UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(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, 2022**

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.)

5930 Balsom Ridge Road, Denver, North Carolina 28037
(Address of principal executive offices, including zip code)
(828) 464 – 8741
(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) ("AIP")*	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. ☐.

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, 2021 (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, 2021 was approximately $29,663,000.

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, 2022	2,866,418

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s definitive proxy statement for its 2022 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.

AIR T, INC. AND SUBSIDIARIES

2022 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business*

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 in its 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 jet 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.

Acquisitions

Wolfe Lake HQ, LLC. On December 2, 2021, the Company, through its wholly-owned subsidiary Wolfe Lake HQ, LLC ("Wolfe Lake"), completed the purchase of the real estate located at 5000 36th Street West, St. Louis Park, Minnesota for $13.2 million pursuant to the real estate purchase agreement with WLPC East, LLC, a Minnesota limited liability company 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 and contains an estimated 54,742 total square feet of space. Air T's Minnesota executive office is currently located in the property. With this purchase, the Company assumed 11 leases from existing tenants occupying the building. Wolfe Lake HQ, LLC is included within the Corporate and other segment. See Note 2 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

GdW Beheer B.V. On February 10, 2022, the Company acquired GdW Beheer B.V. ("GdW"), a Dutch holding company in the business of providing global aviation data and information for EUR 12.5 million. The acquisition was completed through a wholly-owned subsidiary of the Company, Air T Acquisition 22.1, LLC ("Air T Acquisition 22.1", “Subsidiary”), a Minnesota limited liability company, through its Dutch subsidiary, Shanwick B.V. ("Shanwick"), and was funded with cash, investment by executive management of the underlying business, and the loans described in Note 14 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report. As part of the transaction, the executive management of the underlying business purchased 30% of Shanwick. Air T Acquisition 22.1 and its consolidated subsidiaries are included within the Corporate and other segment. See Note 2 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

Unconsolidated Investments

On May 5, 2021, the Company helped form an aircraft asset management business called Contrail Asset Management, LLC (“CAM”), and an aircraft capital joint venture called Contrail JV II LLC (“CJVII”). The Company and Mill Road Capital (“MRC”) agreed to become common members in CAM. CAM serves two separate and distinct functions: 1) to direct the sourcing, acquisition and management of aircraft assets owned by CJVII (“Asset Management Function”), and 2) to directly invest into CJVII alongside other institutional investment partners (“Investment Function”). For the Asset Management Function, CAM receives origination fees, management fees, consignment fees (where applicable) and a carried interest. For its Investment Function, CAM has an initial commitment to CJVII of approximately $53.0 million, which is comprised of an $8.0 million initial commitment from the Company and an approximately $45.0 million initial commitment from MRC. Any investment returns are shared pro-rata between the Company and MRC. See Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company also has ownership interests in Insignia Systems, Inc. ("Insignia") and Cadillac Casting, Inc. ("CCI"). The operations of these companies are not consolidated into the operations of the Company. See Note 10 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

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.

Discontinued Operations

On September 30, 2019, the Company completed the sale of Global Aviation Services, LLC ("GAS"). The results of operations of GAS are reported as discontinued operations in the condensed consolidated statements of operations for the year ended

March 31, 2021. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

Certain financial data with respect to the Company's geographic areas and segments is set forth in Notes 21 and 22 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

Air T was incorporated under the laws of the State of Delaware in 1980. The principal place of business of Air T and Mountain Air Cargo, Inc. ("MAC") is 5930 Balsom Ridge Road, Denver, North Carolina. The principal place of business of CSA Air, Inc. ("CSA") is Iron Mountain, Michigan. The principal place of business for Global Ground Support, LLC ("GGS") is Olathe, Kansas. The principal place of business of Delphax Technologies, Inc ("Delphax") is Minneapolis, Minnesota. The principal place of business for Delphax Solutions, Inc. ("DSI") is Mississauga, Canada. The principal place of business of Contrail Aviation Support, LLC ("Contrail") is Verona, Wisconsin. The principal place of business of AirCo, LLC, AirCo 1, LLC, AirCo 2, LLC and AirCo Services, LLC (collectively, "AirCo") and Worthington Aviation, LLC ("Worthington") is Eagan, Minnesota. The principal place of business of Jet Yard, LLC ("Jet Yard") and Jet Yard Solutions, LLC ("Jet Yard Solutions") is Marana, Arizona. The principal place of business of Wolfe Lake is Minneapolis, Minnesota. The principal place of business of GdW is Amsterdam, the Netherlands.

We maintain an Internet website at http://www.airt.net and our SEC filings may be accessed through links on our website. The information on our website is available for information purposes only and is not incorporated by reference in this Annual Report on Form 10-K.

Overnight Air Cargo.

The Company's Overnight Air Cargo segment is operated through MAC and CSA. MAC and CSA have a relationship with FedEx spanning over 40 years and represent two of seven companies in the U.S. that have North American feeder airlines under contract with FedEx. MAC and CSA operate and maintain Cessna Caravan, ATR-42 and ATR-72 aircraft that fly daily small-package cargo routes throughout the eastern United States and upper Midwest, and in the Caribbean. MAC and CSA's revenues are derived principally pursuant to "dry-lease" service contracts with FedEx. In these "dry- lease" contracts, FedEx provides the aircraft while MAC and CSA provide their own crew and exercise operational control of their flights.

