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

**FORM 10-K/A**
**AMENDMENT NO. 1**

(Mark one)

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

For the fiscal year ended **March 31, 2023**

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 001-35476

**Air T, Inc.**

(Exact name of registrant as specified in its charter)

| **Delaware** | **52-1206400** |
|---|---|
| State or other jurisdiction of incorporation or organization | (I.R.S. Employer Identification No.) |

**11020 David Taylor Drive, Suite 305, Charlotte, North Carolina 28262**
(Address of principal executive offices, including zip code)
(980) 595 – 2840
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock | AIRT | NASDAQ Stock Market |
| Alpha Income Preferred Securities (also referred to as 8% Cumulative Capital Securities) ("TruPs")* | AIRTP | NASDAQ Stock Market |

*Issued by Air T Funding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated Filer | ☐ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).☐.

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

Yes ☐ No ☒

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of September 30, 2022 (the last business day of the registrant’s most recently completed second fiscal quarter) based upon the closing price of the common stock on September 30, 2022 was approximately $17,244,993.

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

| Common Stock | Common Shares, par value of $.25 per share |
|---|---|
| Outstanding Shares at May 31, 2023 | 2,817,754 |

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company’s definitive proxy statement for its 2023 annual meeting of stockholders to be filed within 120 days of the registrant's fiscal year end are incorporated by reference into Part III of this Form 10-K.

## EXPLANATORY NOTE

Air T, Inc.. ("Air T" or the "Company") hereby amends its Annual Report on Form 10-K for the fiscal year ended March 31, 2023, filed on June 27, 2023 (the "Original Filing"), as set forth in this Annual Report on Form 10K/A Amendment No. 1 (this "Amendment").

This Amendment is being filed solely to amend Item 8 in order to include an updated audit opinion of Deloitte & Touche LLP, our independent registered public accounting firm, to replace an incorrect version of the opinion that was included in the Original Filing. There are no changes to our consolidated financial statements as set forth in the Original Filing.

Other than the inclusion within this Amendment of new certifications by management and a new consent of Deloitte & Touche LLP (and related amendment to the exhibit index), this Amendment speaks only as of the date of the Original Filing and does not modify or update any other disclosures contained in our Original Filing.

Other than as set forth herein, this Amendment does not modify or update the Original Filing in any way, and the parts or exhibits of the Original Filing which have not been modified or updated are not included in this Amendment. This Amendment continues to speak as of the date of the Original Filing and the Company has not updated the disclosure contained herein to reflect events that have occurred since the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Company's other filings made with the Securities and Exchange Commission since the filing of the Original Filing, including amendments to those filings, if any.

TABLE OF CONTENTS

**PART II**

Item 8. *Financial Statements and Supplementary Data.*

INDEX TO FINANCIAL STATEMENTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the stockholders and the Board of Directors of Air T, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Air T, Inc. and subsidiaries (the "Company") as of March 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), equity, and cash flows, for each of the two years in the period ended March 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Redeemable non-controlling interest – valuation of Contrail Aviation Support, LLC — Refer to Notes 1 and 4 to the financial statements***

*Critical Audit Matter Description*

The Company has a 79% controlling interest in Contrail Aviation Support, LLC and is party to an operating agreement with the owner of the remaining 21% ownership interest in Contrail Aviation Support, LLC, that contains certain future redemption features that are outside the control of the Company.

This arrangement is recorded and disclosed as a redeemable non-controlling interest at fair value of $7.97 million as of March 31, 2023. The Company adjusts the redeemable non-controlling interest each reporting period to the higher of the redemption value or carrying value, using a combination of the income approach, utilizing a discounted cash flow analysis, and the market approach, utilizing the guideline public company method. The determination of fair value includes estimation uncertainty under both approaches.

The income approach requires significant management judgment with respect to forecasts of future revenue, operating margins, and capital expenditures, and the selection and use of an appropriate discount rate. The market approach requires management to make significant assumptions related to market multiples of earnings derived from comparable publicly-traded companies with similar operating characteristics as Contrail Aviation Support, LLC. We identified the valuation of redeemable non-controlling interest in Contrail Aviation Support, LLC as a critical audit matter given the significant judgments and assumptions required by management to estimate the fair value of the redeemable non-controlling interest, as well as the fact that performing audit procedures required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the significant judgments and assumptions utilized in the valuation of the redeemable non-controlling interest in Contrail Aviation Support, LLC, included the following, among others:

- We evaluated the reasonableness of management's forecasts of future revenue and operating margins by comparing the forecasts to:
  - Historical results of Contrail Aviation Support, LLC, and
  - Forecasted information included in industry reports.
- We considered the impact of industry and market conditions on management's forecasts for Contrail Aviation Support, LLC.
- We involved our fair value specialists to assist in the evaluation of:
  - The valuation methodologies used by the Company to determine whether they were consistent with generally accepted valuation practices, and reasonably weighted.
  - The discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.
  - Earnings multiples, including testing the underlying source information and mathematical accuracy of the calculations, and evaluating the appropriateness of the Company's selection of companies in its industry comparable groups.
- We performed sensitivity analyses with regard to forecasted revenue and the discount rate to evaluate the changes in the fair value of the redeemable non-controlling interest in Contrail Aviation Support, LLC, that would result from changes in those significant assumptions.
- We evaluated whether the business and valuation assumptions used were consistent with evidence obtained in other areas of the audit.

/s/ Deloitte & Touche LLP
Minneapolis, Minnesota
June 27, 2023

We have served as the Company's auditor since 2018.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

| | Year Ended March 31, | |
|---|---|---|
| (In thousands, except per share data) | 2023 | 2022 |
| Operating Revenues: | | |
| Overnight air cargo | $ 90,543 | $ 74,409 |
| Ground equipment sales | 48,485 | 42,239 |
| Commercial jet engines and parts | 101,737 | 57,689 |
| Corporate and other | 6,558 | 2,740 |
| | 247,323 | 177,077 |
| | | |
| Operating Expenses: | | |
| Overnight air cargo | 79,720 | 65,694 |
| Ground equipment sales | 39,328 | 33,538 |
| Commercial jet engines and parts | 75,288 | 36,603 |
| General and administrative | 45,384 | 29,817 |
| Depreciation and amortization | 4,162 | 1,860 |
| Inventory write-down | 7,324 | 768 |
| Impairment of long-lived assets | 516 | 37 |
| Loss on sale of property and equipment | 8 | 5 |
| | 251,730 | 168,322 |
| | | |
| Operating (Loss) Income | (4,407) | 8,755 |
| | | |
| Non-operating (Expense) Income: | | |
| Interest expense, net | (7,935) | (4,948) |
| Gain on forgiveness of PPP | — | 8,331 |
| Income from equity method investments | 1,460 | 37 |
| Other | (471) | 1,221 |
| | (6,946) | 4,641 |
| | | |
| (Loss) Income before income taxes | (11,353) | 13,396 |
| | | |
| Income Tax Expense | 432 | 1,169 |
| | | |
| Net (Loss) Income | (11,785) | 12,227 |
| | | |
| Net Income Attributable to Non-controlling Interests | (510) | (1,299) |
| | | |
| Net (Loss) Income Attributable to Air T, Inc. Stockholders | $ (12,295) | $ 10,928 |
| | | |
| (Loss) Income per share (Note 23) | | |
| Basic | $ (4.32) | $ 3.79 |
| Diluted | $ (4.32) | $ 3.78 |
| | | |
| Weighted Average Shares Outstanding: | | |
| Basic | 2,847 | 2,880 |
| Diluted | 2,847 | 2,888 |

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Year Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| Net (Loss) Income | $ (11,785) | $ 12,227 |
| Other Comprehensive Income: | | |
| Foreign currency translation income (loss) | 4 | (549) |
| Unrealized gain on interest rate swaps, net of tax of $332 and $294 | 998 | 929 |
| Reclassification of interest rate swaps into earnings | 77 | 41 |
| Total Other Comprehensive Income | 1,079 | 421 |
| Total Comprehensive (Loss) Income | (10,706) | 12,648 |
| Comprehensive Income Attributable to Non-controlling Interests | (510) | (1,299) |
| Comprehensive (Loss) Income Attributable to Air T, Inc. Stockholders | $ (11,216) | $ 11,349 |

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| (In thousands, except per share data) | March 31, 2023 | March 31, 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 5,806 | $ 5,616 |
| Marketable securities | — | 859 |
| Restricted cash | 1,284 | 2,752 |
| Restricted investments | 2,161 | 1,691 |
| Accounts receivable, net of allowance for doubtful accounts of $1,160 and $1,368 | 27,218 | 19,684 |
| Income tax receivable | 536 | 3,230 |
| Inventories, net | 71,125 | 75,167 |
| Employee retention credit receivable | 940 | 9,138 |
| Other current assets | 7,487 | 10,106 |
| Total Current Assets | 116,557 | 128,243 |
| | | |
| Assets on lease or held for lease, net of accumulated depreciation of $223 and $780 | 83 | 14,509 |
| Property and equipment, net of accumulated depreciation of $6,624 and $5,405 | 21,439 | 21,212 |
| Intangible assets, net of accumulated amortization of $4,191 and $2,947 | 12,103 | 13,260 |
| Right-of-use assets | 11,666 | 7,354 |
| Equity method investments | 13,230 | 9,864 |
| Goodwill | 10,563 | 10,126 |
| Other assets | 3,921 | 3,031 |
| Total Assets | 189,562 | 207,599 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | 10,449 | 9,397 |
| Income tax payable | 304 | 194 |
| Accrued expenses and other (Note 12) | 13,133 | 13,391 |
| Current portion of long-term debt | 38,736 | 6,482 |
| Short-term lease liability | 1,664 | 1,443 |
| Total Current Liabilities | 64,286 | 30,907 |
| | | |
| Long-term debt | 86,349 | 129,326 |
| Deferred income tax liabilities, net | 2,417 | 2,812 |
| Long-term lease liability | 10,771 | 6,734 |
| Other non-current liabilities | 47 | 1,342 |
| Total Liabilities | 163,870 | 171,121 |
| | | |
| Redeemable non-controlling interest | 12,710 | 10,761 |
| | | |
| Commitments and contingencies (Note 24) | | |
| | | |
| Equity: | | |
| Air T, Inc. Stockholders' Equity: | | |
| Preferred stock, $1.00 par value, 2,000,000 shares authorized | — | — |
| Common stock, $0.25 par value; 4,000,000 shares authorized, 3,026,495 shares issued, 2,818,374 and 2,866,418 shares outstanding | 757 | 756 |
| Treasury stock, 208,121 at $19.62 and 156,327 shares at $19.20 | (4,083) | (3,002) |
| Additional paid-in capital | 728 | 393 |
| Retained earnings | 13,686 | 26,729 |
| Accumulated other comprehensive income (loss) | 816 | (263) |
| Total Air T, Inc. Stockholders' Equity | 11,904 | 24,613 |
| Non-controlling Interests | 1,078 | 1,104 |
| Total Equity | 12,982 | 25,717 |
| Total Liabilities and Equity | $ 189,562 | $ 207,599 |

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended March 31, | |
|---|---|---|
| (In thousands) | **2023** | **2022** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | $ (11,785) | $ 12,227 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,162 | 1,860 |
| Gain on forgiveness of PPP loan | — | (8,331) |
| Income from equity method of investments | (1,460) | (37) |
| Inventory write-down | 7,324 | 768 |
| Impairment of long-lived assets | 516 | 37 |
| Other | 769 | 876 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (6,290) | (12,654) |
| Inventories | 10,163 | (17,602) |
| Accounts payable | 992 | 1,050 |
| Accrued expenses | (893) | (485) |
| Employee retention credit receivable | 8,198 | (9,138) |
| Other | 5,213 | (1,655) |
| Total adjustments | 17,383 | (40,484) |
| Net cash provided by (used in) operating activities | 16,909 | (33,084) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Sale of marketable securities | — | 815 |
| Acquisition of businesses, net of cash acquired | (2,498) | (12,804) |
| Investment in unconsolidated entities | (3,064) | (6,797) |
| Acquisition of assets | — | (13,408) |
| Capital expenditures related to property & equipment | (1,178) | (1,530) |
| Capital expenditures related to assets on lease or held for lease | — | (28) |
| Other | 572 | 364 |
| Net cash used in investing activities | (6,168) | (33,388) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from lines of credit | 139,329 | 99,363 |
| Payments on lines of credit | (132,958) | (84,551) |
| Proceeds from term loan | 10,627 | 34,232 |
| Payments on term loan | (27,850) | (3,813) |
| Proceeds received from issuance of TruPs | — | 11,278 |
| Other | (1,528) | 2,745 |
| Net cash (used in) provided by financing activities | (12,380) | 59,254 |
| Effect of foreign currency exchange rates on cash and cash equivalents | 361 | (341) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | (1,278) | (7,559) |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 8,368 | 15,927 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | 7,090 | 8,368 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES: | | |
| Equipment leased or held for lease transferred to inventory | 12,700 | 12 |
| Equipment in inventory transferred to assets on lease | 33 | 13,100 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Operating cash payments for operating leases | 1,881 | 1,824 |
| Cash paid during the year for interest | 5,867 | 1,523 |
| Cash paid during the year for income taxes | $ 1,026 | $ 429 |

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

| (In thousands) | Common Stock | | Treasury Stock | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Share | Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interests* | Total Equity |
| Balance, March 31, 2021 | 3,023 | $ 756 | 141 | $ (2,617) | $ — | $ 16,270 | $ (684) | $ 989 | $ 14,714 |
| Net income* | — | — | — | — | — | 10,928 | — | 115 | 11,043 |
| Repurchase of common stock | — | — | 15 | (385) | — | — | — | — | (385) |
| Stock compensation expense | — | — | — | — | 393 | — | — | — | 393 |
| Foreign currency translation loss | — | — | — | — | — | — | (549) | — | (549) |
| Adjustment to fair value of redeemable non-controlling interest | — | — | — | — | — | 531 | — | — | 531 |
| Unrealized gain of interest rate swaps, net of tax | — | — | — | — | — | — | 929 | — | 929 |
| Put option issued to co-investor in CAM (Note 24) | — | — | — | — | — | (1,000) | — | — | (1,000) |
| Reclassification of interest rate swaps into earnings | — | — | — | — | — | — | 41 | — | 41 |
| Balance, March 31, 2022 | 3,023 | $ 756 | 156 | $ (3,002) | $ 393 | $ 26,729 | $ (263) | $ 1,104 | $ 25,717 |

| (In thousands) | Common Stock | | Treasury Stock | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share | Amount | Share | Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interests* | Total Equity |
| Balance, March 31, 2022 | 3,023 | $ 756 | 156 | $ (3,002) | $ 393 | $ 26,729 | $ (263) | $ 1,104 | $ 25,717 |
| Net loss* | — | — | — | — | — | (12,295) | — | (26) | (12,321) |
| Repurchase of common stock | — | — | 52 | (1,081) | — | — | — | — | (1,081) |
| Exercise of stock options | 4 | 1 | — | | 20 | — | — | — | 21 |
| Stock compensation expense | — | — | — | — | 315 | — | — | — | 315 |
| Foreign currency translation loss | — | — | — | — | — | — | 4 | — | 4 |
| Adjustment to fair value of redeemable non-controlling interest | — | — | — | — | — | (1,748) | — | — | (1,748) |
| Unrealized gain on interest rate swaps, net of tax | — | — | — | — | — | — | 998 | — | 998 |
| Reversal of Put option issued to co-investor in CAM (Note 24) | — | — | — | — | — | 1,000 | — | — | 1,000 |
| Reclassification of interest rate swaps into earnings | — | — | — | — | — | — | 77 | — | 77 |
| Balance, March 31, 2023 | 3,027 | $ 757 | 208 | $ (4,083) | $ 728 | $ 13,686 | $ 816 | $ 1,078 | $ 12,982 |

*Excludes amount attributable to redeemable non-controlling interest in Contrail and Shanwick.

See notes to consolidated financial statements.

Air T, Inc. (the “Company,” “Air T,” “we” or “us” or “our”) is a holding company with a portfolio of operating businesses and financial assets. Our goal is to prudently and strategically diversify Air T’s earnings power and compound the growth of free cash flow per share over time.

We currently operate in four industry segments:

- Overnight air cargo, which operates in the air express delivery services industry;
- Ground equipment sales, which manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the military and industrial customers;
- Commercial aircraft, engines and parts, which manages and leases aviation assets; supplies surplus and aftermarket commercial jet engine components; provides commercial aircraft disassembly/part-out services; commercial aircraft parts sales; procurement services and overhaul and repair services to airlines and;
- Corporate and other, which acts as the capital allocator and resource for other consolidated businesses. Further, Corporate and other is also comprised of insignificant businesses that do not pertain to other reportable segments.

Each business segment has separate management teams and infrastructures that offer different products and services. We evaluate the performance of our business segments based on operating income (loss) and Adjusted EBITDA.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as well as its non-wholly owned subsidiaries, Contrail, Shanwick and Delphax. All intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to the prior period amounts to conform to the current presentation.

Accounting Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future economic developments such as inflation and increased interest rates as well as further business issues such as supply chain issues present uncertainty and risk with respect to our financial condition and results of operations. Each of our businesses implemented measures to attempt to limit the impact of COVID-19 and economic and business issues but we still experienced disruptions, and we experienced a reduction in demand for commercial aircraft, jet engines and parts compared to historical periods. Many of our businesses may continue to generate reduced operating cash flows and could operate at a loss from time to time beyond fiscal 2023. We expect that issues caused by the pandemic and other economic and business issue will continue to some extent. The fluidity of this situation precludes any prediction as to the ultimate adverse impact these issues on economic and market conditions and our businesses in particular, and, as a result, presents material uncertainty and risk with respect to us and our results of operations. The Company believes the estimates and assumptions underlying the Company's consolidated financial statements are reasonable and supportable based on the information available as of March 31, 2023, however; uncertainty over the ultimate direct and indirect impact COVID-19 will have on the global economy generally, and the Company's business in particular, makes any estimates and assumptions as of March 31, 2023 inherently less certain than they would be absent the current and potential impacts of COVID-19.

