants/ Convertible Notes(1)			
Dimensional Fund Advisors Inc.(2) 1299 Ocean Avenue, 11 <sup>th</sup> Floor Santa Monica, CA 90401	2,457,498			2,457,498	9.0%
Donald Smith & Co., Inc.(3) 152 West 57th Street New York, NY 10019	3,393,181			3,393,181	12.5%
Heartland Advisors, Inc.(4) William J. Nasgovitz 789 North Water Street Milwaukee, WI 53202	3,151,140			3,151,140	11.6%
QVT Financial LP(5) QVT Financial GP LLC 1177 Avenue of the Americas, 9th Floor New York, New York 10036	50,912	1,469,887		1,520,799	5.6%
Thompson, Siegal & Walmsley, Inc.(6) 6806 Paragon Place, Suite 300 Richmond, VA 23230	2,067,915			2,067,915	7.6%
<b>Directors</b>					
Jonathan G. Ornstein(7)	209,770	1,689,846		1,899,616	7%
Daniel J. Altobello(8)	9,221	72,457		81,678	*
Carlos E. Bonilla(8)	3,721	4,515		8,236	*
Joseph L. Manson(8)(9)	2,221	16,214		18,435	*
Robert Beleson(8)	2,221	20,302		22,523	*
Maurice A. Parker(8)	10,721	12,758		23,479	*
Peter F. Nostrand(8)	30,721	12,884		43,605	*
Richard R. Thayer(8)	6,221	4,515		10,736	*
<b>Named Executive Officers</b>					
Michael J. Lotz(10)	96,492	564,786		661,278	2.4%
George Murnane III William Hoke	9,101	53,333		62,434	*
Michael Ferwerda(11)		75,000		75,000	*

Brian S. Gillman(12)	8,135	88,000	96,135	*
<b>All directors and executive officers as a group (13 Individuals)</b>	388,545	2,614,610	3,003,155	11%

\* Less than 1%

- (1) Includes options and warrants exercisable or convertible notes convertible on February 4, 2008 or within 60 days thereafter. Number of shares as reported by each company's Schedule 13G. Holdings of less than 1% are indicated by \*. Based upon 27,227,141 shares issued and outstanding as of January 11, 2008.
- (2) Based solely on the most recently available Schedule 13G filed with the Securities and Exchange Commission on February 9, 2007.



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- (3) Based solely on the most recently available Schedule 13G filed with the Securities and Exchange Commission on February 13, 2007.
- (4) Based solely on the most recently available Schedule 13G filed with the Securities and Exchange Commission on August 8, 2007. Heartland Advisors, Inc. shares dispositive power over 3,151,140 shares and voting power over 2,996,140 shares with William J. Nasgovitz, its president and principal shareholder.
- (5) Based solely on the most recently available Schedule 13G filed with the Securities and Exchange Commission on September 5, 2007. Includes 1,469,887 shares issuable upon conversion of Mesa's convertible notes. QVT Financial LP shares voting and dispositive power over these shares with QVT Financial GP LLC, its general partner.
- (6) Based solely on the most recently available Schedule 13G filed with the Securities and Exchange Commission on February 12, 2007.
- (7) Includes 16,667 restricted shares that will become unrestricted shares on April 1, 2008 and 49,999 options that vest on April 1, 2008.
- (8) Includes 1,221 restricted shares that will become unrestricted shares on March 1, 2008.
- (9) Includes 1,000 shares held by Barrow Grocery, which is controlled by Mr. Manson.
- (10) Includes 11,111 restricted shares that will become unrestricted shares on April 1, 2008 and 33,333 options that vest on April 1, 2008.
- (11) Includes 8,333 options that vest on February 15, 2008.
- (12) Includes 9,999 options that vest on February 15, 2008 and 3,334 restricted shares that will become unrestricted shares on April 1, 2008.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, requires the Company's directors and executive officers, as well as persons beneficially owning more than 10% of the outstanding Common Stock, to file certain reports of ownership with the SEC within specified time periods. Such officers, directors and shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of such forms received by it, or written representations from certain reporting persons, the Company believes that between October 1, 2006 and September 30, 2007, all Section 16(a) filing requirements applicable to its officers, directors and 10% shareholders were met.