On June 1, 2021, MAC and CSA entered into new dry-lease agreements with FedEx which together cover all of the aircraft operated by MAC and CSA and replaced all prior dry-lease service contracts. These dry-lease agreements provide for the lease of specified aircraft by MAC and CSA in return for the payment of monthly rent with respect to each aircraft leased, which monthly rent reflected an estimate of a fair market rental rate. These dry-lease agreements provide that FedEx determines the type of aircraft and schedule of routes to be flown by MAC and CSA, with all other operational decisions made by MAC and CSA, respectively. The current dry-lease agreements provide for the reimbursement of MAC and CSA's costs by FedEx, without mark up, incurred in connection with the operation of the leased aircraft for the following: fuel, landing fees, third-party maintenance, parts and certain other direct operating costs. The current dry-lease agreement was most recently renewed on June 1, 2021 and is set to expire on August 31, 2026. The dry-lease agreements may be terminated by FedEx or MAC and CSA, respectively, at any time upon 90 days' written notice and FedEx may at any time terminate the lease of any particular aircraft thereunder upon 10 days' written notice. In addition, each of the dry-lease agreements provides that FedEx may terminate the agreement upon written notice if 60% or more of MAC or CSA's revenue (excluding revenues arising from reimbursement payments under the dry-lease agreement) is derived from the services performed by it pursuant to the respective dry-lease agreement, FedEx becomes MAC or CSA's only customer, or MAC or CSA employs fewer than six employees. As of the date of this report, FedEx would be permitted to terminate each of the dry-lease agreements under this provision. The Company believes that the short-term nature of its agreements with FedEx is standard within the airfreight contract delivery service industry, where performance is measured on a daily basis.

As of March 31, 2022, MAC and CSA had an aggregate of 72 aircraft under its dry-lease agreements with FedEx. Included within the 72 aircraft, 2 Cessna Caravan aircraft are considered soft-parked. Soft-parked aircraft remain covered under our agreements with FedEx although at a reduced administrative fee compared to aircraft that are in operation. MAC and CSA continue to perform maintenance on soft-parked aircraft, but they are not crewed and do not operate on scheduled routes.

Revenues from MAC and CSA's contracts with FedEx accounted for approximately 41% and 37% of the Company's consolidated revenue for the fiscal years ended March 31, 2022 and 2021, respectively. The loss of FedEx as a customer would have a material adverse effect on the Company. FedEx has been a customer of the Company since 1980. MAC and CSA are not contractually precluded from providing services to other parties and MAC occasionally provides third-party maintenance services to other airline customers and the U.S. military.

MAC and CSA operate under separate aviation certifications. MAC is certified to operate under Part 121, Part 135 and Part 145 of the regulations of the FAA. These certifications permit MAC to operate and maintain aircraft that can carry a maximum cargo capacity of 7,500 pounds on the Cessna Caravan 208B under Part 135 and a maximum cargo capacity of 14,000 pounds for the ATR-42 and 17,800 pounds for the ATR-72 aircraft under Part 121. CSA is certified to operate and maintain aircraft under Part 135 of the FAA regulations. This certification permits CSA to operate aircraft with a maximum cargo capacity of 7,500 pounds.

MAC and CSA, together, operated the following FedEx-owned cargo aircraft as of March 31, 2022:

Type of Aircraft	Model Year	Form of Ownership	Number of Aircraft
Cessna Caravan 208B (single turbo prop)	1985-1996	Dry lease	54
ATR-42 (twin turbo prop)	1992	Dry lease	9
ATR-72 (twin turbo prop)	1992	Dry lease	9
			72

The Cessna Caravan 208B aircraft are maintained under an FAA Approved Aircraft Inspection Program ("AAIP"). The inspection intervals range from 100 to 200 hours. The current engine overhaul period on the Cessna aircraft is 8,000 hours.

The ATR-42 and ATR-72 aircraft are maintained under a FAA Part 121 continuous airworthiness maintenance program. The program consists of A and C service checks as well as calendar checks ranging from weekly to 12 years in duration. The engine overhaul period is 6,000 hours.

MAC and CSA operate in a niche market within a highly competitive contract cargo carrier market. MAC and CSA are two of nine carriers that operate within the United States as FedEx feeder carriers. MAC and CSA are benchmarked against the other five FedEx feeders based on safety, reliability, compliance with federal, state and applicable foreign regulations, price and other service-related measurements. The Company believes accurate industry data is not available to indicate the Company's position within its marketplace (in large measure because all of the Company's direct competitors are privately held), but management believes that MAC and CSA, combined, constitute the largest contract carrier of the type described.

FedEx conducts periodic audits of MAC and CSA, and these audits are an integral part of the relationship between the carrier and FedEx. The audits test adherence to the dry-lease agreements and assess the carrier's overall internal control environment, particularly as related to the processing of invoices of FedEx-reimbursable costs. The scope of these audits typically extends beyond simple validation of invoice data against the third-party supporting documentation. The audit teams generally investigate the operator's processes and internal control procedures. The Company believes satisfactory audit results are critical to maintaining its relationship with FedEx. The audits conducted by FedEx are not designed to provide any assurance with respect to the Company's consolidated financial statements, and investors, in evaluating the Company's consolidated financial statements, should not rely in any way on any such examination of the Company or any of its subsidiaries.

The Company's overnight air cargo operations are not materially seasonal.

Ground Equipment Sales.

GGS is located in Olathe, Kansas and manufactures, sells and services aircraft deicers and other specialized equipment sold to domestic and international passenger and cargo airlines, ground handling companies, the United States Air Force ("USAF"), airports and industrial customers. GGS's product line includes aircraft deicers, scissor-type lifts, military and civilian decontamination units, flight-line tow tractors, glycol recovery vehicles and other specialized equipment. In the fiscal year ended March 31, 2022, sales of deicing equipment accounted for approximately 88% of GGS's revenues, compared to 94% in the prior fiscal year.