Segments - The Company has four reportable operating segments: overnight air cargo, ground equipment sales, commercial jet engine and parts and corporate and other. The Company assesses the performance of these segments on an individual basis (see Note 22).

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company's Chief Executive Officer reviews financial information by business segment for purposes of allocating resources and evaluating financial performance. Each business segment has separate management teams and infrastructures that offer different products and services. We evaluate the performance of our business segments based on operating income (loss) and Adjusted EBITDA.

Variable Interest Entities – In accordance with the applicable accounting guidance for the consolidation of variable interest entities, the Company analyzes its variable interests to determine if an entity in which we have a variable interest is a variable interest entity. Our analysis includes both quantitative and qualitative reviews to determine if we must consolidate a variable interest entity as its primary beneficiary.

Business Combinations – The Company accounts for business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*. Consistent with ASC 805, the Company accounts for each business combination by applying the acquisition method. Under the acquisition method, the Company records the identifiable assets acquired and liabilities assumed at their respective fair values on the acquisition date. Goodwill is recognized for the excess of the purchase consideration over the fair value of identifiable net assets acquired. Included in purchase consideration is the estimated acquisition date fair value of any earn-out obligation incurred. For business combinations where non-controlling interests remain after the acquisition, assets (including goodwill) and liabilities of the acquired business are recorded at the full fair value and the portion of the acquisition date fair value attributable to non-controlling interests is recorded as a separate line item within the equity section or, as applicable to redeemable non-controlling interests, between the liabilities and equity sections of the Company's consolidated balance sheets.

The acquisition method permits the Company a period of time after the acquisition date during which the Company may adjust the provisional amounts recognized in a business combination. This period of time is referred to as the "measurement period". The measurement period provides an acquirer with a reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. Accordingly, the Company is required to recognize adjustments to the provisional amounts, with a corresponding adjustment to goodwill, in the reporting period in which the adjustments to the provisional amounts are determined. Thus, the Company would adjust its consolidated financial statements as needed, including recognizing in its current-period earnings the full effect of changes in depreciation, amortization, or other income effects, by line item, if any, as a result of the change to the provisional amounts calculated as if the accounting had been completed at the acquisition date.

Income statement activity of an acquired business is reflected within the Company's consolidated statements of income (loss) commencing with the date of acquisition. Amounts for pre-acquisition periods are excluded.

Acquisition-related costs are costs the Company incurs to affect a business combination. Those costs may include such items as finder's fees, advisory, legal, accounting, valuation, and other professional or consulting fees, and general administrative costs. The Company accounts for such acquisition-related costs as expenses in the period in which the costs are incurred and the services are received.

Changes in estimates of the fair value of earn-out obligations subsequent to the acquisition date are not accounted for as part of the acquisition, rather, they are recognized directly in earnings.

Cash and Cash Equivalents – Cash equivalents consist of liquid investments with maturities of three months or less when purchased.

Financial Instruments Designated for Trading – Except for short sales of equity securities, the Company accounts for all other financial instruments (including derivative instruments) designated for trading in accordance with ASC 815. All changes in the fair value of the financial instruments designated for trading are recognized in earnings as they occur. Further, all gains and losses on derivative instruments designated for trading are presented net on the consolidated Statements of Income (Loss). The fair value of derivative instruments designated for trading in a gain position are recorded in Other Current Assets and the fair value of derivative instruments designated for trading in a loss position are recorded in Accrued Expenses and Other on the consolidated Balance Sheets.

The Company accounts for short sales of equity securities in accordance with ASC 942 and ASC 860. The obligations incurred in short sales are reported in Accrued Expenses and Other on the consolidated Balance Sheets. They are subsequently measured at fair value through the income statement at each reporting date with gains and losses on securities. Interest on the short positions are accrued periodically and reported as interest expense. The market value of the Company's equity securities and cash held by the broker are used as collateral against any outstanding margin account borrowings for purposes of short selling equities. This collateral is recorded in Other Current Assets on the consolidated Balance Sheets.

The Company reports all cash receipts and payments resulting from the purchases and sales of securities, loans, and other assets that are acquired specifically for resale as operating cash flows.

Inventories – Inventories are carried at the lower of cost or net realizable value. When finished goods units are leased to customers under operating leases, the units are transferred to Assets on Lease or Held For Lease. The classification of cash flows associated with the purchase and sale of finished goods is based on the activity that is likely to be the predominant source or use of cash flows for the items. Consistent with aviation industry practice, the Company includes expendable aircraft parts and supplies in current assets, although a certain portion of these inventories may not be used or sold within one year.

The Company periodically evaluates the carrying value of inventory. In these evaluations, the Company is required to make estimates regarding the net realizable value, which includes the consideration of sales patterns and expected future demand. Any slow moving, obsolete or damaged inventory and inventory with costs exceeding net realizable value are evaluated for write-downs. These estimates could vary significantly from actual amounts based upon future economic conditions, customer inventory levels, or competitive factors that were not foreseen or did not exist when the estimated write-downs were made.

In accordance with industry practice, all inventories are classified as a current asset including portions with long production cycles, some of which may not be realized within one year.

Investments under the Equity Method – The Company utilizes the equity method to account for investments when the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The Company applies the equity method to investments in common stock and to other investments when such other investments possess substantially identical subordinated interests to common stock. For investments that have a different fiscal year-end, if the difference is not more than three months, the Company elects a 3-month lag to record the change in the investment.

The Company assesses the carrying value of its investments whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount of the investment to the estimated future undiscounted cash flows of the investment, which take into account current, and expectations for future, market conditions and the Company's intent with respect to holding or disposing of the investment. Changes in economic and operating conditions, including those occurring as a result of the impact of the COVID-19 pandemic, that occur subsequent to a current impairment analysis and the Company's ultimate use of the investment could impact the assumptions and result in future impairment losses to the investments. If the Company's analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, the Company will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through quoted prices in active markets or various valuation techniques, including internally developed discounted cash flow models or comparable market transactions.

Goodwill - The Company evaluates goodwill on an annual basis or anytime events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company is permitted to first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value, including goodwill. In qualitatively evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstances such as macroeconomic conditions, industry and market developments, cost factors, and the overall financial performance of the reporting unit. If, after assessing these events and circumstances, it is determined that there may be an impairment, then a quantitative analysis is performed. In the first step of the quantitative method, recoverability of goodwill is evaluated by estimating the fair value of the reporting unit's goodwill using multiple techniques, including a discounted cash flow model income approach and a market approach. The estimated fair value is then compared to the carrying value of the reporting unit. The Company will recognize an impairment charge for the amount by which the carrying value of the reporting unit exceeds its fair value, if any.

Goodwill consisted of the following (in thousands):

| | Year Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Goodwill, at original cost | $ 10,939 | $ 10,502 |
| Accumulated impairment | (376) | (376) |
| Goodwill, net of impairment | $ 10,563 | $ 10,126 |

As of March 31, 2023, $4.2 million of the goodwill balance is attributable to the acquisition of Contrail and included within the Commercial Jet Engines and Parts segment. $6.3 million of the goodwill balance is attributable to the acquisition of Shanwick in February 2022, and included within the Corporate and Other segment. $0.1 million of the goodwill balance is attributable to the acquisition of WASI in January 2023, and included within the Overnight Air Cargo segment.

We performed our annual impairment assessment for goodwill of our reporting units at March 31, 2023. In the fiscal year 2023, COVID-19 continued to have some impact on the macroeconomic conditions and the outlook of the airline industry. Due to this, the Company performed a quantitative analysis using a combination of the income approach, utilizing a discounted cash flow analysis, and the market approach, utilizing the guideline public company method. Our discounted cash flow analysis requires significant management judgment with respect to forecasts of revenue, operating margins, capital expenditures, and the selection and use of an appropriate discount rate. The forecasts and assumptions are based on our annual and long-term business plans. The market approach requires management to make significant assumptions related to market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating characteristics as our reporting units.

Based on the results of our annual quantitative assessment conducted as of March 31, 2023, the fair value of our reporting units exceeded their carrying values, and management concluded that no impairment charge was warranted.

Intangible Assets – Amortizable intangible assets consist of acquired patents, tradenames, customer relationships, and other finite-lived identifiable intangibles. Such intangibles are initially recorded at fair value and subsequently subject to amortization. Amortization is recorded using the straight-line method over the estimated useful lives of the assets. In accordance with the applicable accounting guidance, the Company evaluates the recoverability of amortizable intangible assets whenever events occur that indicate potential impairment. In doing so, the Company assesses whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the estimated fair value of the asset.

The estimated amortizable lives of the intangible assets are as follows:

| | Years |
|---|---|
| Purchased software | 3 |
| Internally developed software | 10-15 |
| In-place lease and other intangibles | Over lease term |
| Trade names | 5 |
| Certification | 5 |
| Non-compete | 5 |
| License | 5 |
| Patents | 9 |
| Customer relationships | 10-15 |

Property and Equipment and Assets on Lease or Held for Lease – Property and equipment is stated initially at cost, or fair value if purchased as part of a business combination. Depreciation and amortization are provided on a straight-line basis over the asset's useful life. Equipment leased to customers is depreciated using the straight line method. Useful lives range from three years for computer equipment, seven years for flight equipment, ten years for deicers and other equipment leased to customers and thirty years for buildings.

Engine assets on lease or held for lease are stated at cost, less accumulated depreciation. Certain costs incurred in connection with the acquisition of engine assets are capitalized as part of the cost of such assets. If assets are not actively being leased (i.e. held for lease), then they are not being depreciated. Major overhauls which improve functionality or extend original useful life are capitalized and depreciated over the engine assets' useful life to a residual value. The Company depreciates the engines on a straight-line basis over the assets' useful life from the acquisition date to a residual value. The Company adjusts its estimates annually for these older generation assets, including updating estimates of an engine's or aircraft's remaining operating life. The Company believes this methodology accurately reflects the typical holding period for the assets and that the residual value assumption, which is dependent on the Company's eventual plan for the engine assets (i.e. whole asset sale, part-out, etc.), reasonably approximates the selling price of the assets.

When engine assets are committed for sales, the assets are transferred to Inventory. The classification of cash flows associated with the purchase and sale of engine assets is based on the activity that is likely to be the predominant source or use of cash flows for the items.

The Company assesses long-lived assets for impairment when events and circumstances indicate the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. When evaluating the future cash flows that an asset will generate, we make assumptions regarding the lease market for specific engine models, including estimates of market lease rates and future demand. These assumptions are based upon lease rates that we are obtaining in the current market as well as our expectation of future demand for the specific engine/aircraft model. We determine fair value of the assets by reference to independent appraisals, quoted market prices (e.g., an offer to purchase) and other factors such as current data from manufacturers as well as specific market sales. In the event it is determined that the carrying values of long-lived assets are in excess of the estimated undiscounted cash flows from those assets, the Company then will write-down the value of the assets by the excess of carrying value over fair value.

Accounting for Debt - Trust Preferred Securities and Warrant Liability – On June 10, 2019, the Company issued an aggregate of 1.6 million TruPs in the amount of $4.0 million in a non-cash transaction. In connection with the issuance of these TruPs, the Company also issued an aggregate of 8.4 million warrants (representing warrants to purchase $21.0 million in stated value of TruPs). A warrant for mandatorily redeemable shares conditionally obligates the issuer to ultimately transfer assets—the obligation is conditioned only on the warrant's being exercised because the shares will be redeemed. Thus, warrants for mandatorily redeemable shares are liabilities under ASC 480. In total, 5.3 million Warrants were exercised and the remaining 3.1 million Warrants expired on August 30, 2021.

On May 14, 2021, the Company entered into an At the Market Offering Agreement (the “ATM Agreement”) with Ascendiant Capital Markets, LLC (the “sales agent” or “Ascendiant”), pursuant to which it may sell and issue its TruPs having an aggregate offering price of up to $8.0 million from time to time. The Company has no obligation to sell any TruPs, and may at any time suspend offers under the ATM Agreement or terminate the ATM Agreement.

These TruPs are mandatorily redeemable preferred security obligations of the Company. In accordance with ASC 480, the Company presented mandatorily redeemable preferred securities that do not contain a conversion option as a liability on the balance sheet. Further, as the redemption date and the redemption amount are both fixed, in accordance with ASC 825, we measured these TruPs at the present value of the amount to be paid at settlement, discounted by using the implicit rate at inception.

Income Taxes – Income taxes have been provided using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

A valuation allowance against net deferred tax assets is recorded when it is more likely than not that such assets will not be fully realized. Tax credits are accounted for as a reduction of income taxes in the year in which the credit originates. All deferred income taxes are classified as non-current in the consolidated balance sheets. The Company recognizes the benefit of a tax position taken on a tax return, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. An uncertain income tax position is not recognized if it has a less than a 50% likelihood of being sustained.

Accounting for Redeemable Non-Controlling Interest – In 2016, in connection with the Company's acquisition of Contrail, Contrail entered into an Operating Agreement (the “Operating Agreement”) with the Seller providing for the governance of and the terms of membership interests in Contrail. The Operating Agreement includes put and call options (“Contrail Put/Call Option”) with regard to the 21% non-controlling interest retained by the Seller. The Seller is the founder of Contrail and its current Chief Executive Officer. The Contrail Put/Call Option permits the Seller to require Contrail to purchase all of the Seller’s equity membership interests in Contrail commencing on the fifth anniversary of the acquisition, which was on July 18, 2021. Per the agreement, the price is to be agreed upon by the parties or, failing such agreement, to be determined pursuant to third-party appraisals in a process specified in the agreement.

In February 2022, in connection with the Company's acquisition of GdW, a consolidated subsidiary of Shanwick, the Company entered into a shareholder agreement with the 30% non-controlling interest owners of Shanwick, providing for the governance of and the terms of membership interests in Shanwick. The shareholder agreement includes put and call options (“Shanwick Put/Call Option”) with regard to the 30% non-controlling interest. The non-controlling interest holders are the executive management of the underlying business. The Shanwick Put/Call Option grants the Company an option to purchase the 30% interest at the call option price ("Call Option") that equals to the average EBIT over the 3 Financial Years prior to the exercise of the Call Option multiplied by 8. In addition, the Shanwick Put/Call Option also grants the non-controlling interest owners an option ("Put Option") to require Air T to purchase from them their respective ownership interests at the Put Option price, that is equal to the average EBIT over the 3 Financial Years prior to the exercise of the Put Option multiplied by 7.5. The Call Option and the Put Option may be exercised at any time from the fifth anniversary of the shareholder agreement and then only at the end of each fiscal year of Air T.

Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. As a result of this feature, the Company recorded the non-controlling interests as redeemable and classified them in temporary equity within its Consolidated Balance Sheets initially at their acquisition-date estimated redemption value or fair value.

Per the Operating Agreement, the Contrail's non-controlling interest is redeemable at fair value, which is determined using a combination of the income approach, utilizing a discounted cash flow analysis, and the market approach, utilizing the guideline public company method. Contrail's discounted cash flow analysis requires significant management judgment with respect to forecasts of revenue, operating margins, capital expenditures, and the selection and use of an appropriate discount rate. The forecasts and assumptions are based on our annual and long-term business plans. Contrail's market approach requires management to make significant assumptions related to market multiples of earnings derived from comparable publicly-traded companies with similar operating characteristics as Contrail. The Contrail's non-controlling interest is adjusted each reporting period for income (or loss) attributable to the non-controlling interest as well as any applicable distributions made. A measurement period adjustment, if any, is then made to adjust the non-controlling interest to the higher of the redemption value (fair value) or carrying value each reporting period. These fair value adjustments are recognized through retained earnings and are not reflected in the Company's Consolidated Statements of Income (Loss). When calculating earnings per share attributable to the Company, the Company adjusts net income attributable to the Company for the measurement period adjustment to the extent the redemption value exceeds the fair value of the non-controlling interest on a cumulative basis. As of March 31, 2023, the fair value of the Contrail's redeemable non-controlling interest is $8.0 million. See Note 24, Commitments and Contingencies.

The Shanwick's non-controlling interest is redeemable at established multiples of EBIT and, as such, is considered redeemable at other than fair value. It is recorded on our consolidated balance sheets at estimated redemption value within redeemable non-controlling interests, and changes in its estimated redemption value are recorded on our consolidated statements of operations within non-controlling interests. As of March 31, 2023, the estimated redemption value of Shanwick's redeemable non-controlling interest is $4.7 million. See Note 24, Commitments and Contingencies.

Revenue Recognition – Substantially all of the Company's revenue is derived from contracts with an initial expected duration of one year or less. As a result, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of transaction price, to expense costs incurred to obtain a contract, and to not disclose the value of unsatisfied performance obligations.We evaluate gross versus net presentation on revenues from products or services purchased and resold in accordance with the revenue recognition criteria outlined in ASC 606-10, *Principal Agent Considerations.*

The Company, under the terms of its overnight air cargo dry-lease service contracts, passes through to its air cargo customer certain cost components of its operations without markup. The cost of fuel, landing fees, outside maintenance, parts and certain other direct operating costs are included in operating expenses and billed to the customer, at cost, and included in overnight air cargo revenue on the accompanying statements of income (loss). These pass-through costs totaled $29.2 million and $23.0 million for the years ended March 31, 2023 and 2022, respectively.