**Compensation Committee Report**

The Compensation Committee (the Committee) has reviewed and discussed the following Compensation Discussion and Analysis (the CD&A) and discussed it with management. Based on its review and discussion with management, the Committee recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated by reference into the Company's annual report on Form 10-K. This report is provided by the following independent directors, who comprise the Committee:

Peter F. Nostrand, Chairman  
Daniel J. Altobello  
Carlos E. Bonilla

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**EXECUTIVE COMPENSATION AND RELATED INFORMATION**

**COMPENSATION DISCUSSION & ANALYSIS**

The following paragraphs describe the material elements of the Company's compensation objectives and policies and the application of these objectives and policies to the Company's executive officers, particularly the individuals named in the Summary Compensation Table on page 22 of this proxy statement. The rules regarding disclosure of executive compensation in proxy statements were modified significantly in 2006. This is our first proxy statement to which the new rules apply. Accordingly, the information in this proxy statement is not directly comparable to the information disclosed in prior years.

*The following discussion and analysis should be read in conjunction with the Summary Compensation Table and related tables that are presented in this proxy statement.*

**Executive Summary**

The purpose of this compensation discussion and analysis is to provide information about each material element of compensation that we pay or award to, or that is earned by, our named executive officers. For our 2007 fiscal year, our named executive officers were:

Jonathan G. Ornstein, our Chairman and Chief Executive Officer;

Michael J. Lotz, our President and Chief Operating Officer and Chief Accounting Officer;

Michael Ferverda, our Senior Vice President - Operations;

William Hoke, our interim Chief Financial Officer; and

Brian S. Gillman, our Executive Vice President and General Counsel.

George Murnane III, our former Executive Vice President and Chief Financial Officer is also a named executive officer in this proxy statement because he was employed by the Company in fiscal 2007 and, therefore, disclosure regarding his compensation is required under SEC regulations. On September 21, 2007, Mr. Murnane was placed on administrative leave. Mr. Murnane's employment was terminated on November 5, 2007. William Hoke performed Mr. Murnane's duties while he was on administrative leave and was appointed interim Chief Financial Officer effective with Mr. Murnane's termination.

The following discussion and analysis addresses and explains the numerical and related information contained in the summary compensation tables and includes actions regarding executive compensation that occurred after the end of our 2007 fiscal year, including the award of bonuses related to 2007 performance, and the approval by our Compensation Committee of amendments to the employment agreements to which some of our named executive officers are a party.

**Executive Compensation Philosophy and Objectives**

The Company's executive compensation policies, as endorsed by the Compensation Committee, have been designed to provide a balanced compensation program that will assist the Company in its efforts to attract, motivate and retain talented executives who the Compensation Committee and senior management believe are important to the long-term

financial success and growth of the Company. The Company seeks to provide a balanced compensation program consisting of base salaries, cash incentives, equity-based incentives, perquisites and deferred compensation, but to emphasize incentive compensation that will:

be competitive in the marketplace;

permit us to attract and retain highly qualified executives;

encourage extraordinary effort on behalf of the Company;

reward the achievement of specific financial goals by the Company, which aligns the interests of management with the interests of our stockholders; and

be financially sound.

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The Company strives to allocate a significant percentage of total compensation to incentive compensation. The more responsibility executives have over time, the more their pay is determined by the degree to which certain performance goals are reached. We refer to that part of compensation as “at risk” pay and it is a fundamental way in which the Company aligns executive pay with stockholder interests. For example, as described in greater detail below, for our senior executive officers cash incentive bonuses can equal a significant percentage of base salary if maximum performance thresholds are achieved.

This compensation philosophy translates into the following two principles in our executive compensation design:

1. Base salary should decrease as a percentage of total direct compensation as the executive’s responsibilities increase.

As employees move to higher levels of responsibility with more direct influence over the Company’s performance, they have a higher percentage of pay at risk.

2. The ratio of long-term incentive compensation (equity) to short-term incentive compensation (cash) should increase as the executive’s responsibilities increase.

We expect our executives to focus on the Company’s long-term success in achieving profitable growth and generating greater shareholder return. The compensation program is designed to motivate executives to take actions best aligned toward achieving such goals. Executives in positions that most directly affect corporate performance should have as their main priority profitably growing the Company. Receiving part of their compensation in the form of equity reinforces the link between their actions and shareholders’ investment. Equity ownership encourages executives to behave like owners and provides a clear link with shareholders’ interests.

The Company believes that its compensation policies have been, thus far, successful in motivating and retaining its executive officers, as evidenced by the limited turnover in its executive officer ranks in recent years.

## **Role of the Compensation Committee and Management in Setting Compensation**

### **Role of the Compensation Committee.**

The Compensation Committee primarily administers the Company’s cash compensation plans and employee stock option and award plans, and it has the responsibility for recommending the allocation of cash and other compensation, as well as equity awards and discretionary bonuses to senior executive officers of the Company. The entire Board of Directors regularly reviews the Compensation Committee decisions relating to executive compensation. The Compensation Committee consists of three non-employee directors, Messrs. Altobello, Bonilla and Nostrand, all of whom are independent according to NASDAQ standards and disinterested as required by Rule 16b-3 of the Exchange Act.