GGS designs and engineers its products. Components acquired from third-party suppliers are used in the assembly of its finished products. Components are sourced from a diverse supply chain. The primary components for mobile deicing equipment are the chassis (which is a commercial medium or heavy-duty truck), the fluid storage tank, a boom system, the fluid delivery system and heating equipment. The price of these components is influenced by raw material costs, principally high-strength carbon steels and stainless steel. GGS utilizes continuous improvements and other techniques to improve efficiencies and designs to minimize product price increases to its customers, to respond to regulatory changes, such as emission standards, and to incorporate technological improvements to enhance the efficiency of GGS's products. Improvements have included the development of single operator mobile deicing units to replace units requiring two operators, a patented premium deicing blend system and a more efficient forced-air deicing system.

GGS manufactures five basic models of mobile deicing equipment with capacities ranging from 700 to 2,800 gallons. GGS also offers fixed-pedestal-mounted deicers. Each model can be customized as requested by the customer, including single operator configuration, fire suppressant equipment, open basket or enclosed cab design, a patented forced-air deicing nozzle, on-board glycol blending system to substantially reduce glycol usage, and color and style of the exterior finish. GGS also manufactures five models of scissor-lift equipment, for catering, cabin service and maintenance service of aircraft, and has developed a line of decontamination equipment, flight-line tow tractors, glycol recovery vehicles and other special purpose mobile equipment.

GGS competes primarily on the basis of the quality and reliability of its products, prompt delivery, service and price. The market for aviation ground service equipment is highly competitive. Certain of GGS' competitors may have substantially greater financial resources than we do. These entities or investors may be able to accept more risk than the Company believes is in our best interest. In addition, the market for aviation ground services in the past has typically been directly related to the financial health of the aviation industry, weather patterns and changes in technology.

GGS’s mobile deicing equipment business has historically been seasonal, with revenues typically being lower in the fourth and first fiscal quarters as commercial deicers are typically delivered prior to the winter season. The Company has continued its efforts to reduce GGS’s seasonal fluctuation in revenues and earnings by broadening its international and domestic customer base and its product line.

In October 2021, GGS was awarded a new contract to supply deicing trucks to the USAF. This agreement renewed GGS' original agreement with the USAF entered into in July 2009. Per the contract, GGS has to provide pricing that will be contractual for each one-year period within the years that the contract is awarded. Further, based upon volume of commercial items purchased during that year, there may be discounts calculated into the pricing and are reflective of the submitted pricing. With all option years expected to be executed by the government, this contract would expire on October 21, 2027.

GGS sold a total of 7 and 47 deicers under the previous contract with the USAF including both GL 1800 and ER 2875 models during fiscal years ended March 31, 2022 and March 31, 2021, respectively and all of the units were accepted by the USAF. GGS has already received confirmed orders of 18 deicers under the new agreement and currently expects delivery of both GL 1800 and ER 2875 models to begin in the second quarter of fiscal year 2023.

Commercial Jet Engines and Parts.

Contrail Aviation Support and Jet Yard (acquired during fiscal year 2017), AirCo (formed in May 2017), Worthington (acquired in May 2018), and Jet Yard Solutions (formed in January 2021) comprise the commercial jet engines and parts segment of the Company’s operations. Contrail Aviation Support is a commercial aircraft trading, leasing and parts solutions provider. Its primary focus revolves around the CFM International CFM56-3/-5/-7 engines and the International Aero Engines V2500A5 engine, which power the two most prevalent narrow body, single aisle aircraft that are currently flown commercially —the Boeing 737 Classic / 737 NG and the Airbus A320 family. Contrail Aviation Support acquires commercial aircraft, jet engines and components for the purposes of sale, trading, leasing and disassembly/overhaul. Contrail holds an ASA-100 accreditation from the Aviation Suppliers Association.

Jet Yard and Jet Yard Solutions offer commercial aircraft storage, storage maintenance and aircraft disassembly/part-out services at facilities leased at the Pinal Air Park in Marana, Arizona. The prevailing climate in this area of Arizona provides conditions conducive to long-term storage of aircraft. Jet Yard Solutions is registered to operate a repair station under Part 145 of the regulations of the FAA. Jet Yard leases approximately 48.5 acres of land under a lease agreement with Pinal County, Arizona. Jet Yard was organized in 2014, entered into the lease in June 2016 and had maintained de minimus operations from formation through the date it was acquired by the Company. Effective January 1, 2021, Jet Yard subleased the aforementioned lease with Pinal County to Jet Yard Solutions.

AirCo operates an established business offering commercial aircraft parts sales, exchanges, procurement services, consignment programs and overhaul and repair services. AirCo Services, a wholly-owned subsidiary of AirCo ("AirCo Services"), holds FAA and European Aviation Safety Agency certifications covering aircraft instrumentation, avionics and a range of electrical accessories for civilian, military transport, regional/commuter and business/commercial jet and turboprop aircraft. Customers of AirCo include airlines and commercial aircraft leasing companies.

Worthington Aviation, like AirCo, operates an established business which supplies spare parts, repair programs and aircraft maintenance services to the global aviation community of regional and business aircraft fleets. Worthington offers a globally networked infrastructure and 24/7 support, ensuring fast delivery of spare parts and service, with four locations strategically located in the United States, United Kingdom & Australia. In addition, Worthington operates two FAA and EASA Certificated Repair Stations. The Tulsa maintenance, repair and overhaul ("MRO") facility provides composite aircraft structures, repair and support services. As a strategic resource for flight control, exhaust system and line replacement components, Worthington offers a wide array of services for complex operations. At the Eagan, Minnesota-based Repair Station, Worthington Repair Services offers a wide range of capabilities for repair and overhaul of airframe, accessories and power plant components in support of external as well as internal sales.