*Recently Issued Accounting Pronouncements*

In March 2020, the FASB issued ASU 2020-04- Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this Update provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In December 2022, the FASB issued ASU 2022-06- Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The amendments in this Update defer the implementation deadline of Topic 848 from December 31, 2022, to December 31, 2024. The Company is currently in the process of converting our LIBOR-based contracts, hedging relationships, and other transactions to other reference rates. We anticipate to be completed by September 30, 2023.

## 2. ACQUISITIONS

*Worldwide Aviation Services, Inc.*

On January 31, 2023, the Company acquired Worldwide Aircraft Services, Inc. ("WASI"), a Kansas corporation that services the aircraft industry across the United States and internationally through the operation of a repair station which is located in Springfield, Missouri at the Branson National Airport. The acquisition was was funded with cash and the loans described in Note 14 of this report. WASI is included within the Overnight air cargo segment.

The acquisition date's fair value of the consideration is summarized in the table below (in thousands):

| | | January 31, 2023 |
|---|---|---|
| Cash consideration | $ | 1,628 |
| Seller's Note | $ | 1,370 |
| Total consideration | $ | 2,998 |

The transaction was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of January 31, 2023, with the excess of total consideration above fair value of net assets acquired recorded as goodwill. The following table outlines the consideration transferred and purchase price allocation at the respective fair values as of January 31, 2023 (in thousands):

| | | January 31, 2023 |
|---|---|---|
| ASSETS | | |
| Accounts receivable | $ | 1,037 |
| Inventory | | 517 |
| Other current assets | | 97 |
| Property, plant and equipment, net | | 403 |
| Intangible -Trade Name | | 342 |
| Intangible - Non-competition Agreement | | 19 |
| Intangible - Customer Relationships | | 683 |
| Other assets | | 20 |
| Total assets | $ | 3,118 |
| | | |
| LIABILITIES | | |
| Accounts payable | | 61 |
| Accrued expenses and deferred revenue | | 635 |
| Total liabilities | $ | 696 |
| | | |
| Net assets acquired | $ | 2,422 |
| | | |
| Consideration paid | | 2,998 |
| Less: Cash acquired | | (500) |
| Less: Net assets acquired | | (2,422) |
| Goodwill | $ | 76 |

As of March 31, 2023, the purchase price allocation is final.

The following table sets forth the revenue and expenses of WASI that are included in the Company's condensed consolidated statement of income for the fiscal year ended March 31, 2023 (in thousands):

| | | Income Statement Post-Acquisition |
|---|---|---|
| Revenue | $ | 929 |
| Cost of Sales | | 676 |
| Operating Expenses | | 425 |
| Operating Loss | | (172) |
| Non-operating expense | | (22) |
| Net loss | $ | (194) |

Pro forma financial information is not presented as the results are not material to the Company's consolidated financial statements.

*Wolfe Lake HQ, LLC*

On December 2, 2021, the Company, through its wholly-owned subsidiary Wolfe Lake HQ, LLC, completed the purchase of the real estate located at 5000 36th Street West, St. Louis Park, Minnesota pursuant to a real estate purchase agreement with WLPC East, LLC, a Minnesota limited liability company (an unaffiliated third-party) dated October 11, 2021. The real estate purchased consists of a 2-story office building, asphalt-paved driveways and parking areas, and landscaping. The building was constructed in 2004 with an estimated 54,742 total square feet of space. The real estate purchased is where Air T's Minnesota executive office is currently located. With this purchase, the Company assumed 11 leases from existing tenants occupying the building.

The total amount recorded for the real estate was $13.4 million, which included the purchase price of $13.2 million and total direct capitalized acquisition costs of $0.2 million. The consideration paid for the real estate consisted of approximately $3.3 million in cash and a new secured loan from Bridgewater Bank ("Bridgewater") with an aggregate principal amount of $9.9 million and a fixed interest rate of 3.65% which matures on December 2, 2031. See Note 14.

In accordance with ASC 805, the purchase price consideration was allocated as follows (in thousands):

| | | |
|---|---|---|
| Land | $ | 2,794 |
| Building | | 8,439 |
| Site Improvements | | 798 |
| Tenant Improvements | | 269 |
| In-place lease and other intangibles | | 1,108 |
| | $ | 13,408 |

*GdW Beheer B.V.*

On February 10, 2022, the Company acquired GdW, a Dutch holding company in the business of providing global aviation data and information. The acquisition was completed through a wholly-owned subsidiary of the Company, Air T Acquisition 22.1, LLC ("Air T Acquisition 22.1"), a Minnesota limited liability company, through its Dutch subsidiary, Shanwick, and was funded with cash, investment by executive management of the underlying business, and the loans described in Note 14. As part of the transaction, the executive management of the underlying business purchased 30.0% of Shanwick. Air T Acquisition 22.1 and its consolidated subsidiaries are included within the Corporate and other segment.

Subsequent to the acquisition date, the Company made certain measurement period adjustments to the preliminary purchase price allocation, which resulted in an increase to goodwill of $0.3 million. The increase is attributable to a measurement period adjustment of $0.3 million related to certain intangible assets acquired and related deferred tax liabilities assumed due to clarification of information utilized to determine fair value during the measurement period. As of June 30, 2022, the measurement period was completed and all adjustments are reflected in the tables below.

Total consideration is summarized in the table below (in thousands):

| | | February 10, 2022 |
|---|---|---|
| Consideration paid | $ | 15,256 |
| Less: Cash acquired | | (2,452) |
| Less: Net assets acquired | | (6,520) |
| Goodwill | $ | 6,284 |

The transaction was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of February 10, 2022, with the excess of total consideration over fair value of net assets acquired recorded as goodwill. The following table outlines the consideration transferred and purchase price allocation at the respective fair values as of February 10, 2022 (in thousands):

| | | **February 10, 2022** |
|---|---|---|
| ASSETS | | |
| Accounts Receivable | $ | 715 |
| Other current assets | | 67 |
| Property, plant and equipment, net | | 40 |
| Intangible - Proprietary Database | | 2,576 |
| Intangible - Customer Relationships | | 7,267 |
| Total assets | | 10,665 |
| | | |
| LIABILITIES | | |
| Accounts payable | | 15 |
| Accrued expenses and deferred revenue | | 1,670 |
| Deferred income tax liabilities, net | | 2,460 |
| Total liabilities | | 4,145 |
| | | |
| Net assets acquired | $ | 6,520 |

The following table sets forth the revenue and expenses of GdW, prior to intercompany eliminations, that are included in the Company's condensed consolidated statement of income for the fiscal year ended March 31, 2022 (in thousands):

| | | **Income Statement Post-Acquisition** |
|---|---|---|
| Revenue | $ | 887 |
| Cost of Sales | | 145 |
| Operating Expenses | | 701 |
| Operating Income | | 41 |
| Non-operating income | | 19 |
| Net income | $ | 60 |

Pro forma financial information is not presented as the results are not material to the Company's consolidated financial statements.

## 3. MAJOR CUSTOMER

Approximately 36% and 41% of the Company’s consolidated revenues were derived from services performed for FedEx Corporation in fiscal 2023 and 2022, respectively. Approximately 16% and 15% of the Company’s consolidated accounts receivable at March 31, 2023 and 2022, respectively, were due from FedEx Corporation.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures and reports financial assets and liabilities at fair value. Fair value measurement is classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

*Assets Measured and Recorded at Fair Value on a Recurring Basis*

The following consolidated balance sheet items are measured at fair value on a recurring basis (in thousands):

| | Fair Value Measurements at March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Marketable securities (including restricted investments) (Level 1) | $ 2,161 | $ 2,550 |
| Interest rate swaps (Level 2) | 2,420 | 889 |
| Contrail's redeemable non-controlling interest (Level 3) | $ 7,972 | $ 7,178 |

The fair values of our interest rate swaps are based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. Since these inputs are observable in active markets over the terms that the instruments are held, the derivatives are classified as Level 2 in the hierarchy. See Note 9.

The fair value of Contrail's redeemable non-controlling interest is based on a combination of market approach and income approach and is classified as Level 3 in the hierarchy. See Note 24.

The fair value measurements which use significant observable inputs (Level 3), changed due to the following (in thousands):

| | Contrail's Redeemable Non-Controlling Interest |
|---|---|
| Beginning Balance as of April 1, 2022 | $ 7,178 |
| Contribution from non-controlling member | — |
| Distribution to non-controlling member | — |
| Net loss attributable to non-controlling interests | (954) |
| Fair value adjustment - Contrail (Note 24) | 1,748 |
| Ending Balance as of March 31, 2023 | $ 7,972 |

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, restricted cash, accounts receivable, notes receivable and accounts payable approximate their fair values at March 31, 2023 and 2022.

*Assets Measured and Recorded at Fair Value on a Nonrecurring Basis*

The Company determines fair value of engine assets on lease or held for lease by reference to independent appraisals, quoted market prices (e.g. an offer to purchase) and other factors such as current data from manufacturers as well as specific market sales. An impairment charge is recorded when the carrying value of the asset exceeds its fair value. The Company used Level 2 inputs to measure write-downs of engine assets on lease or held for lease. As of March 31, 2023, as a result of our year-end valuation, we did not identify any impairment on our engine assets on lease or held for lease.

5. INVENTORIES

Inventories consisted of the following (in thousands):

| | Year Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Overnight air cargo: | | |
| Finished goods | 546 | 28 |
| Ground equipment manufacturing: | | |
| Raw materials | 4,589 | 4,688 |
| Work in process | 153 | 2,437 |
| Finished goods | 6,976 | 9,264 |
| Corporate and other: | | |
| Raw materials | 794 | 705 |
| Finished goods | 726 | 728 |
| Commercial jet engines and parts: | | |
| Whole engines available for sale or tear-down | 10,141 | 15,403 |
| Parts | 50,813 | 45,036 |
| Total inventories | 74,738 | 78,289 |
| Reserves | (3,613) | (3,122) |
| Total inventories, net of reserves | $ 71,125 | $ 75,167 |

A write-down of $7.3 million was recorded on the inventory of the commercial jet engines and parts segment during the fiscal year ended March 31, 2023, of which, $5.4 million was due to a management decision to monetize three engines by sale to a third party, in which the net carrying values exceeded the estimated proceeds. The remainder of the write-down was attributable to our evaluation of the carrying value of inventory as of March 31, 2023, where we compared its cost to its net realizable value and considered factors such as physical condition, sales patterns and expected future demand to estimate the amount necessary to write down any slow moving, obsolete or damaged inventory.

## 6. LESSOR ARRANGEMENTS

*Assets on lease*

The Company leases equipment to third parties, primarily through Contrail which leases engines to aviation customers with lease terms between 1 and 3 years under operating lease agreements. For the assets currently on lease, there are no options for the lessees to purchase the assets at the end of the leases. The Company depreciates the engines on a straight-line basis over the assets' useful life from the acquisition date to a residual value. Depreciation expense relating to engines on lease was $1.6 million and $0.3 million for the fiscal years ended March 31, 2023 and 2022, respectively.

Future minimum rental payments to be received do not include contingent rentals that may be received under certain leases because amounts are based on usage. Contingent rent earned totaled approximately $0 and $0.1 million for the fiscal years ended March 31, 2023 and 2022, respectively. As of March 31, 2023, future minimum rental payments to be received under non-cancelable leases are as follows (in thousands):

| **Year ended March 31,** | | |
|---|---|---|
| 2024 | $ | 94 |
| 2025 | | 83 |
| 2026 | | 7 |
| 2027 | | — |
| 2028 | | — |
| Thereafter | | — |
| Total | $ | 184 |

As of March 31, 2023, Contrail has received its return-to-condition compensation ("engine compensation") in the amount of $4.6 million on a previously leased engine that terminated in December 2022.

*Office leases*

The Company, through its wholly owned subsidiary, Wolfe Lake, leases offices to third parties with lease terms between 5 and 29 years under operating lease agreements. For the offices currently on lease, there are no options for the lessees to purchase the spaces at the end of the leases. The Company depreciates the assets on a straight-line basis over the assets' useful life. Depreciation expense relating to office leases was $0.3 million and $0.1 million for the fiscal years ended March 31, 2023 and 2022, respectively.

We recognized rental and other revenues related to operating lease payments of $1.4 million and $0.4 million, respectively, of which variable lease payments were $0.6 million and $0.2 million during the fiscal years ended March 31, 2023 and 2022, respectively. Future minimum rental payments to be received do not include variable lease payments that may be received under certain leases because amounts are based on usage. The following table sets forth the undiscounted cash flows for future minimum base rents to be received from customers for office leases in effect as of March 31, 2023:

| **Year ended March 31,** | | |
|---|---|---|
| 2024 | $ | 921 |
| 2025 | | 863 |
| 2026 | | 852 |
| 2027 | | 839 |
| 2028 | | 727 |
| Thereafter | | 3,139 |
| Total | $ | 7,341 |

## 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

| | Year Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Furniture, fixtures and equipment | $ 6,547 | $ 6,470 |
| Leasehold improvements | 7,666 | 6,297 |
| Building | 13,850 | 13,850 |
| | 28,063 | 26,617 |
| Accumulated depreciation | (6,624) | (5,405) |
| Property and equipment, net | $ 21,439 | $ 21,212 |

8. INTANGIBLES

Intangibles consisted of the following (in thousands):

| | Year Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Purchased software | $ 544 | $ 447 |
| Internally developed software | 3,672 | 4,112 |
| In-place lease and other intangibles | 1,094 | 1,108 |
| Customer relationships | 8,050 | 7,694 |
| Patents | 1,112 | 1,112 |
| Other | 1,782 | 1,391 |
| | 16,254 | 15,864 |
| Accumulated amortization | (4,191) | (2,947) |
| | 12,063 | 12,917 |
| In-process software | 40 | 343 |
| Intangible assets, total | $ 12,103 | $ 13,260 |

In the fiscal year ended March 31, 2023, the Company impaired $0.3 million of previously capitalized costs related to a software project that was deemed no longer probable to be completed and placed in service.

The components of purchased intangible assets for WASI were as follows (in thousands):

| | March 31, 2023 | | | |
|---|---|---|---|---|
| | Average Remaining Amortization Period | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Customer relationships | 8 years, 10 months | $ 683 | $ 13 | 670 |
| Other | 14 years, 4 months | 361 | 4 | 357 |
| | 10 years, 9 months | $ 1,044 | $ 17 | $ 1,027 |

Based on the intangible assets recorded at March 31, 2023 and assuming no subsequent additions to or impairment of the underlying assets, the remaining estimated annual amortization expense is expected to be as follows:

| (In thousands) | Amortization |
|---|---|
| 2024 | $ 1,236 |
| 2025 | 1,165 |
| 2026 | 1,081 |
| 2027 | 1,025 |
| 2028 | 976 |
| Thereafter | 6,580 |
| | $ 12,063 |

9. INVESTMENTS IN SECURITIES AND DERIVATIVE INSTRUMENTS

As part of the Company's interest rate risk management strategy, the Company, from time to time, uses derivative instruments to minimize significant unanticipated earnings fluctuations that may arise from rising variable interest rate costs associated with existing borrowings (Air T - Term Note A and Air T - Term Note D). To meet these objectives, the Company entered into interest rate swaps with notional amounts consistent with the outstanding debt to provide a fixed rate of 4.56% and 5.09%, respectively, on Term Notes A and D. The swaps mature in January 2028.

On August 31, 2021, Air T and MBT refinanced Term Note A and fixed its interest rate at 3.42%. As a result of this refinancing, the Company determined that the interest rate swap on Term Note A was no longer an effective hedge. The Company will amortize the fair value of the interest-rate swap contract included in accumulated other comprehensive income (loss) associated with Term Note A at the time of de-designation into earnings over the remainder of its term. In addition, any changes in the fair value of Term Note A's swap after August 31, 2021 are recognized directly into earnings. The remaining swap contract associated with Term Note D is designated as an effective cash flow hedging instrument in accordance with ASC 815.

On January 7, 2022, Contrail completed an interest rate swap transaction with Old National Bank ("ONB") with respect to the $43.6 million loan made to Contrail in November 2020 pursuant to the Main Street Priority Loan Facility as established by the U.S. Federal Reserve ("Contrail - Term Note G"). The purpose of the floating-to-fixed interest rate swap transaction was to effectively fix the loan interest rate at 4.68%. As of February 24, 2022, this swap contract has been designated as a cash flow hedging instrument and qualified as an effective hedge in accordance with ASC 815. During the period between January 7, 2022 and February 24, 2022, the Company recorded a loss of approximately $0.1 million in the consolidated statement of income (loss) due to the changes in the fair value of the instrument prior to the designation and qualification of this instrument as an effective hedge. After it was deemed an effective hedge, the Company recorded changes in the fair value of the instrument in the consolidated statement of comprehensive income (loss). On March 30, 2023, Contrail made a prepayment of $6.7 million on Contrail - Term Note G. As a result of this prepayment, the Company determined that the interest rate swap on Contrail - Term Note G was no longer an effective hedge. The Company will amortize the fair value of the interest-rate swap contract included in accumulated other comprehensive income (loss) associated with Contrail - Term Note G at the time of de-designation into earnings over the remainder of its term. In addition, any changes in the fair value of Contrail - Term Note G's swap after March 30, 2023 are recognized directly into earnings.