### **Role of Management.**

At the beginning of each fiscal year, our CEO evaluates the performance of our President; and the CEO and President evaluate the performance of the other executive officers against the strategic operating plan for the prior fiscal year. In addition, the CEO’s and the President’s evaluations of individual performance also focus on executive officers’ leadership abilities, including their professional development and mentoring of their direct reports. This additional evaluation is carried out by evaluating, on a quarterly basis, each executive officer’s performance against a set of performance factors mutually set and agreed upon by the executive officer and the CEO or President, as the case may be.

The CEO and President then develop compensation recommendations for the other executive officers. Factors that are weighted in making individual target compensation recommendations include:

the performance review conducted by the CEO and/or the President;

value of the job in the marketplace;

relative importance of the position within the Company;

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individual tenure and experience; and

individual contributions to the Company's results.

The CEO or President review of an executive officer's performance with respect to his or her performance factors is not directly tied to the executive officer's compensation. Such reviews, however, heavily influence the CEO's and/or President's assessment of an executive officer's readiness for the types of responsibilities typically associated with a particular position. Once an executive officer's role and responsibilities are defined, the value of the job in the marketplace and the relative importance of the position within the executive ranks are the most determinative factors in setting the proper compensation plan for that executive officer, adjusted to take into consideration the executive officer's tenure and experience.

At the Committee's regularly scheduled meeting in November, the Committee reviews and considers the CEO and President's compensation recommendations for each executive officer. The other executive officers, except as described above, do not play a role in setting executive officer compensation.

**Compensation Methodologies; Role of Consultants and Benchmarking**

The Compensation Committee periodically assembles, with the assistance of independent executive compensation consultants, competitive market information about executive compensation from a periodic review of companies included in a peer group, other competitive market compensation information, executive compensation trends, our business needs, and our financial performance compared to peers. The Committee reviews this competitive information together with performance assessments of our executives and recommendations provided by the CEO and President. The Committee obtained such information from Frederick W. Cooke & Co. (FWC) in April 2004 and utilized such information in setting the compensation for Messrs. Ornstein and Lotz when the Company entered into their respective employment agreements.

Generally, the Committee's goal is to set executive officers' compensation levels to fall within the median to upper quintiles of surveyed companies, with guaranteed salary levels to remain reasonably consistent with median to upper quintile rates. For fiscal 2007, based on Company performance, total compensation for all of the named executive officers was at or above the market median.

In determining what it believes to be market median for executive positions, the Committee obtained information from FWC regarding competitive market compensation data available from the proxy statements of peer group companies selected by the Committee. The peer group utilized for setting the compensation for Messrs. Ornstein and Lotz in their 2004 employment agreements consisted of publicly traded regional and national air carriers that are headquartered in the United States with whom the Company competes for employees with similar skills.

Our management worked with FWC to make specific recommendations to the Committee with regard to compensation based upon the market data and management's assessment of the performance of each individual executive officer (other than the CEO). For the CEO, the Committee conducts the performance assessment. Compensation amounts realized from past years and prior year equity awards are generally not considered in the current year's determination of each individual's compensation package. The impact of tax or accounting treatments for particular forms of compensation also are generally not considered, except to the extent they reflect industry norms.

The Compensation Committee reviews and approves on an annual basis the evaluation process and compensation structure for the Company's senior officers. The Committee evaluates, with the CEO's and President's input, the Company's other executive officers and approves the annual compensation, including salary, bonus, incentive and

equity compensation, for such officers. The Committee also provides oversight of management's decisions concerning performance and compensation of other Company officers. The Committee generally meets in the first quarter of each year to review and recommend changes to annual and incentive compensation.



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**Compensation Program Design and Elements of Compensation**

The principal components of compensation for our named executive officers are:

- base salary and benefits;
- short-term cash incentive compensation;
- long-term equity-based compensation;
- perquisites;
- severance and change in control plans; and
- retirement benefits in the form of deferred compensation.

**Base Salary and Benefits**

Base salary and broad-based benefits, which are not at risk, are designed to attract and retain executives by providing fixed compensation based on competitive market practice, relative to the skills, experience and expected contributions of each executive officer of the Company.