The Company’s commercial jet engines and parts operations are not materially seasonal.

Backlog.

GGS’s backlog consists of “firm” orders supported by customer purchase orders for the equipment sold by GGS. At March 31, 2022, GGS’s backlog of orders was $14.0 million, all of which GGS expects to be filled in the fiscal year ending March 31, 2023. At March 31, 2021, GGS’s backlog of orders was $10.3 million. Backlog is not meaningful for the Company’s other business segments.

Governmental Regulation.

The Company and its subsidiaries are subject to regulation by various governmental agencies.

The Department of Transportation ("DOT") has the authority to regulate air service. The DOT has authority to investigate and institute proceedings to enforce its economic regulations, and may, in certain circumstances, assess civil penalties, revoke operating authority and seek criminal sanctions.

Under the Aviation and Transportation Security Act of 2001, as amended, the Transportation Security Administration ("TSA"), an agency within the Department of Homeland Security, has responsibility for aviation security. The TSA requires MAC and CSA to comply with a Full All-Cargo Aircraft Operator Standard Security Plan, which contains evolving and strict security requirements. These requirements are not static but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations. It is reasonably possible that these rules or other future security requirements could impose material costs on us.

The FAA has safety jurisdiction over flight operations generally, including flight equipment, flight and ground personnel training, examination and certification, certain ground facilities, flight equipment maintenance programs and procedures, examination and certification of mechanics, flight routes, air traffic control and communications and other matters. The FAA is concerned with safety and the regulation of flight operations generally, including equipment used, ground facilities, maintenance, communications and other matters. The FAA can suspend or revoke the authority of air carriers or their licensed personnel for failure to comply with its regulations and can ground aircraft if questions arise concerning airworthiness. The FAA also has power to suspend or revoke for cause the certificates it issues and to institute proceedings for imposition and collection of fines for violation of federal aviation regulations. The Company, through its subsidiaries, holds all operating airworthiness and other FAA certificates that are currently required for the conduct of its business, although these certificates may be suspended or revoked for cause. The FAA periodically conducts routine reviews of MAC and CSA's operating procedures and flight and maintenance records.

The FAA has authority under the Noise Control Act of 1972, as amended, to monitor and regulate aircraft engine noise. The aircraft operated by the Company are in compliance with all such regulations promulgated by the FAA. Moreover, because the Company does not operate jet aircraft, noncompliance is not likely. Aircraft operated by us also comply with standards for aircraft exhaust emissions promulgated by the U.S. Environmental Protection Agency ("EPA") pursuant to the Clean Air Act of 1970, as amended.

Jet Yard, Jet Yard Solutions and AirCo, like Worthington, operate repair stations licensed under Part 145 of the regulations of the FAA. These certifications must be renewed annually, or in certain circumstances within 24 months. Certified repair stations are subject to periodic FAA inspection and audit. The repair station may not be relocated without written approval from the FAA.

Because of the extensive use of radio and other communication facilities in its aircraft operations, the Company is also subject to the Federal Communications Act of 1934, as amended.

Maintenance and Insurance.

The Company, through its subsidiaries, is required to maintain the aircraft it operates under the appropriate FAA and manufacturer standards and regulations.

The Company has secured public liability and property damage insurance in excess of minimum amounts required by the United States Department of Transportation.

The Company maintains cargo liability insurance, workers' compensation insurance and fire and extended coverage insurance for owned and leased facilities and equipment. In addition, the Company maintains product liability insurance with respect to injuries and loss arising from use of products sold and services provided.

In March 2014, the Company formed SAIC, a captive insurance company licensed in Utah. SAIC insures risks of the Company and its subsidiaries that were not previously insured by the various Company insurance programs (including the risk of loss of key customers and contacts, administrative actions and regulatory changes); and may from time to time underwrite third-party risk through certain reinsurance arrangements. SAIC is included within the Company's Corporate and other segment.

Employees.

As of March 31, 2022, the Company and its subsidiaries had 500 full-time and full-time-equivalent employees. None of the employees of the Company or any of its consolidated subsidiaries are represented by labor unions. The Company believes its relations with its employees are good.

Item 1A. *Risk Factors.*

General Business Risks

Our business, financial condition and results of operations have been and may continue to be adversely affected by global public health issues, including the recent COVID-19 pandemic.

Our business, financial condition and results of operations have been and may continue to be adversely affected if the COVID-19 pandemic, or another global health crisis, impacts our employees, suppliers, customers, financing sources or others' ability to conduct business or negatively affects consumer and business confidence or the global economy. The COVID-19 health crisis has affected large segments of the global economy, including the markets we operate in, disrupted global supply chains, resulted in significant travel and transport restrictions, and created significant disruption of the financial markets. Economic uncertainty_as a result of any global health crisis could negatively affect our business, suppliers, distribution channels, and customers, including as a result of business shutdowns or disruptions for an indefinite period of time, reduced operations, restrictions on shipping, fabricating or installing products, reduced consumer demand or customers' ability to make payments. We have and may continue to experience additional operating costs due to increased challenges with our workforce (including as a result of illness, absenteeism or government orders), implementing further precautionary measures to protect the health of our workforce, orders put on hold or reduced access to supplies, capital, and fundamental support services (such as shipping and transportation). Furthermore, we do operate and compete globally and the response to the COVID-19 pandemic by domestic and foreign governments has been and may continue to be varied and those differences may impact our competitiveness. Any resulting financial impact cannot be fully estimated at this time, but may materially affect our business, financial condition, or results of operations.