For the swaps related to Air T Term Note D and Contrail - Term Note G (prior to March 30, 2023), the effective portion of changes in the fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the consolidated statement of income (loss) as interest expense in the same period in which the underlying hedged transactions affect earnings. The interest rate swaps are considered Level 2 fair value measurements. As of March 31, 2023 and March 31, 2022, the fair value of the interest-rate swap contracts was an asset of $2.4 million and $0.9 million, respectively, which is included within other assets in the consolidated balance sheets. During the years ended March 31, 2023 and 2022, the Company recorded a gain of approximately $1.0 million and $0.9 million, net of tax, respectively, in the consolidated statement of comprehensive income (loss) for changes in the fair value of the instruments.

The Company may, from time to time, employ trading strategies designed to profit from market anomalies and opportunities it identifies. Management uses derivative financial instruments to execute those strategies, which may include options, and futures contracts. These derivative instruments are priced using publicly quoted market prices and are considered Level 1 fair value measurements. During the fiscal year ended March 31, 2023, the Company recorded no gain and $0.3 million loss related to these derivative instruments. During the fiscal year ended March 31, 2022, the Company did not record any gain or loss related to these derivative instruments.

The following table presents these derivative instruments at fair value in the condensed consolidated balance sheets as of March 31, 2023 and March 31, 2022 (in thousands):

| (In thousands) | March 31, 2023 | March 31, 2022 |
|---|---|---|
| **Assets:** | | |
| Exchange-traded options & futures | | |
| Other current assets | $ 179 | $ — |
| **Total assets** | 179 | — |
| **Liabilities:** | | |
| Exchange-traded options & futures | | |
| Accrued Expenses and other | 2 | — |
| **Total liabilities** | $ 2 | $ — |

The Company also invests in exchange-traded marketable securities and accounts for that activity in accordance with ASC 321, Investments- Equity Securities. Marketable equity securities are carried at fair value, with changes in fair market value included in the determination of net income (loss). The fair market value of marketable equity securities is determined based on quoted market prices in active markets. During the fiscal year ended March 31, 2023, the Company had a gross unrealized gain aggregating to $0.5 million and a gross unrealized loss aggregating to $0.9 million. During the fiscal year ended March 31, 2022, the Company had a gross unrealized gain aggregating to $2.8 million and a gross unrealized loss aggregating to $2.4 million. These unrealized gains and losses are included in Other income (loss) on the consolidated statement of income (loss).

The market value of the Company's equity securities and cash held by the broker are periodically used as collateral against any outstanding margin account borrowings. As of March 31, 2023 and 2022, the Company had $0.1 million and $0 of outstanding borrowings under its margin account, respectively. As of March 31, 2023 and 2022, the Company had cash margin balances related to exchange-traded equity securities and securities sold short of $0.2 million and $0, respectively, which is reflected in other current assets on the consolidated balance sheets. The interest rate on margin account borrowings was 6.33% as of March 31, 2023.

10. EQUITY METHOD INVESTMENTS

The Company’s investment in Insignia is accounted for under the equity method of accounting. The Company has elected a three-month lag upon adoption of the equity method. As of March 31, 2023, the number of Insignia's shares owned by the Company was 0.5 million, representing approximately 27% of the outstanding shares. During the fiscal year ended March 31, 2021, due to loss attributions and impairments taken in prior fiscal years, the Company's net investment basis in Insignia was reduced to $0. On August 23, 2021, Insignia restated its 10-K for the fiscal year ended December 31, 2020 and its 10-Q for the quarter ended March 31, 2021. The Company evaluated these restatements and determined that they would not result in any additional impact on the Company's condensed consolidated financial statements. During the three months ended September 30, 2022, Insignia recorded net income of $11.8 million, which was primarily driven by a gain on litigation settlement of $12.0 million. During the fiscal year ended March 31, 2023, the Company's share of Insignia's net income for twelve months ended December 31, 2022 was $3.1 million. The Company applied $1.4 million to offset the cumulative value of unrecorded share of losses, resulting in net income recognition of $1.7 million. As of March 31, 2023, the Company's net investment basis in Insignia is $1.7 million.

The Company's 20.1% investment in CCI is accounted for under the equity method of accounting. Due to the differing fiscal year-ends, the Company has elected a three-month lag to record the CCI investment at cost, with a basis difference of $0.3 million. For the fiscal year ended March 31, 2023, the Company recorded income of $0.8 million as its share of CCI's net income for the twelve months ended December 31, 2022, along with a basis difference adjustment of $50.0 thousand. The Company's net investment basis in CCI is $3.1 million as of March 31, 2023. During the quarter ended December 31, 2022, the Company also paid off the $2.0 million promissory note payable to CCI. See Note 14.

Summarized audited financial information for the Company's equity method investees for the twelve months ended December 31, 2022 and December 31, 2021 are as follows (in thousands):

| | Twelve Months Ended December 31, 2022 | Twelve Months Ended December 31, 2021 |
|---|---|---|
| Revenue | $ 146,399 | $ 115,051 |
| Gross Profit | 20,668 | 5,642 |
| Operating income (loss) | 16,631 | (9,627) |
| Net income (loss) | 14,256 | (7,473) |
| Net income (loss) attributable to Air T, Inc. stockholders | $ 2,473 | $ (815) |

## 11. EMPLOYEE RETENTION CREDIT

The ERC, as originally enacted on March 27, 2020 by the CARES Act, is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The Taxpayer Certainty and Disaster Tax Relief Act (the "Relief Act"), enacted on December 27, 2020, amended, and extended the ERC. The Relief Act extended and enhanced the ERC for qualified wages paid after December 31, 2020 through June 30, 2021. Under the Relief Act, eligible employers may claim a refundable tax credit against certain employment taxes equal to 70% of the qualified wages an eligible employer pays to employees after December 31, 2020 through June 30, 2021. Under the American Rescue Plan Act of 2021 ("ARPA"), which was signed into law on March 11, 2021, the ERC was further extended through December 31, 2021. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period because of the COVID-19 outbreak.

The Company qualified for federal government assistance through the ERC provisions for the period between January 1, 2021 and September 30, 2021. As of March 31, 2022, we recognized the one-time refunds totaling $9.1 million which was included on the Consolidated Balance Sheets as an Employee Retention Credit receivable, as well as on the Consolidated Statements of Income (Loss) as an offset to the related employee expenses within general and administrative expenses in the fiscal year ended March 31, 2022. During the fiscal year ended March 31, 2023, the Company received $8.2 million of the total refunds, leaving $0.9 million in the Employee Retention Credit receivable.

## 12. ACCRUED EXPENSES

| (In thousands) | Year ended March 31, 2023 | 2022 |
|---|---|---|
| Salaries, wages and related items | $ 4,748 | $ 4,232 |
| Profit sharing and bonus | 1,672 | 1,365 |
| Other deposits | 2,560 | 2,948 |
| Other | 4,153 | 4,846 |
| Total | $ 13,133 | $ 13,391 |

13. LESSEE ARRANGEMENTS

The Company has operating leases for the use of real estate, machinery, and office equipment. The majority of our leases have a lease term of 2 to 5 years; however, we have certain leases with longer terms of up to 30 years. Many of our leases include options to extend the lease for an additional period.

The lease term for all of the Company's leases includes the non-cancellable period of the lease, plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor that is considered likely to be exercised.

Payments due under the lease contracts include fixed payments plus, for some of our leases, variable payments. Variable payments are typically operating costs associated with the underlying asset and are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Our leases do not contain residual value guarantees.

The Company has elected to combine lease and non-lease components as a single component and not to recognize leases on the balance sheet with an initial term of one year or less.

The interest rate implicit in lease contracts is typically not readily determinable, and as such the Company utilizes the incremental borrowing rate to calculate lease liabilities, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The components of lease cost for the fiscal years ended March 31, 2023 and 2022 are as follows (in thousands):

| | Twelve Months Ended March 31, 2023 | Twelve Months Ended March 31, 2022 |
|---|---|---|
| Operating lease cost | $ 2,078 | $ 2,102 |
| Short-term lease cost | 730 | 603 |
| Variable lease cost | 625 | 722 |
| Total lease cost | $ 3,433 | $ 3,427 |

Amounts reported in the consolidated balance sheets for leases where we are the lessee as of the fiscal years ended March 31, 2023 and 2022 were as follows (in thousands):

| | March 31, 2023 | March 31, 2022 |
|---|---|---|
| **Operating leases** | | |
| Operating lease ROU assets | $ 11,666 | $ 7,354 |
| Operating lease liabilities | $ 12,435 | $ 8,177 |
| | | |
| **Weighted-average remaining lease term** | | |
| Operating leases | 12 years, 10 months | 13 years, 5 months |
| | | |
| **Weighted-average discount rate** | | |
| Operating leases | 4.95 % | 4.33 % |

Maturities of lease liabilities under non-cancellable leases where we are the lessee as of the fiscal year ended March 31, 2023 are as follows (in thousands):

| | Operating Leases |
|---|---|
| 2024 | $ 2,265 |
| 2025 | 2,112 |
| 2026 | 1,827 |
| 2027 | 1,674 |
| 2028 | 1,202 |
| Thereafter | 8,944 |
| **Total undiscounted lease payments** | 18,024 |
| Interest | (4,698) |
| Discount | (891) |
| **Total lease liabilities** | $ 12,435 |

## 14. FINANCING ARRANGEMENTS

Borrowings of the Company and its subsidiaries are summarized below at March 31, 2023 and March 31, 2022, respectively.

On June 9, 2022, the Company, Jet Yard and MBT entered into Amendment No. 1 to Third Amended and Restated Credit Agreement ("Amendment") and a related Overline Note ("Overline Note") in the original principal amount of $5.0 million. The Amendment and Note memorialize an increase to the amount that may be drawn by the Company on the MBT revolving credit agreement from $17.0 million to $22.0 million. The borrowing base calculation methodology remains unchanged.

The interest rate on borrowings under the facility that are less than $17.0 million remains at the greater of 2.50% or Prime minus 1.00%. The interest rate applicable to borrowings under the facility that exceed $17.0 million is the greater of 2.50% or Prime plus 0.50%. The commitment fee on unused borrowings below $17.0 million remains at 0.11%. The commitment fee on unused borrowings above $17.0 million is 0.20%. The Amendment also includes an additional covenant to the credit agreement, namely the requirement that the Company provide inventory appraisals for AirCo, AirCo Services and Worthington to MBT twice a year.

Each of the Company subsidiaries that has guaranteed the MBT revolving facility executed a guaranty acknowledgment in which they agreed to guaranty the Overline Note and acknowledged, among other things, that the Overline Note would not impair the lenders rights under the previously executed guaranty or security agreement.

The Overline Note and commitment matures on the earlier of March 31, 2023 or the date on which the Company receives all funds from the Company's Employee Retention Credit ("ERC") application (estimated at approximately $9.1 million) plus the full receipt of the Company's carryback tax refund for the year (estimated at approximately $2.6 million). As of March 31, 2023, the Overline Note was paid in full and terminated.

On September 30, 2022, the Company executed a promissory note payable to CCI ("Promissory Note - CCI") for $2.0 million that bears interest at 10.00% per annum and matured on December 30, 2022. As of December 31, 2022, this note has been repaid without penalty.

On November 8, 2022, Contrail entered into the Second Amendment to Master Loan Agreement (the "Amendment") with ONB. The Amendment amends the Master Loan Agreement dated as of June 24, 2019, as amended. The principal revisions made in the Amendment are: (i) the tangible net worth covenant was revised to require that Contrail maintain a tangible net worth of at least $12.0 million at all times prior to March 31, 2024 and $15.0 million at all times on or following March 31, 2024; and, (ii) that all proceeds from certain asset sales during the period beginning on October 1, 2022 and ending on March 31, 2023 be applied as prepayments on Term Loan G. Contrail executed a Collateral Assignment of two Aircraft engines in connection with the Amendment.

On January 31, 2022 the Company funded the WASI acquisition through (i) a promissory note to Worldwide Aviation, LLC, (ii) cash, and (iii) an additional secured loan from MBT. The promissory note to Worldwide Aviation, LLC in the amount of $1.5 million bears a fixed interest rate of 6.00% and is payable via periodic payments up to the January 1, 2026 maturity date. In connection with the acquisition, the Company and Jet Yard entered Amendment No. 2 to the Third Amended and Restated Credit Agreement ("Amendment No. 2") with MBT. Amendment No. 2 amends the Third Amended and Restated Credit Agreement dated as of August 31, 2021 as amended by that certain Amendment No. 1 to the Third Amended and Restated Credit Agreement dated June 9, 2022. Amendment No. 2 provides for a new term loan ("Term Loan F") in the amount of $1.0 million to help finance a portion of the consideration paid by the Company for WASI. Pursuant to the amendment, the Company executed Term Note F in favor of MBT in the original principal amount of $1.0 million. The note bears interest at a rate equal to the greater of six percent (6.00%) or the prime rate plus one percent (1.00%). The note obligates the Company to make monthly payments of principal plus accrued interest commencing March 1, 2023. The note may be prepaid, in whole or part, at any time without penalty and final payment of all amounts due under the note is due January 31, 2028.

On March 22, 2023, Contrail entered into the First Amendment to Second Amendment to Master Loan Agreement and Third Amendment to Master Loan Agreement ("the Amendment") with ONB. The Amendment amends the Master Loan Agreement dated June 24, 2019 with principal revisions to: (i) Section 3 of the Second Amendment was revised so that exclusion of certain gains and losses from the definition of "net income" applies through September 30, 2023, not March 31, 2023; (ii) Section 5 of the Second Amendment relating to prepayment of Term Loan G was amended to eliminate the requirement that all asset sales during the period beginning with October 1, 2022 and ending on March 31, 2023 be applied as prepayments on Term Loan G; instead, the Amendment provision now reflects the agreement that voluntary payments totaling $20.0 million would be made by the borrower on Term Loan G no later than September 30, 2023; and, (iii) a revolving note resting period covenant was added to the Amendment whereby the outstanding principal balance on the revolving note would be paid to zero (0) for at least thirty (30) consecutive days during each annual period ending on the anniversary date of the revolving note, provided the borrower has not achieved a debt service coverage ratio of 1.10:1. As mentioned in Note 9, during the quarter ended March 31, 2023, Contrail made a prepayment of $6.7 million on Term Loan G without penalty.

The following table provides certain information about the current financing arrangements of the Company's and its subsidiaries as of March 31, 2023 and 2022:

| (In Thousands) | March 31, 2023 | March 31, 2022 | Maturity Date | Interest Rate | Unused commitments |
|---|---|---|---|---|---|
| **Air T Debt** | | | | | |
| Revolver - MBT | $ 8,742 | $ 10,969 | 8/31/2023[1] | Greater of 2.50% or Prime - 1.00% | $ 8,258 |
| Overline Note - MBT | — | — | 3/31/2023[2] | Greater of 2.50% or Prime + 0.50% | |
| Term Note A - MBT | 7,762 | 8,542 | 8/31/2031 | 3.42% | |
| Term Note B - MBT | 2,740 | 3,014 | 8/31/2031 | 3.42% | |
| Term Note D - MBT | 1,338 | 1,405 | 1/1/2028 | 1-month LIBOR + 2.00% | |
| Term Note E - MBT | 800 | 2,316 | 6/25/2025 | Greater of LIBOR + 1.50% or 2.50% | |
| Term Note F - MBT | 983 | — | 1/31/2028 | Greater of 6.00% or Prime + 1.00% | |
| Promissory Note - CCI | — | — | 12/30/2022 | 10.00% | |
| Debt - Trust Preferred Securities | 25,598 | 25,567 | 6/7/2049 | 8.00% | |
| Total | 47,963 | 51,813 | | | |
| | | | | | |
| **AirCo 1 Debt** | | | | | |
| Term Loan - Park State Bank ("PSB") | 6,393 | 6,393 | 12/11/2025 | 3-month LIBOR + 3.00%[3] | |
| Total | 6,393 | 6,393 | | | |
| | | | | | |
| **Jet Yard Debt** | | | | | |
| Term Loan - MBT | 1,844 | 1,943 | 8/31/2031 | 4.14% | |
| Total | 1,844 | 1,943 | | | |
| | | | | | |
| **Contrail Debt** | | | | | |
| Revolver - ONB | 12,441 | 3,843 | 9/5/2023 | 1-month LIBOR + 3.45%[4] | 12,559 |
| Term Loan G - ONB | 38,180 | 44,918 | 11/24/2025 | 1-month LIBOR + 3.00%[5] | |
| Term Loan H - ONB | — | 8,698 | 8/18/2023 | Wall Street Journal (WSJ) Prime Rate + 0.75% | |
| Total | 50,621 | 57,459 | | | |
| | | | | | |
| **Delphax Solutions Debt** | | | | | |
| Canadian Emergency Business Account Loan | 30 | 32 | 12/31/2025 | 5.00% | |
| Total | 30 | 32 | | | |
| | | | | | |
| **Wolfe Lake Debt** | | | | | |
| Term Loan - Bridgewater | 9,586 | 9,837 | 12/2/2031 | 3.65% | |
| Total | 9,586 | 9,837 | | | |
| | | | | | |
| **Air T Acquisition 22.1** | | | | | |
| Term Loan - Bridgewater | 4,500 | 5,000 | 2/8/2027 | 4.00% | |
| Term Loan A - ING | 2,610 | 3,341 | 2/1/2027 | 3.50% | |
| Term Loan B - ING | 1,088 | 1,114 | 5/1/2027 | 4.00% | |
| Total | 8,198 | 9,455 | | | |
| | | | | | |
| **WASI Debt** | | | | | |
| Promissory Note - Seller's Note | 1,279 | — | 1/1/2026 | 6.00% | |
| Total | 1,279 | — | | | |
| | | | | | |
| Total Debt | 125,914 | 136,932 | | | |
| | | | | | |
| Unamortized Debt Issuance Costs | (829) | (1,124) | | | |
| **Total Debt, net** | **$ 125,085** | **$ 135,808** | | | |

Fiscal 2023's weighted average interest rate on short term borrowings outstanding was 7.77% . The weighted average interest rate on short term borrowings outstanding as of March 31, 2022 was 3.90%.