Base salaries for Messrs. Ornstein, Lotz and Gillman are set in their respective employment agreements, which are described below in the Employment and Change of Control Arrangements section. The base salaries for Messrs. Ferwerda and Hoke were set based on a review of comparative market information for similar situated positions in the airline industry, and Mr. Murnane's base salary was set forth in an employment agreement. Our Compensation Committee reviews base salaries annually and targets base pay for executive officers at the median to upper quintiles of the comparison groups and adjusts, as appropriate, for tenure, performance and variations in actual position responsibilities from position descriptions in the comparison groups. We took into account compensation levels payable to executives in our industry and reviewed executive compensation information with regard to comparably-sized companies. We further considered the increasingly active market (and correspondingly increased cash and equity compensation levels) for executives with established track records, and potential costs to the Company if replacement management executives were required. We also took into account information concerning employment opportunities with third parties available to our named executive officers, and the importance of retaining their services in areas such as operational leadership and continuing interactions with stakeholders. We continue to consider market conditions with respect to the compensation of all of our executives.

The approved 2007 base salaries, as compared to 2006 salaries, include the following for the named executive officers:

- Jonathan G. Ornstein, Chairman and Chief Executive Officer \$450,000 (2006 \$450,000);
- Michael J. Lotz, President and Chief Operating Officer \$400,000 (2006 \$400,000);
- Brian S. Gillman, our Senior Vice President and General Counsel \$160,000 (2006 \$150,000)
- Michael Ferwerda, our Senior Vice President Operations \$100,000 (2006 \$99,808); and

William Hoke, our interim Chief Financial Officer \$140,000 (2006 Mr. Hoke commenced employment in March 2007).

Mr. Murnane, our former Executive Vice President and Chief Financial Officer, received a base salary of \$250,000 in 2007, as compared to a base salary of \$237,308 in 2006.

Our named executive officers are also eligible to participate in employee benefit plans generally available to our employees, including medical, health, life insurance and disability plans. Our named executive officers are also eligible to participate in the Company's 401(k) plan, and receive Company matching contributions, which are generally available to our employees. Information concerning perquisites, which, by definition, are not generally available to our employees are described in greater detail below.

**Table of Contents****Short-Term Cash Incentive Compensation**

The Compensation Committee views cash incentive compensation as a means of closely tying a significant portion of the total potential annual cash compensation for executives to the financial performance of the Company. Our cash incentive compensation plans are designed to reward individuals for the achievement of certain defined financial objectives of the Company, namely earnings per share growth.

Incentive bonuses for Messrs. Ornstein and Lotz, and formerly Mr. Murnane, which are set forth in their respective employment agreements, are payable quarterly and set at a prescribed percentage of base salary, based upon the year over year percentage growth in earnings per share ( EPS ) of the Company. EPS was selected to align incentive compensation with corporate EPS goals and because the Compensation Committee believes investors may focus on EPS growth when valuing the Company's common stock. Under the employment agreements, earnings per share is defined as gross profit (loss) before taxes and one-time non-recurring items, divided by basic outstanding shares. The following table summarizes incentive bonuses that were potentially payable to each of Messrs. Ornstein, Lotz and Murnane in fiscal 2007.

Name	Bonus Level	% Change EPS	Quarterly Amount	Annual Amount	Actual Amount
Jonathan G. Ornstein, Chairman and Chief Executive Officer	Minimum	Positive	\$ 13,125	\$ 52,500	\$ 52,500
	Threshold	5%	\$ 26,250	\$ 105,000	\$ -0-
	Target	10%	\$ 52,500	\$ 210,000	\$ -0-
	Maximum	15%	\$ 105,000	\$ 420,000	\$ -0-
Michael J. Lotz, President and Chief Operating Officer	Minimum	Positive	\$ 10,000	\$ 40,000	\$ 40,000
	Threshold	5%	\$ 20,000	\$ 80,000	\$ -0-
	Target	10%	\$ 40,000	\$ 160,000	\$ -0-
	Maximum	15%	\$ 80,000	\$ 320,000	\$ -0-
George Murnane III, former Executive Vice President and Chief Financial Officer	Minimum	Positive	\$ 10,000	\$ 40,000	\$ 30,000
	Threshold	5%	\$ 20,000	\$ 80,000	\$ -0-
	Target	10%	\$ 30,000	\$ 120,000	\$ -0-
	Maximum	15%	\$ 45,000	\$ 180,000	\$ -0-

In fiscal 2007, our GAAP EPS declined from \$1.01 in fiscal 2006 to \$(2.63), primarily attributable to a non-cash impairment charge recorded during the second quarter of fiscal 2007 totaling approximately \$37.7 million on a pre-tax basis and loss contingency charge of \$86.9 million on a pretax basis during the fourth quarter of fiscal 2007.