The extent to which our operations may be impacted by the COVID-19 pandemic or any global health situation will depend largely on future developments which are highly uncertain and we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. Even while government restrictions and responses to the COVID-19 pandemic have lessened, we may experience materially adverse impacts to our business due to any resulting supply chain disruptions, economic recession or depression. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown. Our management team has, and will likely continue to, spend significant time, attention and resources monitoring the COVID-19 pandemic and seeking to manage its effects on our business and workforce.

The impact of the COVID-19 pandemic may also exacerbate other risks discussed in this section, any of which could have a material adverse effect on us. This pandemic is still ongoing and additional impacts may arise that we are not aware of currently.

Market fluctuations may affect our operations.

Market fluctuations may affect our ability to obtain necessary funds for the operation of our businesses from current lenders or new borrowings. In addition, we may be unable to obtain financing on satisfactory terms, or at all. Third-party reports relating to market studies or demographics we obtained previously may no longer be accurate or complete. The occurrence of any of the foregoing events or any other related matters could materially and adversely affect our business, financial condition, results of operation and the overall value of our assets.

Rising inflation may result in increased costs of operations and negatively impact the credit and securities markets generally, which could have a material adverse effect on our results of operations and the market price of our common stock.

Inflation has accelerated in the U.S. and globally due in part to global supply chain issues, the Ukraine-Russia war, a rise in energy prices, and strong consumer demand as economies continue to reopen from restrictions related to the COVID-19 pandemic. An inflationary environment can increase our cost of labor, as well as our other operating costs, which may have a material adverse impact on our financial results. In addition, economic conditions could impact and reduce the number of customers who purchase our products or services as credit becomes more expensive or unavailable. Although interest rates have increased and are expected to increase further, inflation may continue. Further, increased interest rates could have a negative effect on the securities markets generally which may, in turn, have a material adverse effect on the market price of our common stock.

We could experience significant increases in operating costs and reduced profitability due to competition for skilled management and staff employees in our operating businesses.

We compete with many other organizations for skilled management and staff employees, including organizations that operate in different market sectors than us. Costs to recruit and retain adequate personnel could adversely affect results of operations.

Legacy technology systems require a unique technical skillset which is becoming scarcer.

The Company deploys legacy technology systems in several significant business units. As technology continues to rapidly change, the available pool of individuals technically trained in and able to repair or perform maintenance on these legacy systems shrinks. As this scarcity increases, the Company's ability to efficiently and quickly repair its legacy systems becomes increasingly difficult, which could have a significant impact on the Company's day-to-day operations.

Security threats and other sophisticated computer intrusions could harm our information systems, which in turn could harm our business and financial results.

We utilize information systems and computer technology throughout our business. We store sensitive data and proprietary information on these systems. Threats to these systems, and the laws and regulations governing security of data, including personal data, on information systems and otherwise held by companies is evolving and adding layers of complexity in the form of new requirements and increasing costs of attempting to protect information systems and data and complying with new cybersecurity regulations. Information systems are subject to numerous and evolving cybersecurity threats and sophisticated computer crimes, which pose a risk to the stability and security of our information systems, computer technology, and business.

Global cybersecurity threats can range from uncoordinated individual attempts to gain unauthorized access to our information systems and computer technology to sophisticated and targeted measures known as advanced persistent threats and ransomware. The techniques used in these attacks change frequently and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. A failure or breach in security could expose our company as well as our customers and suppliers to risks of misuse of information, compromising confidential information and technology, destruction of data, production disruptions, ransom payments, and other business risks which could damage our reputation, competitive position and financial results of our operations. Further, our technology resources may be strained due to an increase in the number of remote users. In addition, defending ourselves against these threats may increase costs or slow operational efficiencies of our business. If any of the foregoing were to occur, it could have a material adverse effect on our business and results of operations.

We sustained a cybersecurity attack in May 2022 involving ransomware that caused a network disruption and impacted certain of our systems. Upon detection, we undertook steps to address the incident, including engaging a team of third-party forensic experts and notifying law enforcement. We restored network systems and resumed normal operations. We are continuing to assess all actions that we will take to improve our existing systems. While we do not believe this event or resultant actions will have a material adverse effect on our business, this or similar incidents, or any other such breach of our data security infrastructure could have a material adverse effect on our business, results of operations and financial condition.

Although we maintain cybersecurity liability insurance, our insurance may not cover potential claims of these types or may not be adequate to indemnify us for any liability that may be imposed. Any imposition of liability or litigation costs that are not covered by insurance could harm our business.

We may not be able to insure certain risks adequately or economically.

We cannot be certain that we will be able to insure all risks that we desire to insure economically or that all of our insurers or reinsurers will be financially viable if we make a claim. If an uninsured loss or a loss in excess of insured limits should occur, or if we are required to pay a deductible for an insured loss, results of operations could be adversely affected.

Legal liability may harm our business.

Many aspects of our businesses involve substantial risks of liability, and, in the normal course of business, we have been named as a defendant or co-defendant in lawsuits involving primarily claims for damages. The risks associated with potential legal liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our businesses, including expansions into new products or markets, impose greater risks of liability. In addition, unauthorized or illegal acts of our employees could result in substantial liability. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which in turn could seriously harm our businesses and our prospects. Although our current assessment is that there is no pending litigation that could have a significant adverse impact, if our assessment proves to be in error, then the outcome of such litigation could have a significant impact on our consolidated financial statements.