The Air T revolving credit facility and the Contrail revolving credit facility contain affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur or guarantee indebtedness, incur liens, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, make changes in the nature of its business, and engage in transactions with affiliates.

The obligations of Contrail under the Contrail Credit Agreement with ONB are secured by a first-priority security interest in substantially all of the assets of Contrail. The obligations of Contrail under the Contrail Credit Agreement are also guaranteed by the Company, up to a maximum of $1.6 million, plus costs of collection. The Company is not liable for any other assets or liabilities of Contrail and there are no cross-default provisions with respect to Contrail's debt in any of the Company's debt agreements with MBT.

At March 31, 2023, our contractual financing obligations, including payments due by period, are as follows (in thousands):

| Fiscal year ended | Amount |
|---|---|
| 2024 | $ 38,736 |
| 2025 | 10,878 |
| 2026 | 27,034 |
| 2027 | 5,538 |
| 2028 | 4,016 |
| Thereafter | 39,712 |
| | 125,914 |
| Unamortized Debt Issuance Costs | (829) |
| | $ 125,085 |

The Company assumes various financial obligations and commitments in the normal course of its operations and financing activities. Financial obligations are considered to represent known future cash payments that the Company is required to make under existing contractual arrangements such as debt and lease agreements.

**Fair Value of Debts -** As of March 31, 2023 and 2022, the carrying amounts reported in the consolidated balance sheets for the Company's debt instruments approximate the fair values. Estimated fair values are determined by comparing current borrowing rates and risk spreads offered in the market (Level 2 fair value measures) or quoted market prices (Level 1 fair value measures), when available, to the stated interest rates and spreads on the Company's debts.

**Interest Expense, net** - The components of net interest expense during the years ended March 31, 2023 and March 31, 2022 are as follows (in thousands):

| | March 31, 2023 | March 31, 2022 |
|---|---|---|
| Contractual interest | $ 7,932 | $ 4,808 |
| Amortization of deferred financing costs | 331 | 367 |
| Interest income | (328) | (227) |
| Total | $ 7,935 | $ 4,948 |

[1] On June 23, 2023, the Company and MBT entered into amendments to the MBT revolving credit agreement and related promissory note. The amendments extended the maturity date of the credit facility to August 31, 2024, among other changes. See Note 26.
[2] Earlier of 3/31/23 or the date on which Air T has received the payment from the federal income tax refunds in the amount of approximately $2.6 million and Employee Retention Tax Credits in an amount not less than $9.1 million. As of March 31, 2023, the Overline Note was paid in full and terminated.
[3] On May 26, 2023, AirCo 1 executed an Amendment to Main Street Priority Loan Agreement with PSB. The Amendment replaces the three-month LIBOR benchmark applicable to the loan with a three-month SOFR based rate, which is defined as the three-month SOFR rate plus 3.26%. See Note 26.
[4] Effective May 26, 2023, Contrail amended the Promissory Note Revolving Note with ONB to replace the LIBOR based interest rate with a one-month SOFR based rate. The applicable interest rate is now the one-month SOFR-based rate, as defined in the loan agreement, plus 3.56%. See Note 26.
[5] Effective May 26, 2023, Contrail amended the Promissory Note Term Note G with ONB to replace the one-month LIBOR based interest rate with a one-month SOFR-based rate. The principal amount of the loan was $38.2 million on the effective date of the amended documents and the applicable interest rate is now the one-month SOFR based rate, as defined in the loan agreement, plus 3.11%. See Note 26.

## 15. RELATED PARTY MATTERS

Contrail leases its corporate and operating facilities at Verona, Wisconsin from Cohen Kuhn Properties, LLC, a limited liability company whose membership interests are owned by Mr. Joseph Kuhn, Contrail's Chief Executive Officer and Mrs. Miriam Cohen-Kuhn, Contrail's Chief Financial Officer, equally. The facility consists of approximately 21,000 square feet of warehouse and office space. The Company paid aggregate rental payments of approximately $0.2 million to Cohen Kuhn Properties, LLC pursuant to such lease during the period from April 1, 2022 through March 31, 2023. This lease expires on July 17, 2026. The lease agreement provides that the Company shall be responsible for maintenance of the leased facilities and for utilities, taxes and insurance. The Company believes that the terms of such leases are no less favorable to the Company than would be available from an independent third party.

Gary S. Kohler, a director of the Company, entered into an employment agreement with Blue Clay Capital Management, a wholly-owned subsidiary of the Company, in the Corporate and other segment, to serve as its Chief Investment Officer in return for an annual salary of $51.5 thousand plus variable compensation based on the management and incentive fees to be paid to the subsidiary by certain of these investment funds and eligibility to participate in discretionary annual bonuses.

Nick Swenson, CEO of the Company, is also the majority shareholder of CCI. As of March 31, 2023, Mr. Swenson owned 69.9% of ownership interests in CCI. Under the VIE model, Mr. Swenson is the primary beneficiary of CCI due to the high extent of his ownership relative to other shareholders of CCI, and the lack of shared power between Mr. Swenson and the Company ("the related party group") to direct the activities of CCI that most significantly impact CCI’s economic performance.

Air T Acquisition 22.1's term loan with Bridgewater is secured by a first lien on all of the assets of the Subsidiary, a pledge of $5.0 million, 8.0% TruPs, and a personal guaranty of the Company’s Chairman, President and Chief Executive Officer Nicholas Swenson.

In November 2021, Air T engaged Thomas Funds Americas, LLC ("TFA") to perform certain investment consultation services for the Company. Manit Rye, an employee of Air T, is the managing member of TFA. As of March 31, 2023, the Company has paid approximately $0.1 million to TFA to compensate for services rendered.

16. EMPLOYEE AND NON-EMPLOYEE STOCK OPTIONS

Air T, Inc. maintains two stock option plans for the benefit of certain eligible employees and directors. The first Air T stock option plan is the 2012 Stock Option Plan. The second Air T stock option plan is the 2020 Omnibus Stock and Incentive Plan. In addition, Delphax maintains a number of stock option plans. Compensation expense is recognized over the requisite service period for stock options which are expected to vest based on their grant-date fair values. The Company uses the Black-Scholes option pricing model to value stock options granted under the Air T, Inc. plans and the Delphax plans. The key assumptions for this valuation method include the expected term of the option, stock price volatility, risk-free interest rate and dividend yield. Many of these assumptions are judgmental and highly sensitive in the determination of compensation expense.

***Air T's 2012 Stock Option Plan***

No options were granted under Air T, Inc.'s 2012 Stock Option Plan during the fiscal years ended March 31, 2023 and 2022. No stock-based compensation expense with respect to this plan was recognized for the year ended March 31, 2023 and 2022, respectively. At March 31, 2023, there was no unrecognized compensation expense related to the Air T's 2012 stock options.

In Fiscal 2023, 3,750 options were exercised under the Air T's 2012 Stock Option Plan at $5.75 per share, which was disclosed within our condensed consolidated statement of equity. 7,500 unexpired options remain outstanding under this plan as of March 31, 2023.

Option activity during the fiscal years ended March 31, 2022 and 2023 is summarized below (in thousands, except for shares):

| | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at March 31, 2021 | 11,250 | $ 6.61 | 2.07 | $ 193,000 |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited | — | — | | |
| Repurchased | — | — | | |
| Outstanding at March 31, 2022 | 11,250 | 6.61 | 1.07 | 182,000 |
| Granted | — | — | | |
| Exercised | (3,750) | 5.75 | | |
| Forfeited | — | — | | |
| Repurchased | — | — | | |
| Outstanding at March 31, 2023 | 7,500 | 7.04 | 0.40 | 135,000 |
| Exercisable at March 31, 2023 | 7,500 | $ 7.04 | 0.40 | $ 135,000 |

***Air T's 2020 Omnibus Stock and Incentive Plan***

On December 29, 2020, the Company's Board of Directors unanimously approved the 2020 Omnibus Stock and Incentive Plan (the "Plan"), which was subsequently approved by the Company's stockholders at the August 18, 2021 Annual Meeting of Stockholders. The total number of shares authorized under the Plan is 420,000. Among other instruments, the Plan permits the Company to grant stock option awards. Through March 31, 2023, options to purchase up to 326,000 shares have been granted under the Plan. Vesting of options is based on the grantee meeting specified service conditions. Furthermore, the number of vested options that a grantee is able to exercise, if any, is based on the Company's stock price as of the vesting dates specified in the respective option grant agreements. As of the first vesting date on June 30, 2022, 32,600 shares did not meet the stock price condition and therefore, could not be exercised. As of March 31, 2023, the remaining number of options that grantees are able to exercise is 293,400. The Company uses the Black-Scholes option pricing model to value stock options granted under the Air T's 2020 Omnibus Stock and Incentive Plan. We determined that the fair value of the Plan at inception was $1.3 million.

The key assumptions used in the Plan's Black-Scholes option pricing model are as follows:

| | |
|---|---|
| Risk-free interest rate | 0.94 % |
| Expected dividend yield | — |
| Expected term | 10 years |
| Expected volatility | 44.29 % |

We do not anticipate significant forfeitures and elected to account for forfeitures as they occur. During fiscal years ended March 31, 2023 and 2022, total compensation cost recognized under the Plan was $0.3 million and $0.4 million, respectively. The unrecognized compensation cost related to nonvested awards is $0.6 million, which is expected to be recognized over a weighted average period of 8.25 years.

17. REVENUE RECOGNITION

**Performance Obligations**

Substantially all of the Company's non-lease revenue is derived from contracts with an initial expected duration of one year or less. As a result, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of transaction price, to expense costs incurred to obtain a contract, and to not disclose the value of unsatisfied performance obligations.

The following is a description of the Company's performance obligations as of March 31, 2023:

| Type of Revenue | Nature, Timing of Satisfaction of Performance Obligations, and Significant Payment Terms |
|---|---|
| Product Sales | The Company generates revenue from sales of various distinct products such as parts, aircraft equipment, printing equipment, jet engines, airframes, and scrap metal to its customers. A performance obligation is created when the Company accepts an order from a customer to provide a specified product. Each product ordered by a customer represents a performance obligation.<br><br>The Company recognizes revenue when obligations under the terms of the contract are satisfied; generally, this occurs at a point-in-time upon shipment or when control is transferred to the customer. Transaction prices are based on contracted terms, which are at fixed amounts based on standalone selling prices. While the majority of the Company's contracts do not have variable consideration, for the limited number of contracts that do, the Company records revenue based on the standalone selling price less an estimate of variable consideration (such as rebates, discounts or prompt payment discounts). The Company estimates these amounts based on the expected incentive amount to be provided to customers and reduces revenue accordingly. Performance obligations are short-term in nature and customers are typically billed upon transfer of control. The Company records all shipping and handling fees billed to customers as revenue.<br><br>The terms and conditions of the customer purchase orders or contracts are dictated by either the Company's standard terms and conditions or by a master service agreement or by the contract. |
| Support Services | The Company provides a variety of support services such as aircraft maintenance, printer maintenance, and short-term repair services to its customers. Additionally, the Company operates certain aircraft routes on behalf of FedEx. A performance obligation is created when the Company agrees to provide a particular service to a customer. For each service, the Company recognizes revenues over time as the customer simultaneously receives the benefits provided by the Company's performance. This revenue recognition can vary from when the Company has a right to invoice to the output or input method depending on the structure of the contract and management's analysis.<br><br>For repair-type services, the Company records revenue over-time based on an input method of costs incurred to total estimated costs. The Company believes this is appropriate as the Company is performing labor hours and installing parts to enhance an asset that the customer controls. The vast majority of repair-services are short term in nature and are typically billed upon completion of the service.<br><br>Some of the Company's contracts contain a promise to stand ready as the Company is obligated to perform certain maintenance or administrative services. For most of these contracts, the Company applies the 'as invoiced' practical expedient as the Company has a right to consideration from the customer in an amount that corresponds directly with the value of the entity's performance completed to date. A small number of contracts are accounted for as a series and recognized equal to the amount of consideration the Company is entitled to less an estimate of variable consideration (typically rebates). These services are typically ongoing and are generally billed on a monthly basis. |

In addition to the above type of revenues, the Company also has Leasing Revenue, which is in scope under Topic 842 (Leases) and out of scope under Topic 606 and Other Revenues (Freight, Management Fees, etc.) which are immaterial for disclosure under Topic 606.

The following table summarizes disaggregated revenues by type (in thousands):

| | Year Ended March 31, 2023 | Year Ended March 31, 2022 |
|---|---|---|
| **Product Sales** | | |
| Air Cargo | $ 29,493 | $ 23,011 |
| Ground equipment sales | 47,100 | 40,676 |
| Commercial jet engines and parts | 89,700 | 49,356 |
| Corporate and other | 266 | 285 |
| **Support Services** | | |
| Air Cargo | 60,857 | 51,344 |
| Ground equipment sales | 587 | 518 |
| Commercial jet engines and parts | 9,539 | 7,049 |
| Corporate and other | 4,328 | 1,167 |
| **Leasing Revenue** | | |
| Air Cargo | — | — |
| Ground equipment sales | 154 | 383 |
| Commercial jet engines and parts | 2,365 | 1,156 |
| Corporate and other | 1,582 | 571 |
| **Other** | | |
| Air Cargo | 193 | 54 |
| Ground equipment sales | 644 | 662 |
| Commercial jet engines and parts | 133 | 128 |
| Corporate and other | 382 | 717 |
| **Total** | $ 247,323 | $ 177,077 |

See Note 21 for the Company's disaggregated revenues by geographic region and Note 22 for the Company's disaggregated revenues by segment. These notes disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

*Contract Balances and Costs*

Contract liabilities relate to deferred revenue, our unconditional right to receive consideration in advance of performance with respect to subscription revenue and advanced customer deposits with respect to product sales. The following table presents outstanding contract liabilities as of April 1, 2022 and March 31, 2023 and the amount of contract liabilities that were recognized as revenue during the year ended March 31, 2023 (in thousands):

| | Outstanding Contract Liabilities | Outstanding Contract Liabilities Recognized as Revenue |
|---|---|---|
| As of March 31, 2023 | $ 5,000 | |
| As of April 1, 2022 | 4,727 | |
| For the Year ended March 31, 2023 | | $ (3,984) |

## 18. EMPLOYEE BENEFITS

The Company has a 401(k) defined contribution plan covering domestic employees and an 1165(e) defined contribution plan covering Puerto Rico based employees (“Plans”). All employees of the Company are immediately eligible to participate in the Plans. The Company’s contribution to the Plans for the years ended March 31, 2023 and 2022 was approximately $0.7 million and $0.6 million, respectively, and was recorded in the consolidated statements of income (loss).

The Company, in each of the past three years, has paid a discretionary profit sharing bonus in which all employees have participated. Profit sharing expense in fiscal 2023 and 2022 was approximately $2.4 million and $2.0 million, respectively, and was recorded in general and administrative expenses in the consolidated statements of income (loss).

19. INCOME TAXES

Income tax expense (benefit) attributable to (loss) income from continuing operations consists of (in thousands):

| | Year Ended March 31, 2023 | 2022 |
|---|---|---|
| Current: | | |
| Federal | $ 46 | $ 1,358 |
| State | 150 | 44 |
| Foreign | 845 | 134 |
| Total current | 1,041 | 1,536 |
| Deferred: | | |
| Federal | 29 | (507) |
| State | (442) | 140 |
| Foreign | (196) | — |
| Total deferred | (609) | (367) |
| | | |
| Total | $ 432 | $ 1,169 |

Income tax expense attributable to income (loss) from continuing operations differed from the amounts computed by applying the U.S. Federal income tax rate of 21.0% to pretax income (loss) from continuing operations as follows (in thousands):

| | Year Ended March 31, 2023 | | 2022 | |
|---|---|---|---|---|
| Expected Federal income tax expense (benefit) U.S. statutory rate | $ (2,384) | 21.0% | $ 2,813 | 21.0% |
| State income taxes, net of federal benefit | (558) | 4.9% | 177 | 1.3% |
| Permanent Items | 28 | -0.2% | (165) | -1.2% |
| Micro-captive insurance benefit | (274) | 2.4% | (233) | -1.8% |
| Change in valuation allowance | 3,149 | -27.7% | (2,251) | -16.8% |
| Income attributable to minority interest - Contrail | 190 | -1.7% | (174) | -1.3% |
| Write-off Delphax Tech SAS | — | 0.0% | 2,225 | 16.6% |
| PPP Loan Forgiveness | — | 0.0% | (1,650) | -12.3% |
| Other differences, net | 281 | -2.5% | 427 | 3.2% |
| Income tax expense (benefit) | $ 432 | -3.8% | $ 1,169 | 8.7% |

The Company did not record any liabilities for uncertain tax positions for the fiscal years ended March 31, 2023 and March 31, 2022.

The Company (exclusive of Delphax which has a full valuation allowance) has federal gross operating losses of $1.7 million and state gross operating losses of $9.4 million at March 31, 2023. These net operating losses will begin to expire in tax year 2031. The Company has foreign tax credits of $0.4 million that will begin to expire in tax year 2029.

DSI and Delphax (collectively known as the “Delphax entities”) are not included in Air T’s consolidated tax return. During the year ended March 31, 2023, DSI and Delphax accounted for $0.3 million and $0.0 million, respectively, of fiscal year 2023's valuation allowance effect. During the year ended March 31, 2022, each entity, respectively, accounted for $0.2 million and $(2.2) million of the fiscal year 2022's valuation allowance effect.