Notwithstanding this full year decline, our EPS improved in the first quarter of fiscal 2007 over the comparable periods in fiscal 2006. As a result, Messrs. Ornstein, Lotz and Murnane received cash bonuses during fiscal 2007 of \$52,500, \$40,000 and \$30,000, respectively.

Mr. Gillman's employment agreement also provides for an incentive bonus equal to a minimum of 30% of his base salary, payable quarterly, if the Company is profitable. In addition, Mr. Gillman is eligible to receive an additional discretionary cash bonus in the aggregate of 31% to 100% of Mr. Gillman's salary at such time that the Board of Directors grants similar bonuses to other executives of the Company. Mr. Gillman's total compensation, including bonus levels, was set to provide a total compensation package commensurate with similarly situated executives. In fiscal 2007, Mr. Gillman received an incentive bonus of \$91,407 for the same reason described above with respect to Messrs. Ornstein and Lotz.

Mr. Hoke is not a party to an employment agreement with the Company. In accordance with his offer letter, Mr. Hoke is entitled to a guaranteed bonus of \$60,000 and received a signing bonus of \$15,000. In subsequent fiscal years Mr. Hoke will be eligible to receive a bonus of up to \$80,000 based on the profitability of the Company and his individual performance.

Similarly, Mr. Ferverda is not a party to an employment agreement. He is eligible to receive a bonus of up to \$80,000 based on the profitability of the Company and his individual performance.

The Company also, at times, pays discretionary cash bonuses to its named executive officers. In fiscal 2007, the Company did not pay any discretionary cash bonuses to its named executive officers.

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### **Long-Term Equity Based Compensation**

The purpose of the Company's long-term incentive compensation plan is to provide a substantial equity incentive for our executive officers to manage the business for the long-term, complementing the annual bonus that rewards performance in a particular year, and to reward them for the performance of the Company and its common shares over multi-year periods. The Committee awards long-term compensation in the form of annual non-qualified stock option grants, and beginning in fiscal year 2006, restricted stock awards (in lieu of option grants). The Company believes granting restricted stock in lieu of stock options results in less dilution to existing shareholders, enables the Company to utilize its existing option plans longer (because the Company grants less restricted shares than options), and more accurately depicts the expense associated with such benefit. The Committee has not established any long-term incentive programs that are settled in cash because the Committee believes that stock settled programs offer better alignment between the interests of our executive officers and our shareholders.

### **Equity Plans**

The Company has two active equity compensation plans—the Key Officer Stock Option Plan and the 2005 Employee Stock Incentive Plan. The Key Officer Stock Option Plan provides for options to be issued to the Chief Executive Officer and President at set dates for prescribed amounts.

The 2005 Employee Stock Incentive Plan permits the issuance of incentive and non-qualified stock options, restricted stock and performance shares, which are performance bonuses payable in either cash or shares. All employees of the Company or its subsidiaries, including the named executive officers, are eligible to participate in the plan, and awards are issued at the discretion of the Compensation Committee upon recommendation by the Chief Executive Officer. Options granted under the 2005 Employee Stock Incentive Plan are issued at the weighted average price of common stock on the date of grant, generally vest at the rate of one-third per year commencing one year after the grant date, have a 10-year term and are subject to standard option provisions, including the requirement of continued employment and provisions to deal with termination of employment due to retirement, death or disability. Shares of restricted stock granted under the plan are issued at the weighted average price of common stock on the date of grant and typically vest in one-third increments over a three-year period.

### **Equity Awards**

Although the employment agreements for Messrs. Ornstein, Lotz, Murnane and Gillman provide for annual option grants, each of these individuals entered into a restricted stock agreement with the Company pursuant to which each agreed to forego their respective option grants in favor of annual restricted stock grants. Messrs. Ornstein, Lotz, Murnane and Gillman are, and Murnane was, entitled to receive an amount of restricted stock equal to the net value of options to which each such person was otherwise entitled. In 2007, Messrs. Ornstein, Lotz, Murnane, and Gillman received 50,000, 33,333, 20,000, and 10,000 shares of restricted stock, respectively. The 20,000 shares of restricted stock granted to Mr. Murnane were cancelled prior to becoming unrestricted shares as a result of his termination on November 5, 2007.

Messrs. Ferverda and Hoke do not have employment agreements with the Company. In 2007, they each received restricted stock grants of 10,000 shares.

### **Health and Welfare**

The Committee has provided named executive officers with the same health and welfare benefits it provides all its other US-based employees; including medical, dental and vision coverage, life and disability insurance, and, as discussed above, a defined contribution plan (401(k)). Messrs. Ornstein, Lotz, and Gillman also have the option to

participate in the Company's Deferred Compensation Plan.