Our business might suffer if we were to lose the services of certain key employees.

Our business operations depend upon our key employees, including our executive officers. Loss of any of these employees, particularly our Chief Executive Officer, could have a material adverse effect on our businesses as our key employees have knowledge of our industry and customers that would be difficult to replace.

Risks Related to Our Segment Operations

The operating results of our four segments may fluctuate, particularly our commercial jet engine and parts segment.

The operating results of our four segments have varied from period to period and comparisons to results for preceding periods may not be meaningful. Due to a number of factors, including the risks described in this section, our operating results may fluctuate. These fluctuations may also be caused by, among other things:

a. the economic health of the economy and the aviation industry in general;
b. FedEx's demand for the use of the services of our Air Cargo segment;
c. the timing and number of purchases and sales of engines or aircraft;

d. the timing and amount of maintenance reserve revenues recorded resulting from the termination of long term leases, for which significant amounts of maintenance reserves may have accumulated;
e. the termination or announced termination of production of particular aircraft and engine types;
f. the retirement or announced retirement of particular aircraft models by aircraft operators;
g. the operating history of any particular engine, aircraft or engine or aircraft model;
h. the length of our operating leases; and
i. the timing of necessary overhauls of engines and aircraft.

These risks may reduce our operating segment's results including particularly our commercial jet engines and parts segment. These risks may reduce the commercial jet engines and parts segment's engine utilization rates, lease margins, maintenance reserve revenues and proceeds from engine sales, and result in higher legal, technical, maintenance, storage and insurance costs related to repossession and the cost of engines being off-lease. As a result of the foregoing and other factors, the availability of engines for lease or sale periodically experiences cycles of oversupply and undersupply of given engine models and generally. The incidence of an oversupply of engines may produce substantial decreases in engine lease rates and the appraised and resale value of engines and may increase the time and costs incurred to lease or sell engines. We anticipate that supply fluctuations from period to period will continue in the future. As a result, comparisons to results from preceding periods may not be meaningful and results of prior periods should not be relied upon as an indication of our future performance.

Our Air Cargo Segment is dependent on a significant customer.

Our Air Cargo business is significantly dependent on a contractual relationship with FedEx Corporation ("FedEx"), the loss of which would have a material adverse effect on our business, results of operations and financial position. In the fiscal year ended March 31, 2022, 41% of our consolidated operating revenues, and 97% of the operating revenues for our overnight air cargo segment, arose from services we provided to FedEx. While FedEx has been our customer since 1980 under similar terms, our current agreements may be terminated by FedEx upon 90 days' written notice and FedEx may at any time terminate the lease of any particular aircraft thereunder upon 10 days' written notice. In addition, FedEx may terminate the dry-lease agreement with MAC or CSA upon written notice if 60% or more of MAC or CSA's revenue (excluding revenues arising from reimbursement payments under the dry-lease agreement) is derived from the services performed by it pursuant to the respective dry-lease agreement, FedEx becomes its only customer, or either MAC or CSA employs less than six employees. As of the date of issuance of this report, FedEx would be permitted to terminate each of the dry-lease agreements under this provision. The loss of these contracts with FedEx would have a material adverse effect on our business, results of operations and financial position.

Our dry-lease agreements with FedEx subject us to operating risks.

Our dry-lease agreements with FedEx provide for the lease of specified aircraft by us in return for the payment of monthly rent with respect to each aircraft leased. The dry-lease agreements provide for the reimbursement by FedEx of our costs, without mark up, incurred in connection with the operation of the leased aircraft for the following: fuel, landing fees, third-party maintenance, parts and certain other direct operating costs. Under the dry-lease agreements, certain operational costs incurred by us in operating the aircraft are not reimbursed by FedEx at cost, and such operational costs are borne solely by us.

Because of our dependence on FedEx, we are subject to the risks that may affect FedEx's operations.

Because of our dependence on FedEx, we are subject to the risks that may affect FedEx's operations. These risks are discussed in FedEx's periodic reports filed with the SEC including its Annual Report on Form 10-K for the fiscal year ended May 31, 2021. These risks include but are not limited to the following:

- Economic conditions and anti-trade measures/trade policies and relations in the global markets in which it operates;
- Additional changes in international trade policies and relations could significantly reduce the volume of goods transported globally and adversely affect our business and results of operations.
- The price and availability of fuel.
- Dependence on its strong reputation and value of its brand;
- Potential disruption to operations resulting from a significant data breach or other disruption to FedEx's technology infrastructure;
- The continuing impact of the COVID-19 pandemic;
- The impact of being self-insured for certain costs;
- The transportation infrastructure continues to be a target for terrorist activities;
- Any inability to execute and effectively operate, integrate, leverage and grow acquired businesses and realize the anticipated benefits of acquisitions, joint ventures or strategic alliances;
- FedEx's ability to manage capital and its assets, including aircraft, to match shifting and future shipping volumes;
- Intense competition;
- Its autonomous delivery strategy is dependent upon the ability to successfully mitigate unique technological, operational and regulatory risks.
- The failure to successfully implement its business strategy and effectively respond to changes in market dynamics and customer preferences;
- Failure to attract and maintain employee talent or maintain company culture, as well as increases in labor and purchased transportation cost;
- Labor organizations attempt to organize groups of our employees from time to time, and potential changes in labor laws could make it easier for them to do so.
- FedEx Ground relies on service providers to conduct its linehaul and pickup-and-delivery operations, and the status of these service providers as direct employers of drivers providing these services is being challenged.