Deferred tax assets and liabilities were comprised of the following (in thousands):

| | 2023 | 2022 |
|---|---|---|
| Net operating loss & attribute carryforwards | $ 5,968 | $ 3,794 |
| Unrealized losses on investments | 1,740 | 1,669 |
| Inventory reserve | 851 | 682 |
| Accrued vacation | 421 | 327 |
| Foreign tax credit | 391 | 263 |
| Accounts and notes receivable | 182 | 235 |
| Interest rate swaps | 77 | 138 |
| Investment in partnerships | 1,723 | 671 |
| Lease liabilities | 3,000 | 1,691 |
| Other deferred tax assets | 115 | 286 |
| Total deferred tax assets | 14,468 | 9,756 |
| | | |
| Bargain purchase gain | (191) | (447) |
| Property and equipment | (1,804) | (1,532) |
| Right-of-use assets | (2,815) | (1,511) |
| Capital gain deferment | (1,799) | (1,696) |
| Foreign intangible assets | (2,159) | (2,572) |
| Other deferred tax liabilities | (110) | (36) |
| Total deferred tax liabilities | (8,878) | (7,794) |
| | | |
| Net deferred tax assets | $ 5,590 | $ 1,962 |
| | | |
| Less valuation allowance | (8,007) | (4,774) |
| | | |
| Net deferred tax liabilities | $ (2,417) | $ (2,812) |

***Delphax entities***

Effective on November 24, 2015, Air T, Inc. purchased interests in Delphax. With an equity investment level by the Company of approximately 67%, Delphax is required to continue filing a separate United States corporate tax return. Furthermore, Delphax historically had foreign subsidiaries located in France, Canada and the United Kingdom; all of which file(d) tax returns in those jurisdictions. With few exceptions, Delphax, is no longer subject to examinations by income tax authorities for tax years before 2016.

Delphax maintains a September 30 fiscal year end and DSI maintains a March 31 fiscal year end. The returns for the fiscal years ended September 30, 2022 and March 31, 2023 have not yet been filed. The gross deferred tax balances related to the Delphax entities includes estimated foreign, U.S. federal and U.S. state loss carryforwards of $5.4 million, $8.4 million and $2.2 million, respectively. The net operating losses expire in varying amounts beginning in the tax year 2027.

The provisions of ASC 740 require an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets will be recovered. In accounting for the Delphax entities' tax attributes, the Company has established a full valuation allowance of $3.4 million at March 31, 2023, and $3.1 million at March 31, 2022. The cumulative tax losses incurred by the Delphax entities in recent years was the primary basis for the Company’s determination that a full valuation allowance should be established against the Delphax entities’ net deferred tax assets.

The Company continues to assert that it will permanently reinvest any foreign earnings of DSI in a foreign country and will not repatriate those earnings back to the U.S. As a result of its permanent reinvestment assertion, the Company has not recorded deferred taxes related to DSI under the indefinite exception.

***Valuation Allowance***

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended March 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of March 31, 2023, a valuation allowance of $8.0 million (inclusive of the Delphax entities’ valuation allowances that were discussed above) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

20. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(in thousands, except per share data)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| 2023 | | | | |
| Operating Revenues | $ 50,862 | $ 60,688 | $ 61,396 | $ 74,377 |
| Operating (Loss) Income, net of tax | (802) | (1,336) | 108 | (9,755) |
| Less: (Income) Loss attributable to non-controlling interests | (631) | 104 | (698) | 715 |
| Loss attributable to Air T, Inc. Stockholders | (1,433) | (1,232) | (590) | (9,040) |
| | | | | |
| Basic Loss per share | $ (0.50) | $ (0.43) | $ (0.21) | $ (3.15) |
| Diluted Loss per share | $ (0.50) | $ (0.43) | $ (0.21) | $ (3.15) |
| Antidilutive shares excluded from computation of income (loss) per share | 7 | 4 | 5 | 5 |
| | | | | |
| 2022 | | | | |
| Operating Revenues | 36,968 | 43,238 | 45,433 | 51,438 |
| Operating Income (Loss), net of tax | 327 | 8,003 | (1,189) | 5,086 |
| Less: Income attributable to non-controlling interests | (38) | (448) | (73) | (740) |
| Income (Loss) attributable to Air T, Inc. Stockholders | 289 | 7,555 | (1,262) | 4,346 |
| | | | | |
| Basic Income (Loss) per share | $ 0.10 | $ 2.62 | $ (0.44) | $ 1.51 |
| Diluted Income (Loss) per share | $ 0.10 | $ 2.60 | $ (0.44) | $ 1.51 |
| Antidilutive shares excluded from computation of income (loss) per share | — | — | 11 | — |

21. GEOGRAPHICAL INFORMATION

Total tangible long-lived assets, net of accumulated depreciation, located in the United States, the Company's country of domicile, and similar tangible long-lived assets, net of accumulated depreciation, held outside the United States are summarized in the following table as of March 31, 2023 and March 31, 2022 (in thousands):

| | March 31, 2023 | March 31, 2022 |
|---|---|---|
| United States | $ 21,433 | $ 34,067 |
| Foreign | 89 | 1,654 |
| Total tangible long-lived assets, net | $ 21,522 | $ 35,721 |

The Company's tangible long-lived assets, net of accumulated depreciation, held outside of the United States represent primarily engines on lease or held for lease at March 31, 2023. The net book value located within each individual country at March 31, 2023 is listed below (in thousands):

| Country | March 31, 2023 | March 31, 2022 |
|---|---|---|
| Macau | $ — | $ 1,351 |
| Other | 89 | 303 |
| Total tangible long-lived assets, net | $ 89 | $ 1,654 |

Total revenue, located in the United States, and outside the United States is summarized in the following table as of March 31, 2023 and March 31, 2022 (in thousands):

| | March 31, 2023 | March 31, 2022 |
|---|---|---|
| United States | $ 199,572 | $ 142,898 |
| Foreign | 47,751 | 34,179 |
| Total revenue | $ 247,323 | $ 177,077 |

22. SEGMENT INFORMATION

The Company has four reportable segments: overnight air cargo, ground equipment sales, commercial jet engine and parts and corporate and other. Segment data is summarized as follows (in thousands):

| (In Thousands) | Year Ended March 31, 2023 | 2022 |
|---|---|---|
| Operating Revenues: | | |
| Overnight Air Cargo: | | |
| Domestic | $ 90,370 | $ 65,441 |
| International | 173 | 8,968 |
| Total Overnight Air Cargo | 90,543 | 74,409 |
| Ground Equipment Sales: | | |
| Domestic | 38,652 | 35,089 |
| International | 9,833 | 7,150 |
| Total Ground Equipment Sales | 48,485 | 42,239 |
| Commercial Jet Engines and Parts: | | |
| Domestic | 67,599 | 40,798 |
| International | 34,138 | 16,891 |
| Total Commercial Jet Engines and Parts | 101,737 | 57,689 |
| Corporate and Other: | | |
| Domestic | 2,952 | 1,571 |
| International | 3,606 | 1,169 |
| Total Corporate and Other | 6,558 | 2,740 |
| Total | 247,323 | 177,077 |
| | | |
| Operating (Loss) Income: | | |
| Overnight Air Cargo | 4,047 | 2,794 |
| Ground Equipment Sales | 3,141 | 3,220 |
| Commercial Jet Engines and Parts | (957) | 3,619 |
| Corporate and Other | (10,638) | (878) |
| Total | (4,407) | 8,755 |
| | | |
| Capital Expenditures: | | |
| Overnight Air Cargo | 307 | 148 |
| Ground Equipment Sales | 35 | 156 |
| Commercial Jet Engines and Parts | 572 | 1,204 |
| Corporate and Other | 293 | 50 |
| Total | 1,207 | 1,558 |
| | | |
| Depreciation and Amortization: | | |
| Overnight Air Cargo | 115 | 58 |
| Ground Equipment Sales | 164 | 234 |
| Commercial Jet Engines and Parts | 2,382 | 965 |
| Corporate and Other | 1,501 | 603 |
| Total | $ 4,162 | $ 1,860 |

The table below provides a reconciliation of operating income (loss) to Adjusted EBITDA by reportable segment for the fiscal year ended March 31, 2023 and 2022 (in thousands):

| | Fiscal year 2023 | | | | |
|---|---|---|---|---|---|
| | **Overnight Air Cargo** | **Ground Equipment Sales** | **Commercial Jet Engines and Parts** | **Corporate and Other** | **Total** |
| Operating income (loss) from continuing operations | $ 4,047 | $ 3,141 | $ (957) | $ (10,638) | $ (4,407) |
| Depreciation and amortization (excluding leased engines depreciation) | 115 | 164 | 745 | 1,501 | 2,525 |
| Asset impairment, restructuring or impairment charges | 342 | — | 7,319 [6] | 179 | 7,840 |
| Loss (Gain) on sale of property and equipment | 1 | 9 | (2) | — | 8 |
| Securities expenses | — | — | — | 63 | 63 |
| **Adjusted EBITDA** | **$ 4,505** | **$ 3,314** | **$ 7,105** | **$ (8,895)** | **$ 6,029** |

| | Fiscal year 2022 | | | | |
|---|---|---|---|---|---|
| | **Overnight Air Cargo** | **Ground Equipment Sales** | **Commercial Jet Engines and Parts** | **Corporate and Other** | **Total** |
| Operating income (loss) from continuing operations | $ 2,794 | $ 3,220 | $ 3,619 | $ (878) | $ 8,755 |
| Depreciation and amortization (excluding leased engines depreciation) | 58 | 234 | 694 | 603 | 1,589 |
| Asset impairment, restructuring or impairment charges | — | — | 885 | (80) | 805 |
| Loss on sale of property and equipment | 2 | 1 | 2 | — | 5 |
| Securities expenses | — | — | — | 252 | 252 |
| **Adjusted EBITDA** | **$ 2,854** | **$ 3,455** | **$ 5,200** | **$ (103)** | **$ 11,406** |

[6] Included in the asset impairment, restructuring or impairment charges for the fiscal year ended March 31, 2023 was a write-down of $7.3 million on the commercial jet engines and parts segment's inventory, of which, $5.4 million was due to a management decision to monetize three engines by sale to a third party, in which the net carrying values exceeded the estimated proceeds. The remainder of the write-down was attributable to our evaluation of the carrying value of inventory as of March 31, 2023, where we compared its cost to its net realizable value and considered factors such as physical condition, sales patterns and expected future demand to estimate the amount necessary to write down any slow moving, obsolete or damaged inventory.

23. EARNINGS PER COMMON SHARE

Basic earnings per share has been calculated by dividing net income (loss) attributable to Air T, Inc. stockholders by the weighted average number of common shares outstanding during each period. For purposes of calculating diluted earnings per share, shares issuable under stock options were considered potential common shares and were included in the weighted average common shares unless they were anti-dilutive.

The computation of earnings per common share is as follows (in thousands, except per share data):

| | Year Ended March 31, | |
|---|---|---|
| | 2023 | 2022 |
| Net (loss) income from operations | $ (11,785) | $ 12,227 |
| Net income from operations attributable to non-controlling interests | (510) | (1,299) |
| Net (loss) income from operations attributable to Air T, Inc. Stockholders | (12,295) | 10,928 |
| | | |
| **(Loss) income from operations per share:** | | |
| Basic | $ (4.32) | $ 3.79 |
| Diluted | $ (4.32) | $ 3.78 |
| Antidilutive shares excluded from computation of (loss) income per share | 5 | — |
| | | |
| **Weighted Average Shares Outstanding:** | | |
| Basic | 2,847 | 2,880 |
| Diluted | 2,847 | 2,888 |

24. COMMITMENTS AND CONTINGENCIES

*Contrail Put/Call Option*

Contrail entered into an Operating Agreement in connection with the acquisition of Contrail providing for the governance of and the terms of membership interests in Contrail and including put and call options with the Seller of Contrail. The Contrail Put/Call Option permits the Seller to require Contrail to purchase all of the Seller's equity membership interests in Contrail commencing on the fifth anniversary of the acquisition, which was on July 18, 2021. The Company has presented this redeemable non-controlling interest in Contrail between the liabilities and equity sections of the accompanying consolidated balance sheets. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. The Contrail RNCI is a Level 3 fair value measurement that is valued at $8.0 million as of March 31, 2023. The change in the redemption value compared to March 31, 2022 is an increase of $0.8 million. The increase was driven by $1.8 million of the net change in fair value, offset by $1.0 million of net loss attributable to the non-controlling interest. As of the date of this filing, neither the Seller nor Air T has indicated an intent to exercise the put and call options. If either side were to exercise the option, the Company anticipates that the price would approximate the fair value of the Contrail RNCI, as determined on the transaction date. The Company currently expects that it would fund any required payment from cash provided by operations.

*Contrail Asset Management, LLC and CJVII, LLC*

On May 5, 2021, the Company formed an aircraft asset management business called Contrail Asset Management, LLC ("CAM"), and an aircraft capital joint venture called CJVII, LLC ("CJVII"). The new ventures focus on acquiring commercial aircraft and jet engines for leasing, trading and disassembly. The joint venture, CJVII, was formed as a series LLC ("CJVII Series"). It consists of several individual series that target investments in current generation narrow-body aircraft and engines, building on Contrail's origination and asset management expertise. CAM was formed to serve two separate and distinct functions: 1) to direct the sourcing, acquisition and management of aircraft assets owned by CJVII Series as governed by the Management Agreement between CJVII and CAM ("Asset Management Function"), and 2) to directly invest into CJVII Series alongside other institutional investment partners ("Investment Function").

CAM has two classes of equity interests: 1) common interests and 2) investor interests. Neither interest votes as the entity is operated by a Board of Directors. The common interests of CAM relate to its Asset Management Function. The investor interests of CAM relate to the Company's and Mill Road Capital's ("MRC") investments *through* CAM into CJVII (the Investment Function) and ultimately into the individual CJVII Series. With regard to CAM's common interests, the Company currently owns 90% of the economic common interests in CAM, and MRC owns the remaining 10%. MRC invested $1.0 million directly into CAM in exchange for 10% of the common interests. For the Asset Management Function, CAM receives origination fees, management fees, consignment fees (where applicable) and a carried interest from the direct investors into each CJVII Series. Such fee income and carried interest will be distributed to the Company and MRC in proportion to their respective common interests.

For its Investment Function, CAM's initial commitment to CJVII was approximately $51.0 million. The Company and MRC have commitments to CAM in the respective amounts of $7.0 million and $44.0 million. These represent the investor interests of CAM, separate and distinct from the common interests. Any investment returns on CAM's investor interests are shared pro-rata between the Company and MRC for each individual investment at the CJVII Series. As of March 31, 2023, Air T has fulfilled its Investment Function initial commitment to CAM.

Per its Operating Agreement, CAM is comprised of only two Series: the Onshore and the Offshore Series. Participation in each is determined solely based on whether a potential investment at the CJVII Series is a domestic (Onshore) or international (Offshore) investment. As of March 31, 2023, for its Investment Function, the Company has contributed $6.9 million to CAM's Offshore Series and $0.6 million to CAM's Onshore Series.

The Company determined that CAM is a variable interest entity and that the Company is not the primary beneficiary. This is primarily the result of the Company's conclusion that it does not control CAM's Board of Directors, which has the power to direct the activities that most significantly impact the economic performance of CAM. Accordingly, the Company does not consolidate CAM and has determined to account for this investment using equity method accounting. As of March 31, 2023, the Company's net investment basis in CAM is $5.7 million.

In connection with the formation of CAM, MRC has a fixed price put option of $1.0 million to sell its common equity in CAM to Air T at each of the first three (3) anniversary dates. At the later of (a) five (5) years after execution of the agreement and (b) distributions to MRC per the waterfall equal to their capital contributions, Air T has a call option and MRC has a put option on the MRC common interests in CAM. If either party exercises the option, the exercise price will be fair market value if Air T pays in cash at closing or 112.5% of fair market value if Air T opts to pay in three (3) equal annual installments after exercise. The Company previously recognized $1.0 million within "Other non-current liabilities" with an offset to equity as of March 31, 2022. We subsequently reviewed this accounting treatment and determined that there was no loss contingency that existed under ASC 450 as we did not expect the $1.0 million put option to be exercised in the money to MRC. As such, as of March 31, 2023, the Company reversed the $1.0 million previously recorded. This matter was not material to our consolidated financial statements for any quarterly or annual periods. With respect to the secondary put and call option, as it is priced at fair value, the Company also determined that there is no potential loss or gain upon exercise that would need to be recognized.

*Shanwick Put/Call Option*

In February 2022, in connection with the Company's acquisition of GdW, a consolidated subsidiary of Shanwick, the Company entered into a shareholder agreement with the 30% non-controlling interest owners of Shanwick, providing for the governance of and the terms of membership interests in Shanwick. The shareholder agreement includes the Shanwick Put/Call Option with regard to the 30% non-controlling interest. The non-controlling interest holders are the executive management of the underlying business. The Shanwick Put/Call Option grants the Company an option to purchase the 30% interest at the call option price that equals to the average EBIT over the 3 Financial Years prior to the exercise of the Call Option multiplied by 8. In addition, the Shanwick Put/Call Option also grants the non-controlling interest owners an option to require Air T to purchase from them their respective ownership interests at the Put Option price, that is equal to the average EBIT over the 3 Financial Years prior to the exercise of the Put Option multiplied by 7.5. The Call Option and the Put Option may be exercised at any time from the fifth anniversary of the shareholder agreement and then only at the end of each fiscal year of Air T.