**Other Compensation Plans and Perquisites**

**Retirement Plans**

The Company provides opportunities for all employees to save for retirement in three benefit plans: a voluntary defined contribution plan (401(k)), an employee stock purchase plan and a deferred compensation plan. A

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deferred compensation plan is also made available to Messrs. Ornstein, Lotz and Gillman pursuant to the terms of their respective employment agreements. These plans are designed to provide competitive retirement benefits.

### **401(k)**

The Company maintains a defined contribution retirement plan for all its eligible employees in the United States under Section 401(k) of the Internal Revenue Code (the 401(k) Plan ).

The 401(k) Plan offers the named executive officers and all other employees the opportunity to contribute up to 85% of their annual salary and bonus up to a specified maximum. In addition, the Company makes a matching contribution to each employee equal to 30% of an employee's contributions, with a cap of 10% of such employee's annual compensation. The rules of the Internal Revenue Code limit the compensation that may be used in applying any deferral election or matching contribution. In 2007, that limit was \$225,000 (the IRS Cap ).

### **Perquisites**

The Company provides executive officers with a limited number of perquisites that the Company and the Committee believe are reasonable and consistent with its overall compensation program, and necessary to remain competitive. The Committee periodically reviews the level of perquisites provided to the named executive officers. Costs associated with these perquisites are included under All Other Compensation in the Summary Compensation Table.

### **Retirement Benefits Deferred Compensation**

The Company offers the 2005 Mesa Air Group, Inc. Deferred Compensation Plan to provide certain members of management with the opportunity to save for retirement and accumulate wealth in a tax-efficient manner beyond what is available under the Company's 401(k) retirement savings plan. The Compensation Committee believes that the deferred compensation plan motivates and assists in the retention of key employees by providing them with greater flexibility in structuring the timing of their compensation payments. The deferred compensation plan is an important retention and recruitment tool for the Company, as the companies with which we compete for executive talent typically provide a similar plan to their senior employees.

The employment agreement for Mr. Ornstein requires the Company to make annual deferred compensation payments to an account for the benefit of Mr. Ornstein in an amount equal to his base salary (\$450,000 in 2007) at the time of contribution. The employment agreement for Mr. Lotz requires the Company to make annual deferred compensation payments to an account for the benefit of Mr. Lotz in an amount equal to his base salary (\$400,000 in 2007) at the time of contribution into a deferred compensation account for the benefit of Mr. Lotz. Following the November 20, 2007 amendments that are described in greater detail below, the employment agreement for Mr. Gillman requires the Company to contribute \$50,000 each year into a deferred compensation account for the benefit of Mr. Gillman. All of these contributions are made on March 1st of each year. Messrs. Hoke and Ferverda do not participate in any deferred compensation plans.

### **Severance and Change in Control Payments**

It is our belief that the interests of shareholders will be best served if the interests of our senior management are aligned with them, and providing change of control benefits should eliminate, or at least reduce, any reluctance of senior management to pursue potential change of control transactions that may be in the best interests of shareholders. The salary multiple of the change of control benefits and use of the single trigger change of control benefits were determined after considering market data. In addition, the difference in salary multiples between executives was selected based on internal equities and demands of the job as well as the ability of the specific executive to find a

similar position following a change of control. Relative to the overall value of the Company, the Compensation Committee believes these potential change of control benefits are reasonable. The cash components of any change of control benefits are paid lump-sum and are based upon a multiple of base salary plus bonus as described under the section entitled Employment Agreements and Change of Control with respect to each named executive officer entitled to such benefits.



**Table of Contents****Stock Ownership Guidelines**

The Board has established share ownership guidelines for its members. Each non-employee member of the Board is strongly encouraged to hold shares of the Company's common stock having an acquisition value equal to one-year's retainer, with such ownership to be achieved within five years of joining the Board.

**Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally prohibits a public company from taking an income tax deduction for compensation over one million dollars paid to the Chief Executive Officer and its four other highest paid executive officers unless certain conditions are met. While the anticipated tax treatment of base and incentive compensation is given some weight in making compensation decisions, the Compensation Committee has not adopted a policy of limiting awards of compensation to amounts that would be deductible under Section 162(m) because the Compensation Committee believes that awards of compensation which would not comply with the Section 162(m) requirements may at times further the long-term interests of the Company and its stockholders.

**Summary Compensation Table**

The following table sets forth information concerning the compensation of our Chief Executive Officer and Chief Financial Officer, as well as the three next highest paid executive officers of the Company (the Named Executive Officers) as of September 30, 2007.