- Disruptions, modifications in service or changes in the business or financial soundness of the United States Postal Service, a significant customer and vendor of FedEx;
- The impact of proposed pilot flight and duty time regulations;
- Increasing costs, the volatility of costs and funding requirements and other legal mandates for employee benefits, especially pension and healthcare benefits;
- The impact of global climate change or by legal, regulatory or market responses to such change;
- Potentially being unable to achieve our goal of carbon neutrality for its global operations by calendar 2040;
- Any inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography;
- Evolving Government regulation and enforcement;
- Any adverse changes in regulations and interpretations or challenges to its tax positions;
- Complex and evolving U.S. and foreign laws and regulations regarding data protection;
- The regulatory environment for global aviation or other transportation rights;
- Other risks and uncertainties, including:
    - widespread outbreak of an illness or any other communicable disease, or any other public health crisis;
    - the increasing costs of compliance with federal, state and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U.K. Bribery Act) and defending against inappropriate or unjustified enforcement or other actions by such agencies;
    - changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Canadian dollar, Australian dollar, Hong Kong dollar, Mexican peso, Japanese yen and Brazilian real, which can affect our sales levels and foreign currency sales prices;
    - any liability resulting from and the costs of defending against class-action, derivative and other litigation, such as wage-and-hour, joint employment, securities and discrimination and retaliation claims, and any other legal or governmental proceedings;
    - the impact of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information-technology redundancy and complexity throughout the organization;
    - governmental underinvestment in transportation infrastructure, which could increase our costs and adversely impact our service levels due to traffic congestion, prolonged closure of key thoroughfares or sub-optimal routing of our vehicles and aircraft;
    - disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs;
    - stockholder activism, which could divert the attention of management and our board of directors from our business, hinder execution of our business strategy, give rise to perceived uncertainties as to our future and cause the price of our common stock to fluctuate significantly;
    - constraints, volatility or disruption in the capital markets, our ability to maintain our current credit ratings, commercial paper ratings, and senior unsecured debt and pass-through certificate credit ratings, and our ability to meet credit agreement financial covenants; and
    - the alternative interest rates we are able to negotiate with counterparties pursuant to the relevant provisions of our credit agreements following cessation of the publication of the London Interbank Offered Rate in the event the euro interbank offered rate also ceases to exist and we make borrowings under the agreements.

A material reduction in the aircraft we fly for FedEx could materially adversely affect our business and results of operations.

Under our agreements with FedEx, we are not guaranteed a number of aircraft or routes we are to fly and FedEx may reduce the number of aircraft we lease and operate upon 10 days' written notice. Our compensation under these agreements, including our administrative fees, depends on the number of aircraft leased to us by FedEx. Any material permanent reduction in the aircraft we operate could materially adversely affect our business and results of operations. A temporary reduction in any period could materially adversely affect our results of operations for that period.

Sales of deicing equipment can be affected by weather conditions.

Our ground equipment sales segment's deicing equipment is used to deice commercial and military aircraft. The extent of deicing activity depends on the severity of winter weather. Mild winter weather conditions permit airports to use fewer deicing units, since less time is required to deice aircraft in mild weather conditions. As a result, airports may be able to extend the useful lives of their existing units, reducing the demand for new units.

We are affected by the risks faced by commercial aircraft operators and MRO companies because they are our customers.

Commercial aircraft operators are engaged in economically sensitive, highly cyclical and competitive businesses. We are a supplier to commercial aircraft operators and MROs. As a result, we are indirectly affected by all of the risks facing commercial aircraft operators and MROs, with such risks being largely beyond our control. Our results of operations depend, in part, on the financial strength of our customers and our customers' ability to compete effectively in the marketplace and manage their risks.

Our engine values and lease rates, which are dependent on the status of the types of aircraft on which engines are installed, and other factors, could decline.

The value of a particular model of engine depends heavily on the types of aircraft on which it may be installed and the available supply of such engines. Values of engines generally tend to be relatively stable so long as there is sufficient demand for the host aircraft. However, the value of an engine may begin to decline rapidly once the host aircraft begins to be retired from service and/or used for spare parts in significant numbers. Certain types of engines may be used in significant numbers by commercial aircraft operators that are currently experiencing financial difficulties. If such operators were to go into liquidation or similar proceedings, the resulting over-supply of engines from these operators could have an adverse effect on the demand for the affected engine types and the values of such engines.

Upon termination of a lease, we may be unable to enter into new leases or sell the airframe, engine or its parts on acceptable terms.

We directly or indirectly own the engines or aircraft that we lease to customers and bear the risk of not recovering our entire investment through leasing and selling the engines or aircraft. Upon termination of a lease, we seek to enter a new lease or to sell or part-out the engine or aircraft. We also selectively sell engines on an opportunistic basis. We cannot give assurance that we will be able to find, in a timely manner, a lessee or a buyer for our engines or aircraft coming off-lease or for their associated parts. If we do find a lessee, we may not be able to obtain satisfactory lease rates and terms (including maintenance and redelivery conditions), and we cannot guarantee that the creditworthiness of any future lessee will be equal to or better than that of the existing lessees of our engines. Because the terms of engine leases may be less than 12 months, we may frequently need to remarket engines. We face the risk that we may not be able to keep our engines on lease consistently.

Failures by lessees to meet their maintenance and recordkeeping obligations under our leases could adversely affect the value of our leased engines and aircraft which could affect our ability to re-lease the engines and aircraft in a timely manner following termination of the leases.