The Company has presented this redeemable non-controlling interest in Shanwick between the liabilities and equity sections of the accompanying condensed consolidated balance sheets. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the estimated redemption value at the end of each reporting period. As the Shanwick RNCI will be redeemed at established multiples of EBIT, it is considered redeemable at other than fair value. Changes in its estimated redemption value are recorded on our consolidated statements of operations within non-controlling interests. The Shanwick RNCI's estimated redemption value is $4.7 million as of March 31, 2023, which was comprised of the following (in thousands):

| | | Shanwick's Redeemable Non-Controlling Interest |
|---|---|---|
| Beginning Balance as of April 1, 2022 | $ | 3,584 |
| Contribution from non-controlling members | | — |
| Distribution to non-controlling members | | (336) |
| Net income attributable to non-controlling interests | | 189 |
| Redemption value adjustments | | 1,301 |
| Ending Balance as of March 31, 2023 | $ | 4,738 |

## 25. SHARES REPURCHASE

On May 14, 2014, the Company announced that its Board of Directors had authorized a program to repurchase up to 750,000 (retrospectively adjusted to 1,125,000 after the stock split on June 10, 2019) shares of the Company's common stock from time to time on the open market or in privately negotiated transactions, in compliance with SEC Rule 10b-18, over an indefinite period. During the year ended March 31, 2023, the Company repurchased 51,794 shares at an aggregate cost of $1.1 million, in which all were recorded as treasury shares. The Company has a total of 208,121 treasury shares as of March 31, 2023.

On August 16, 2022, President Biden signed the Inflation Reduction Act ("IRA") into law. The IRA enacted a 15% corporate minimum tax rate (subject to certain thresholds being met) that will be applicable to the Company beginning in its Fiscal 2024, a 1% excise tax on share repurchases made after December 31, 2022, and created and extended certain tax-related energy incentives. The Company does not currently expect that the tax-related provisions of the IRA will have a material impact on its consolidated financial statements.

As a result of the IRA's enactment into law, the Company is now subject to a 1% excise tax on share repurchases, effective for share repurchases made after December 31, 2022. This excise tax may be reduced for the value of certain share issuances. The excise tax incurred in connection with the Company's stock repurchases during the fourth quarter of Fiscal 2023 was not material.

## 26. SUBSEQUENT EVENTS

Amendment of ONB loans

Effective May 26, 2023, Contrail entered into the Fourth Amendment to Master Loan Agreement and the Amended and Restated Promissory Note Term Note G with ONB. The purpose of the amended documents was to replace the one-month LIBOR based interest rate with a one-month SOFR-based rate. All other material terms of the obligations remain the same. The principal amount of the loan was $38.2 million on the effective date of the amended documents and the applicable interest rate is now the one-month SOFR based rate, as defined in the loan agreement, plus 3.11%.

Effective May 26, 2023, Contrail entered into the First Amendment to Supplement #8 to Master Loan Agreement, the Fifth Amendment to Supplement #2 to the Master Loan Agreement and the Fourth Amended and Restated Promissory Note Revolving Note with ONB. The purpose of the amended documents was to replace the LIBOR based interest rate with a one-month SOFR based rate. All other material terms of the obligation remain the same. The maximum principal amount of the revolving note remains at $25.0 million and the applicable interest rate is now the one-month SOFR-based rate, as defined in the loan agreement, plus 3.56%.

Amendment of PSB Loan Agreement

On May 26, 2023, AirCo 1 executed an Amendment to Main Street Priority Loan Facility Term Loan Agreement with PSB. The Amendment replaces the three-month LIBOR benchmark applicable to the loan with a three-month SOFR based rate, which is defined as the three-month SOFR rate plus 3.26%. The principal amount of the loan was $6.4 million on the effective date of the amended agreement. The interest rate is to be determined on the 11th day of each month on the amounts that remain outstanding, commencing June 11, 2023.

Amendment of MBT Revolving Credit Agreement

On June 23, 2023, the Company and MBT entered into amendments to the MBT revolving credit agreement and related promissory note. The amendments extended the maturity date of the credit facility to August 31, 2024 and include the following changes:

1. A $2.0 million seasonal increase in the maximum amount available under the facility. The maximum amount of the facility will now increase to $19.0 million between May 1 and November 30 of each year and will decrease to $17.0 million between December 1 and April 30 of each year;
2. The reference rate for the interest rate payable on the revolving facility will change from Prime to SOFR, plus a spread. The exact spread over SOFR will change every September 30 and March 31 based on the Company calculated funded debt leverage ratio (defined as total debt divided by EBITDA). Depending on the result of the calculation, the interest rate spread applicable to the facility will range between 2.25% and 3.25%;
3. The unused commitment fee on the revolving credit facility will increase from 0.11% to 0.15%; and,
4. The covenant restricting the Company's use of funds for "Other Investments" was revised to limit the Company to $5.0 million of "Other Investments" per year.

## PART III

Item 14. *Principal Accountant Fees and Services.*

Information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) will be presented under the caption "Audit Committee Pre-approval of Auditor Engagements" and "Audit Fees" in our Proxy Statement to be filed within 120 days of our fiscal year end, is incorporated herein by reference.

## PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements

a. The following are incorporated herein by reference in Item 8 of Part II of this report:

(i) Report of Independent Registered Public Accounting Firm – Deloitte & Touche LLP
(ii) Consolidated Balance Sheets as of March 31, 2023 and 2022.
(iii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended March 31, 2023 and 2022.
(iv) Consolidated Statements of Stockholders' Equity for the years ended March 31, 2023 and 2022.
(v) Consolidated Statements of Cash Flows for the years ended March 31, 2023 and 2022.
(vi) Notes to Consolidated Financial Statements.

2. Exhibits

| No. | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation dated October 30, 2001, Certificate of Amendment to Certificate of Incorporation dated September 25, 2008, Certificate of Designation dated March 26, 2012, and Certificate of Designation dated December 15, 2014, incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2014 (Commission File No. 001-35476)(1) |
| | |
| 3.2 | Certificate of Amendment to Certificate of Incorporation dated August 18, 2021(1) |
| | |
| 3.3 | Amended and Restated By-laws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated November 21, 2012 (Commission File No. 001-35476)(1) |
| | |
| 4.1 | Specimen Common Stock Certificate of Air T, Inc., incorporated by reference to Exhibit 4.1 of the Company's Amended Registration Statement on Form S-1/A dated January 22, 2019 (Registration Number 333-228485)(1) |
| | |

| | |
|---|---|
| 4.2 | Description of Registered Securities, incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended March 31, 2022(1) |
| | |
| 4.3 | Form of Capital Securities Certificate of Air T Funding, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 4.4 | Indenture for the Debentures dated as of June 10, 2019, incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 4.5 | Second Amendment to the Air T Funding Amended and Restated Trust Agreement dated as of March 3, 2021, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 5, 2021 (Commission File No. 001-35476)(1) |
| | |
| 4.6 | Supplemental Indenture dated as of March 3, 2021, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 5, 2021 (Commission File No. 001-35476)(1) |
| | |
| 4.7 | Debenture dated as of June 10, 2019, incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 4.8 | Common Securities Certificate of Air T Funding issued to Air T, Inc. dated as of June 10, 2019, incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 4.9 | Interim Trust Agreement, incorporated by reference to Exhibit 4.11 of the Company's Registration Statement on Form S-1 filed November 20, 2018 (Registration Number 333-228485)(1) |
| | |
| 10.1 | Premises and Facilities Lease dated November 16, 1995 between Global TransPark Foundation, Inc. and Mountain Air Cargo, Inc., incorporated by reference to Exhibit 10.5 to Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1995 (Commission File No. 001-35476) |
| | |
| 10.2 | Second Amendment to Premises and Facilities Lease dated as of October 15, 2015 between Global TransPark Foundation, Inc. and Mountain Air Cargo, Inc., incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (Commission File No. 001-35476)(1) |
| | |
| 10.3 | Air T, Inc. 2005 Equity Incentive Plan, incorporated by reference to Annex C to the Company's proxy statement on Schedule 14A for its annual meeting of stockholders on September 28, 2005, filed with the SEC on August 12, 2005 (Commission File No. 001-35476)*(1) |
| | |
| 10.4 | Form of Air T, Inc. Director Stock Option Agreement (2005 Equity Incentive Plan), incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006 (Commission File No. 001-35476)*(1) |
| | |
| 10.5 | Air T, Inc. 2020 Omnibus Stock and Incentive Plan , incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q dated February 12, 2021 (Commission File No. 001-35476)*(1) |
| | |
| 10.6 | Form of Non-Qualified Stock Option Award Agreement under 2020 Omnibus Stock and Incentive Plan, incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q dated February 12, 2021 (Commission File No. 001-35476)*(1) |
| | |
| 10.7 | Employment Agreement dated as of March 26, 2014 between the Company and Nicholas J. Swenson, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 26, 2014 (Commission File No. 001-35476)*(1) |

| | |
|---|---|
| 10.8 | Employment Agreement between Air T, Inc. and Brian Ochocki dated June 12, 2019, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 18, 2019 (Commission File No. 001-35476)[1] |
| | |
| 10.9 | Form of Air T, Inc. Term Note A in the principal amount of $10,000,000 to Minnesota Bank & Trust, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 18, 2017 (Commission File No. 001-35476)[1] |
| | |
| 10.10 | Amended and Restated Term Note A of Air T, Inc. in the principal amount of $9,000,000 in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.11 | Form of Air T, Inc. Term Note B in the principal amount of $5,000,000 to Minnesota Bank & Trust, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated December 18, 2017 (Commission File No. 001-35476)[1] |
| | |
| 10.12 | Amended and Restated Term Note B of Air T, Inc. in the principal amount of $3,166,666.52 in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.13 | Form of Air T, Inc. Revolving Credit Note in the principal amount of $10,000,000 to Minnesota Bank & Trust dated December 21, 2017, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 18, 2017 (Commission File No. 001-35476)[1] |
| | |
| 10.14 | Form of Air T, Inc. Amended and Restated Revolving Credit Note in the principal amount of $13,000,000 to Minnesota Bank & Trust dated November 12, 2018, incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018 (Commission File No. 001-35476)[1] |
| | |
| 10.15 | Form of Amended and Restated Revolving Credit Note in the principal amount of $17,000,000 to Minnesota Bank & Trust dated March 28, 2019, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 4, 2019 (Commission File No. 001-35476)[1] |
| | |
| 10.16 | Amended and Restated Revolving Credit Agreement, in the principal amount of $17,000,000, dated as of June 26, 2020, by and between Air T, Inc., and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.101 to the Company's Annual Report on Form 10-K dated June 26, 2020 (Commission File No. 001-35476)[1] |
| | |
| 10.17 | Amended and Restated Revolving Credit Note of Air T, Inc. to Minnesota Bank & Trust in the amount of $17,000,000 dated August 31, 2021, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.18 | Amended and Restated Revolving Credit Note of Air T, Inc. to Minnesota Bank & Trust dated as of June 23, 2023.[1] |
| | |
| 10.19 | Form of Credit Agreement between Air T, Inc. and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 18, 2017 (Commission File No. 001-35476)[1] |
| | |
| 10.20 | Form of Amendment No. 1 to Credit Agreement between Air T, Inc. and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 20, 2018 (Commission File No. 001-35476)[1] |
| | |
| 10.21 | Form of Amendment No. 2 to Credit Agreement between Air T, Inc. and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018 (Commission File No. 001-35476)[1] |

| | |
|---|---|
| 10.22 | Form of Amended and Restated Credit Agreement between Air T, Inc. and Minnesota Bank & Trust dated March 28, 2019, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 4, 2019) (Commission File No. 001-35476)[1] |
| | |
| 10.23 | Amendment No. 1 to Amended and Restated Credit Agreement, dated September 24, 2019 by and between Air T, Inc. and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.38 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.24 | Form of Amendment No. 2 to Amended and Restated Credit Agreement, dated December 31, 2019 by and between Air T, Inc. and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 7, 2020 (Commission File No. 001-35476)**[1] |
| | |
| 10.25 | Form of Second Amended and Restated Credit Agreement, dated as of June 26, 2020, by and between Air T, Inc., and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.99 to the Company's Annual Report on Form 10-K dated June 26, 2020 (Commission File No. 001-35476)[1] |
| | |
| 10.26 | Third Amended and Restated Credit Agreement between Air T, Inc. and Minnesota Bank & Trust dated as of August 31, 2021, without exhibits or schedules, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.27 | Amendment No. 1 to Third Amended and Restated Credit Agreement by and between Air T, Inc, Jet Yard, LLC and Minnesota Bank & Trust dated June 9, 2022, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 14, 2022 (Commission file No. 001-35476).[1] |
| | |
| 10.28 | Form of Amendment No. 2 to Third Amended and Restated Credit Agreement between Air T, Inc., Jet Yard, LLC and MBT dated as of January 31, 2023, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 31, 2023(Commission file No. 001-35476).[1] |
| | |
| 10.29 | From of Amendment No. 3 to Third Amended and Restated Credit Agreement between Air T, Inc., Jet Yard, LLC and MBT dated as of June 23, 2023.[1] |
| | |
| 10.30 | Form of Security Agreement, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated December 18, 2017 (Commission file No. 001-35476).[1] |
| | |
| 10.31 | Form of Amended and Restated Security Agreement in favor of Minnesota Bank & Trust dated March 28, 2019, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 4, 2019 (Commission File No. 001-35476)[1] |
| | |
| 10.32 | Amended and Restated Security Agreement by and amount Air T, Inc., the guarantors listed and Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.33 | Form of Air T, Inc. Term Note D in the principal amount of $1,680,000 to Minnesota Bank & Trust, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated February 20, 2018 (Commission File No. 001-35476)[1] |
| | |
| 10.34 | Promissory Note and Business Loan Agreement executed as of March 7, 2018 between Contrail Aviation Support, LLC as Borrower, and Old National Bank as the Lender, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 8, 2018) (Commission File No. 001-35476)[1] |
| | |
| 10.35 | Form of Second Amended and Restated Promissory Note Revolving Note, dated January 24, 2020 in the principal amount of $40,000,000 to Old National Bank, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated June 24, 2019 (Commission File No. 001-35476)[1] |

| | |
|---|---|
| 10.36 | Third Amended and Restated Promissory Note Revolving Note of Contrail Aviation Support, LLC to Old National Bank dated September 2, 2021, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 2, 2021 (Commission File No. 001-35476)(1) |
| 10.37 | Fourth Amended and Restated Promissory Note Revolving Note executed by Contrail Aviation Support, LLC in favor of Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)(1) |
| 10.38 | Form of Amended and Restated Guaranty in favor of Minnesota Bank & Trust dated March 28, 2019, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 4, 2019 (Commission File No. 001-35476)(1) |
| 10.39 | Amended and Restated Guaranty of various Air T subsidiaries in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)(1) |
| 10.40 | Guarantee Acknowledgment dated June 9, 2022, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated June 14, 2022 (Commission file No. 001-35476).(1) |
| 10.41 | Form of Amended and Restated Security Agreement in favor of Minnesota Bank & Trust dated April 3, 2019, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 9, 2019 (Commission File No. 001-35476)(1) |
| 10.42 | Form of Subordination Agreement among AirCo 1, LLC, Air T, Inc. and Minnesota Bank & Trust dated April 3, 2019, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated April 9, 2019 (Commission File No. 001-35476)(1) |
| 10.43 | Form of Loan Agreement between AirCo 1, LLC and Minnesota Bank & Trust dated April 3, 2019, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated April 9, 2019 (Commission File No. 001-35476)(1) |
| 10.44 | Form of Amendment No. 1 to Loan Agreement, dated February 25, 2020 by and between AirCo 1, LLC and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 25, 2020 (Commission File No. 001-35476)(1) |
| 10.45 | Agreement as to Expenses dated as of June 10, 2019, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| 10.46 | Form of Capital Securities Certificate of Air T Funding, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| 10.47 | Capital Securities Guarantee dated as of June 10, 2019, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| 10.48 | Amendment to Capital Securities Guarantee Agreement, effective as of March 31, 2021, dated as of March 31, 2021, by and between Air T, Inc. and Delaware Trust Company incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 31, 2021 (Commission File Nos. 001-35476 and 001-38928)(1) |
| 10.49 | Indenture for the Debentures dated as of June 10, 2019, incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| 10.50 | Supplemental Indenture dated as of March 3, 2021, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 3, 2021 (Commission File No. 001-35476)(1) |

| | |
|---|---|
| | |
| 10.51 | Debenture dated as of June 10, 2019, incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.52 | Common Securities Certificate of Air T Funding issued to Air T, Inc. dated as of June 10, 2019, incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.53 | Interim Trust Agreement, incorporated by reference to Exhibit 4.11 of the Company's Registration Statement on Form S-1 dated November 20, 2018 (Registration Number 333-228485)(1) |
| | |
| 10.54 | Second Amended and Restated Trust Agreement dated as of June 23, 2021, incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.55 | Certificate of Interim Trust dated September 28, 2018, incorporated by reference to Exhibit 4.14 of the Company's Registration Statement on Form S-1 dated November 20, 2018 (Registration Number 333-228485)(1) |
| | |
| 10.57 | Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.58 | First Amendment to Master Loan Agreement, dated November 24, 2020 between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 11, 2020 (Commission File No. 001-35476)(1) |
| | |
| 10.59 | Second Amendment to Master Loan Agreement, dated November 10,2022 between Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.60 | First Amendment to Second Amendment to Master Loan Agreement and Third Amendment to Master Loan Agreement, dated March 22, 2023 between Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC and Old National Bank. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 22, 2023) (Commission File No. 001-35476)(1) |
| | |
| 10.61 | Fourth Amendment to Master Loan Agreement by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)(1) |
| | |
| 10.62 | Supplement #1 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank. incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.63 | Supplement #2 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, and Old National Bank. incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.64 | Form of First Amendment to Supplement #2 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC and Old National Bank, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated June 24, 2019 (Commission File No. 001-35476)(1) |
| | |
| 10.65 | Form of Second Amendment to Supplement #2 to Master Loan Agreement, dated January 24, 2020 by and between Contrail Aviation Support, LLC and Old National Bank, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated June 24, 2019 (Commission File No. 001-35476)(1) |