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards(4)	Option Awards(5)	Non-Equity Incentive Compensation (6)	Change in Pension Value and Nonqualified Deferred Compensation (7)	All Other Compensation (8)	Total
Jonathan G. Ornstein, Chairman and Chief Executive Officer	2007	\$ 450,000	\$ 52,000	\$ 111,884				\$ 53,897	\$ 667,781
Michael J. Lotz, President and Chief Operating Officer	2007	\$ 400,000	\$ 40,000	\$ 74,587				\$ 43,129	\$ 557,716
Brian S. Gillman, Executive Vice President and General Counsel	2007	\$ 150,000	\$ 91,407	\$ 22,381				\$ 3,136	\$ 266,924
Michael Ferwerda, Senior Vice President -	2007	\$ 90,173	\$ 81,694					\$ 2,966	\$ 174,833

Operations						
George Murnane III, former Executive Vice President and Chief Financial Officer(2)	2007	\$ 247,000	\$ 30,000	\$ 44,755		\$ 3,186 \$ 324,941
William Hoke, Vice President of Finance and Interim Chief Financial Officer(3)	2007	\$ 140,000	\$ 33,333			\$ 173,333

- (1) Messrs. Ornstein and Lotz deferred a portion of their respective salaries under the Mesa Air Group, Inc. 2005 Deferred Compensation Plan, which is included in the Nonqualified Deferred Compensation Table on page 27. Messrs. Ornstein, Lotz, Gillman and Ferwerda also contributed a portion of their salaries to the Company's 401(k) Plan.
- (2) Mr. Murnane's employment with the Company terminated effective November 5, 2007. Amounts reflected in this table were paid pursuant to the terms of Mr. Murnane's employment agreement and occurred prior to his termination from the Company.

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- (3) Mr. Hoke began his employment with the Company in March 2007 and began serving as acting Chief Financial Officer on September 21, 2007, when the Company's prior Chief Financial Officer was placed on administrative leave. He was appointed interim Chief Financial Officer effective November 5, 2007. Mr. Hoke's bonus amount includes a \$15,000 signing bonus.
- (4) This column represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007 for the fair value of the restricted shares granted in fiscal 2007 as well as in prior fiscal years, in accordance with the Statement of Financial Accounting Standards No. 123R ( SFAS 123R ). The amounts shown include the impact of estimated forfeitures related to service-based vesting conditions. For additional information, refer to note 1 of the footnotes to the Company's financial statements included in its Form 10-K for the fiscal year ended September 30, 2007, as filed with the SEC. See the Grants of Plan-Based Awards Table for information on awards made in fiscal 2007. These amounts reflect the Company's accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executive officers. The number of restricted shares awarded to Messrs. Ornstein, Lotz, Gillman, Ferwerda and Hoke in 2007 are 50,000, 33,333, 10,000, 10,000 and 10,000, respectively. The restrictions on Messrs. Ornstein, Lotz and Gillman's restricted shares will lapse in equal one-third increments over a three-year period beginning April 1, 2008. The restrictions on Mr. Ferwerda's restricted shares will lapse in equal one-third increments over a three-year period beginning August 8, 2008. The restrictions on 5,000 of Mr. Hoke's restricted shares will lapse in equal one-fifth increments over a five-year period beginning April 11, 2008 and the restrictions on Mr. Hoke's other 5,000 restricted shares will lapse in equal one-fifth increments over a five-year period beginning August 8, 2007.
- (5) The compensation represented by the amounts for 2007 set forth in the All Other Compensation column for the named executive officers are detailed in the following table.

Name	Life Insurance and Disability Premiums	Company Contributions to Retirement Benefit Plan		Travel Benefits	Nonaccountable Expense Allowance
		\$	\$		
Jonathan G. Ornstein	\$ 8,451	\$ 3,115	\$ 18,858	\$ 23,473	
Michael J. Lotz	3,825	3,208	8,890	27,206	
Brian S. Gillman		3,136			
Michael Ferwerda		2,966			
George Murnane III		3,186			
William Hoke					

**GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2007**

The following table shows additional information regarding all grants of plan-based awards made to our named executive officers for the year ended September 30, 2007.