| | |
|---|---|
| 10.66 | Form of Third Amendment to Supplement #2 to Master Loan Agreement with Exhibit A, dated September 25, 2020 by and between Contrail Aviation Support, LLC and Old National Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 30, 2020) (Commission File No. 001-35476)[1] |
| | |
| 10.67 | Fourth Amendment to Supplement #2 to Master Loan Agreement between Contrail Aviation Support, LLC and Old National Bank effective September 2, 2021, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 2, 2021 (Commission File No. 001-35476)[1] |
| | |
| 10.68 | Fifth Amendment to Supplement #2 to Master Loan Agreement between Contrail Aviation Support, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)[1] |
| | |
| 10.69 | Air T, Inc. Continuing Guaranty in favor of Old National Bank, dated June 24, 2019, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.70 | Contrail Aviation Leasing, LLC Continuing Guaranty in favor of Old National Bank, dated June 24, 2019, incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.71 | Supplement #3 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.72 | Supplement #4 to Master Loan Agreement, dated August 16, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.73 | Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC Term Note C in the principal amount of $13,000,594.00 to Old National Bank, incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.74 | Trustee Aircraft Security Agreement, dated August 16, 2019 by and between Wells Fargo Trust Company, National Association, Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, and Old National Bank, incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.75 | Beneficial Interest Pledge Agreement, dated August 16, 2019 by and between Contrail Aviation Leasing, LLC, and Old National Bank, incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.76 | Form of Declaration of Trust (MSN 29922), dated June 26, 2019 by and between Contrail Aviation Leasing, LLC, Wilmington Trust SP Services (Dublin) Limited, and Contrail Aviation Support, LLC, incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.77 | Supplement #5 to Master Loan Agreement, dated October 30, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |

| | |
|---|---|
| 10.78 | Trustee Aircraft Security Agreement, dated October 30, 2019 by and between Wilmington Trust SP Services (Dublin) Limited, Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, and Old National Bank, incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.79 | Beneficial Interest Pledge Agreement, dated October 30, 2019 by and between Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.80 | Third Trust Assignment and Assumption Agreement, dated July 26, 2019 by and between Sapphire Finance I Holding Designated Activity Company and Contrail Aviation Leasing, LLC, incorporated by reference to Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.81 | Amendment Number Five to Aircraft Lease Agreement, dated June 20, 2019 by and between Wells Fargo Trust Company, National Association and Sun Country, Inc. d/b/a Sun Country Airlines, incorporated by reference to Exhibit 10.37 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.82 | Form of Master Short-Term Engine Lease Agreement, IATA Document No. 5016-01, dated October 2012, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 9, 2019 (Commission File No. 001-35476)** [1] |
| | |
| 10.83 | Purchase Agreement, dated December 13, 2019 by and between Wilmington Trust Services (Dublin) Limited and KG Aircraft Rotables Co., Ltd., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 19, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.84 | Deed of Lease Novation, dated December 20, 2019 by and between Leasing Ireland DAC, CRO No. 662616, MAM Seldon Aviation 2 Designated Activity Company, and SmartLynx Airlines Estonia Oü, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.85 | Form of Supplement #6 to Master Loan Agreement, dated December 19, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, Contrail Aviation Leasing Ireland DAC, CRO No. 662616 and Old National Bank, incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.86 | Form of Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, and Contrail Aviation Leasing Ireland DAC, CRO No. 662616 Term Note E in the principal amount of $6,894,790.00 to Old National Bank, incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.87 | Form of Aircraft Security Agreement, dated December 19, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, Contrail Aviation Leasing Ireland DAC, CRO No. 662616, and Old National Bank, incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.88 | Form of Air T, Inc. Amendment to Continuing Guaranty in favor of Old National Bank, incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |
| 10.89 | Form of Indemnity and Guaranty Agreement, dated December 19, 2019 by and between Contrail Aviation Support, LLC and Contrail Aviation Leasing Ireland DAC, CRO No. 662616, incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K dated December 26, 2019 (Commission File No. 001-35476)**[1] |
| | |

| | |
|---|---|
| 10.90 | Form of Collateral Account Agreement, dated December 31, 2019, by and between Air T OZ 1, LLC and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated January 7, 2020 (Commission File No. 001-35476)**[(1)] |
| | |
| 10.91 | Form of Collateral Account Agreement, dated December 31, 2019, by and between Air T OZ 2, LLC and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated January 7, 2020 (Commission File No. 001-35476)**[(1)] |
| | |
| 10.92 | Form of Collateral Account Agreement, dated December 31, 2019, by and between Air T OZ 3, LLC and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K dated January 7, 2020 (Commission File No. 001-35476)**[(1)] |
| | |
| 10.93 | Form of Supplement #7 to Master Loan Agreement, dated February 3, 2020 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 3, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.94 | Form of Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC Term Note F, dated February 3, 2020 in the principal amount of $8,500,000 to Old National Bank, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 3, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.95 | Form of Aircraft Assets Security Agreement, dated February 3, 2020 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated February 3, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.96 | Form of Air T, Inc. Promissory Note, in the principal amount of $8,215,000 in favor of Minnesota Bank & Trust, dated April 10, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 10, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.97 | Term Note E, in the principal amount of $9,463,000, dated as of June 26, 2020, by and between Air T, Inc., and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.100 to the Company's Annual Report on Form 10-K dated June 26, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.98 | Amended and Restated Term Note E of Air T, Inc. in the principal amount of $3,655,819.22 in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[(1)] |
| | |
| 10.99 | "Jet Yard Collateral Account Agreements" dated as of June 26, 2020, by and between Jet Yard, LLC, and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.102 to the Company's Annual Report on Form 10-K dated June 26, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.100 | Amended and Restated Collateral Account Agreement between Jet Yard, LLD and Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[(1)] |
| | |
| 10.101 | "Ambry Hill Collateral Account Agreements" dated as of June 26, 2020, by and between Jet Yard, LLC, and Minnesota Bank & Trust, incorporated by reference to Exhibit 10.103 to the Company's Annual Report on Form 10-K dated June 26, 2020 (Commission File No. 001-35476)[(1)] |
| | |
| 10.102 | Amended and Restated Collateral Account Agreement between Ambry Hill Technologies, LLC and Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)[(1)] |
| | |
| 10.103 | Supplement #8 to Master Loan Agreement dated November 24, 2020 between Borrowers Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC and Lender Old National Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 11, 2020) (Commission File No. 001-35476)[(1)] |

| | |
|---|---|
| | |
| 10.104 | First Amendment to Supplement #8 to Master Loan Agreement between Contrail Aviation Support, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)(1) |
| | |
| 10.105 | $43,598,000 Promissory Note – Term Note G of Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC in favor of Old National Bank dated November 24, 2020. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 11, 2020) (Commission File No. 001-35476)(1) |
| | |
| 10.106 | Amended and Restated Promissory Note Term Note G executed by Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC in favor of Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)(1) |
| | |
| 10.107 | Commercial Security Agreement of Contrail Aviation Support, LLC dated November 24, 2020, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 11, 2020 (Commission File No. 001-35476)(1) |
| | |
| 10.108 | Commercial Security Agreement of Contrail Aviation Leasing, LLC dated November 24, 2020., incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 11, 2020 (Commission File No. 001-35476)(1) |
| | |
| 10.109 | Term Loan Agreement for Mail Street Priority Loan Facility by and between Park State Bank and AirCo 1, LLC dated as of December 11, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 23, 2020 (Commission File No. 001-35476)(1) |
| | |
| 10.110 | Amendment to Main Street Priority Loan Facility Term Loan Agreement by and between Airco 1, LLC and Park State Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)(1) |
| | |
| 10.111 | $6,200,000 Main Street Priority Loan Facility Term of AirCo 1, LLC in favor of Park State Bank dated December 11, 2020, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 23, 2020) (Commission File No. 001-35476)(1) |
| | |
| 10.112 | Security Agreement of AirCo 1, LLC dated as of December 11, 2020, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 23, 2020) (Commission File No. 001-35476)(1) |
| | |
| 10.113 | Pledge Agreement by and between AirCo, LLC and Park State Bank dated as of December 11, 2020, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 23, 2020 (Commission File No. 001-35476)(1) |
| | |
| 10.114 | At the Market Offering Agreement dated as of May 14, 2021, by and among the Air T, Inc., Air T Funding and Ascendiant Capital Markets, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 14, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.115 | First Amendment to At the Market Offering Agreement, dated November 18, 2021, by and between Air T, Inc., Air T Funding and Ascendiant Capital Markets, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 18, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.116 | Form of Contrail Asset Management, LLC Amended and Restated Limited Liability Company Agreement dated May 5, 2021, by and among the Members listed therein, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 5, 2021 (Commission File No. 001-35476)*(1) |
| | |

| | |
|---|---|
| 10.117 | Form of Engine Purchase Agreement, dated December 23, 2020, by and between Equipment Lease Finance Corporation and Contrail Aviation Leasing, LLC, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 26, 2021 (Commission File No. 001-35476)*(1) |
| | |
| 10.118 | Form of Assignment, Assumption and Amendment Agreement dated March 30, 2021, by and among Engine Lease Finance Corporation, Companhia de Transportes Aereos Air Macau, SARL, and Contrail Aviation Leasing, LLC, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 26, 2021 (Commission File No. 001-35476)*(1) |
| | |
| 10.119 | Aircraft dry lease and services agreement between FedEx and CSA Air, Inc. dated June 1, 2021, incorporated by reference to Exhibit 10.97 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.120 | Aircraft dry lease and services agreement between FedEx and Mountain Air Cargo, Inc. dated June 1, 2021, incorporated by reference to Exhibit 10.98 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.121 | Joinder to Security Agreement between Minnesota Bank & Trust and Air'Zona Aircraft Services, Inc. dated June 23, 2021, incorporated by reference to Exhibit 10.99 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.122 | Joinder to Guaranty of Air'Zona Aircraft Services, Inc. in favor of Minnesota Bank & Trust dated June 23, 2021, incorporated by reference to Exhibit 10.100 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.123 | Joinder to Security Agreement between Minnesota Bank & Trust and Jet Yard Solutions, LLC dated June 23, 2021, incorporated by reference to Exhibit 10.101 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.124 | Joinder to Guaranty of Jet Yard Solutions, LLC in favor of Minnesota Bank & Trust dated June 23, 2021, incorporated by reference to Exhibit 10.102 to the Company's Annual Report on Form 10-K dated June 25, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.125 | Air T, Inc. 2020 Omnibus Stock and Incentive Plan**, incorporated by reference to the Company's Definitive Proxy Statement as Appendix A on Form DEF 14A dated July 19, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.126 | Jet Yard Term Note in the principal amount of $2,000,000 in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.127 | Guaranty of Jet Yard, LLC in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.128 | Guaranty of Air T, Inc. in favor of Minnesota Bank & Trust dated August 31, 2021, incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K dated August 31, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.129 | Cooperation Agreement by and among Insignia Systems, Inc., Nicholas J. Swenson, Air T, Inc., Groveland Capital LLC; AO Partners I, L.P.; AO Partners, LLC and Glenhurst Co., dated October 11, 2021, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 11, 2021 (Commission File No. 001-35476)(1) |
| | |

| | |
|---|---|
| 10.130 | Real Estate Purchase Agreement between Air T, Inc. and WLPC East, LLC dated October 11, 2021, without exhibits, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 14, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.131 | Opinion of Winthrop & Weinstine, P.A. incorporated by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K dated November 19, 2021 (Commission file No. 001-35476).(1) |
| | |
| 10.132 | Promissory Note with Bridgewater Bank dated December 2, 2021 in the principal amount of $9,900,000, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 2, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.133 | Combination Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement with Bridgewater Bank dated December 2, 2021, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 2, 2021 (Commission File No. 001-35476)(1) |
| | |
| 10.134 | International Swaps and Derivatives Association, Inc. 2002 Master Agreement dated as of December 28, 2021 between Old National Bank and Contrail Aviation Support, LLC & Contrail Aviation Leasing, LLC., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 7, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.135 | Schedule to the 2002 Master Agreement dated as of December 28, 2021 between Old National Bank and Contrail Aviation Support, LLC & Contrail Aviation Leasing, LLC, including Swap Transaction Confirmation dated January 7, 2022, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 7, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.136 | Form of Engine Sale Agreement between Finnair Aircraft Finance Oy and Contrail Aviation Support, LLC dated January 19, 2022.*, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 19, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.137 | Form of Agreement for the Sale and Purchase of Shares in the share capital of GdW Beheer B.V. Between Mr G. de Wit (as the Seller), Decision Company B.V. and Ubi Concordia B.V. (as the Warrantors) And Shanwick B.V. (as the Purchaser) dated February 10, 2022, without exhibits or schedules (English Translation), incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 8, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.138 | Form of Loan Agreement between Air T Acquisition 22.1, LLC and Bridgewater Bank dated February 8, 2022, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 8, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.139 | Form of Air T Acquisition 22.1, LLC $5,000,000 Promissory Note to Bridgewater Bank dated February 8, 2022, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 8, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.140 | Supplement #9 to Master Loan Agreement dated June 24, 2019 by and between CAS and Old National Bank dated February 18, 2022, without exhibits, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 15, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.141 | Promissory Note Term Note H in the principal amount of $14,875,000 from CAS to Old National Bank dated February 18, 2022, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated February 15, 2022 (Commission File No. 001-35476)(1) |
| | |
| 10.142 | Form of Security Agreement from CAS to Old National Bank dated February 18, 2022, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated February 15, 2022 (Commission File No. 001-35476)(1) |
| | |

| | |
|---|---|
| 10.143 | Form of Overline Promissory Note dated June 9, 2022, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 14, 2022 (Commission file No. 001-35476).[(1)] |
| | |
| 10.144 | Form Promissory Note dated September 30, 2022, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 4, 2022 (Commission file No. 001-35476).[(1)] |
| | |
| 10.145 | Form of Term Note F dated January 31, 2023, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 31, 2023 (Commission file No. 001-35476).[(1)] |
| | |
| 10.146 | The Company's Quarterly Report on Form 10-Q dated August 12, 2022 (Commission File No. 001-35476)[(1)] |
| | |
| 10.147 | The Company's Quarterly Report on Form 10-Q dated November 10, 2022 (Commission File No. 001-35476)[(1)] |
| | |
| 10.148 | The Company's Quarterly Report on Form 10-Q dated February 10, 2023 (Commission File No. 001-35476)[(1)] |
| | |
| 21.1 | List of subsidiaries of the Company[(1)] |
| | |
| 23.1 | Consent of Deloitte & Touche LLP (filed herewith)*** |
| | |
| 24.1 | Power of Attorney[(1)] |
| | |
| 31.1 | Section 302 Certification of Chief Executive Officer (filed herewith)*** |
| | |
| 31.2 | Section 302 Certification of Chief Financial Officer (filed herewith)*** |
| | |
| 32.1 | Section 1350 Certification of Chief Executive Officer (filed herewith)*** |
| | |
| 32.2 | Section 1350 Certification of Chief Financial Officer (filed herewith)*** |
| | |
| 101 | The following financial information from the Annual Report on Form 10-K for the year ended March 31, 2023, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Stockholders Equity, and (v) the Notes to the Consolidated Financial Statements (filed herewith). |

* Management compensatory plan or arrangement required to be filed as an exhibit to this report.
** Certain information has been omitted from this exhibit pursuant to the request for confidential treatment submitted to the Securities and Exchange Commission. The omitted information has been separately filed with the Securities and Exchange Commission.
***Filed or furnished herewith, as required.
[(1)] Previously filed with our Original Filing.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

AIR T, INC.

By: /s/ Brian Ochocki

Brian Ochocki, Chief Financial Officer
(Principal Financial Officer)

Date: June 27, 2023

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-135338 on Form S-8 and Registration Statement No. 333-254110 on Form S-3 of our report dated June 27, 2023, relating to the financial statements of Air T, Inc. appearing in this Annual Report on Form 10-K/A for the year ended March 31, 2023.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
June 27, 2023

**Exhibit 31.1**

**SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I. Nick Swenson, certify that:

1. I have reviewed this annual report on Form 10-K/A of Air T, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 27, 2023

/s/ Nick Swenson

Nick Swenson
Chief Executive Officer

**Exhibit 31.2**

**SECTION 302 CERTIFICATION OF INTERIM CHIEF FINANCIAL OFFICER**

I. Brian Ochocki, certify that:

1. I have reviewed this annual report on Form 10-K/A of Air T, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 27, 2023

/s/ Brian Ochocki

Brian Ochocki
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Air T, Inc. (the “Company”) Annual Report on Form 10-K/A for the year ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nick Swenson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 27, 2023

/s/ Nick Swenson

Nick Swenson, Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION OF INTERIM CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Air T, Inc. (the "Company") Annual Report on Form 10-K/A for the year ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Seth Barkett, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | |
|---|---|
| Date: June 27, 2023 | /s/ Brian Ochocki |
| | Brian Ochocki, Chief Financial Officer |