**All    All**  
**Other   Other**

Name	Grant Date	Estimated Future Payouts Under			Estimated Future Payouts Under Equity Incentive Plan Awards			Stock Awards	Option Awards	Exercise Price of Base
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	Units (#)	Number of (#)	of Base (\$/Sh)
Jonathan G. Ornstein	10/1/06	\$ 105,000	\$ 210,000	\$ 420,000				50,000		
Michael J. Lotz	10/1/06	\$ 80,000	\$ 160,000	\$ 320,000				33,333		
			45,677							
			to							
Brian S. Gillman	10/1/06	\$ 44,204	\$ 147,346	\$ 147,346				10,000		
			20,000							
			to							
Michael Ferwerda	10/1/06	\$ 20,000	\$ 80,000	\$ 80,000				10,000		
George Murnane III	10/1/06	\$ 80,000	\$ 120,000	\$ 180,000				20,000		
William Hoke	10/1/06	\$ 60,000(3)	\$ 60,000	\$ 60,000				10,000		

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- (1) As discussed in the CD&A under Short-Term Cash Incentive Compensation, the potential payout at threshold level is pegged at achieving a 5% year over year change in EPS for the applicable period, a 10% change in EPS at the target level, and a 15% change in EPS at the maximum level for Messrs. Ornstein and Lotz. The potential payout for Mr. Gillman at the threshold level is based on the Company being profitable in the applicable quarterly period. Messrs. Ferverda and Hoke are entitled to receive quarterly bonuses of up to \$20,000 based on the Company's profitability and their individual performance.
- (2) The restrictions on Messrs. Ornstein, Lotz and Gillman's restricted shares will lapse in equal one-third increments over a three-year period beginning April 1, 2008. The restrictions on Mr. Ferverda's restricted shares will lapse in equal one-third increments over a three-year period beginning August 8, 2008. The restrictions on 5,000 of Mr. Hoke's restricted shares will lapse in equal one-fifth increments over a five-year period beginning April 11, 2008 and the restrictions on Mr. Hoke's other 5,000 restricted shares will lapse in equal one-fifth increments over a five-year period beginning August 8, 2007.
- (3) Pursuant to Mr. Hoke's offer letter, he is entitled to a guaranteed bonus of \$60,000 during his first year of employment with the Company.

**OUTSTANDING EQUITY AWARDS AT SEPTEMBER 30, 2007**

The following table summarizes the equity awards we have made to each of the named executive officers that were outstanding as of September 30, 2007.

Name	Option Grant Date	Option Awards			Option Exercise Price (\$)	Option Expiration Date	Stock Awards		
		Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercisable Options	Number of Securities Underlying Unearned Options			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares or Units of Stock That Have Not Vested (#)
Nathan G. Ornstein	6/13/1998	1,000,000			\$ 8.25	6/13/2008			
	4/1/2000	112,533			\$ 6.25	4/1/2010			
	10/17/2001	66,313			\$ 5.50	10/17/2011			

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	4/1/2002	150,000		\$ 11.13	4/1/2012		
	11/20/2002	61,000		\$ 4.90	11/20/2012		
	4/1/2004	150,000		\$ 8.25	4/1/2014		
	4/1/2005	100,001	49,999(1)	\$ 6.90	4/1/2015		
	7/14/2006					33,003(2)	\$ 146,533
	4/1/2007					50,000(3)	\$ 222,000
ian S. Gillman	12/29/2000	58,000		\$ 6.72	12/29/2010		
	2/15/2005	20,001	9,999(4)	\$ 7.40	2/15/2015		
	7/14/2006					6,600(5)	\$ 29,304
	4/1/2007					10,000(6)	\$ 44,400
ichael J. Lotz	12/28/1998	100,000		\$ 6.00	12/28/2008		
	6/22/2000	100,000		\$ 5.25	6/22/2010		
	10/17/2001	39,786		\$ 5.50	10/17/2011		
	1/2/2002	100,000		\$ 7.88	1/2/2012		
	11/20/2002	25,000		\$ 4.90	11/20/2012		
	1/2/2004	100,000		\$ 12.56	1/2/2014		
	4/1/2005	66,667	33,333(7)	\$ 6.90	4/1/2015		
	7/14/2006					22,002(8)	\$ 97,689
	4/1/2007					33,333(9)	\$ 147,999
ichael Ferverde	10/2/2001	20,000		\$ 4.04	10/2/2011		
	11/20/2002	30,000		\$ 4.90	11/20/2012		
	2/15/2005	16,667	8,333(10)	\$ 7.40	2/15/2015		
	8/8/2007					10,000(11)	\$ 44,400
orge Murnane (14)	2/15/2005	53,333	27,777	\$ 7.40	2/15/2015		
illiam Hoke	4/11/2007					5,000(12)	\$ 22,200
	8/8/2007					5,000(13)	\$ 22,200

(1) Assuming continued employment with the Company, these options will vest on April 1, 2008.

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