The value and income producing potential of an engine or aircraft depends heavily on it being maintained in accordance with an approved maintenance system and complying with all applicable governmental directives and manufacturer requirements. In addition, for an engine or aircraft to be available for service, all records, logs, licenses and documentation relating to maintenance and operations of the engine or aircraft must be maintained in accordance with governmental and manufacturer specifications. Under our leases, our lessees are primarily responsible for maintaining our aircraft and engines and complying with all governmental requirements applicable to the lessee and the aircraft and engines, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. However, over time, certain lessees have experienced, and may experience in the future, difficulties in meeting their maintenance and recordkeeping obligations as specified by the terms of our leases. Failure by our lessees to maintain our assets in accordance with requirements could negatively affect the value and desirability of our assets and expose us to increased maintenance costs that may not be sufficiently covered by supplemental maintenance rents paid by such lessees.

Our ability to determine the condition of the engines or aircraft and whether the lessees are properly maintaining our assets is generally limited to the lessees' reporting of monthly usage and any maintenance performed, confirmed by periodic inspections performed by us and third-parties. A lessee's failure to meet its maintenance or recordkeeping obligations under a lease could result in:

a. a grounding of the related engine or aircraft;
b. a repossession that would likely cause us to incur additional and potentially substantial expenditures in restoring the engine or aircraft to an acceptable maintenance condition;
c. a need to incur additional costs and devote resources to recreate the records prior to the sale or lease of the engine or aircraft;
d. a decline in the market value of the aircraft or engine resulting in lower revenues upon a subsequent lease or sale;
e. loss of lease revenue while we perform refurbishments or repairs and recreate records; and
f. a lower lease rate and/or shorter lease term under a new lease entered into by us following repossession of the engine or aircraft.

Any of these events may adversely affect the value of the engine, unless and until remedied, and reduce our revenues and increase our expenses. If an engine is damaged during a lease and we are unable to recover from the lessee or though insurance, we may incur a loss.

We may experience losses and delays in connection with repossession of engines or aircraft when a lessee defaults.

We may not be able to repossess an engine or aircraft when the lessee defaults, and even if we are able to repossess the engine or aircraft, we may have to expend significant funds in the repossession, remarketing and leasing of the asset. When a lessee defaults and such default is not cured in a timely manner, we typically seek to terminate the lease and repossess the engine or aircraft. If a defaulting lessee contests the termination and repossession or is under court protection, enforcement of our rights under the lease may be difficult, expensive and time-consuming. We may not realize any practical benefits from our legal rights and we may need to obtain consents to export the engine or aircraft. As a result, the relevant asset may be off-lease or not producing revenue for a prolonged period of time. In addition, we will incur direct costs associated with repossessing our engine or aircraft, including, but not limited to, legal and similar costs, the direct costs of transporting, storing and insuring the engine or aircraft, and costs associated with necessary maintenance and recordkeeping to make the asset available for lease or sale. During this time, we will realize no revenue from the leased engine or aircraft, and we will continue to be obligated to pay any debt financing associated with the asset. If an engine is installed on an airframe, the airframe may be owned by an aircraft lessor or other third party. Our ability to recover engines installed on airframes may depend on the cooperation of the airframe owner.

Our commercial jet engine and parts segment and its customers operate in a highly regulated industry and changes in laws or regulations may adversely affect our ability to lease or sell our engines or aircraft.

Certain of the laws and regulations applicable to our business, include:

Licenses and consents. A number of our leases require specific governmental or regulatory licenses, consents or approvals. These include consents for certain payments under the leases and for the export, import or re-export of our engines or aircraft. Consents needed in connection with future leasing or sale of our engines or aircraft may not be received timely or have economically feasible terms. Any of these events could adversely affect our ability to lease or sell engines or aircraft.

Export/import regulations. The U.S. Department of Commerce (the "Commerce Department") regulates exports. We are subject to the Commerce Department's and the U.S. Department of State's regulations with respect to the lease and sale of engines and aircraft to foreign entities and the export of related parts. These Departments may, in some cases, require us to obtain export licenses for engines exported to foreign countries. The U.S. Department of Homeland Security, through the U.S. Customs and Border Protection, enforces regulations related to the import of engines and aircraft into the United States for maintenance or lease and imports of parts for installation on our engines and aircraft.

Restriction Lists. We are prohibited from doing business with persons designated by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") on its "Specially Designated Nationals List," and must monitor our operations and existing and potential lessees and other counterparties for compliance with OFAC's rules. Similarly, sanctions issued by the United Nations, the U.S. government, the European Union or other foreign governments could prohibit or restrict us from doing business in certain countries or with certain persons. As a result, we must monitor our operations and existing and potential lessees and other counterparties for compliance with such sanctions.

Anti-corruption Laws. As a U.S. corporation with international operations, we are required to comply with a number of U.S. and international laws and regulations which combat corruption. For example, the U.S. Foreign Corrupt Practices Act (the "FCPA") and similar world-wide anti-bribery laws generally prohibit improper payments to foreign officials for the purpose of influencing any official act or decision or securing any improper advantage. The scope and enforcement of such anti-corruption laws and regulations may vary. Although our policies expressly mandate compliance with the FCPA and similarly applicable laws, there can be no assurance that none of our employees or agents will take any action in violation of our policies. Violations of such laws or regulations could result in substantial civil or criminal fines or penalties. Actual or alleged violations could also damage our reputation, be expensive to defend, and impair our ability to do business.

Civil aviation regulation. Users of engines and aircraft are subject to general civil aviation authorities, including the FAA and the EASA, who regulate the maintenance of engines and issue airworthiness directives. Airworthiness directives typically set forth special maintenance actions or modifications to certain engine and aircraft types or a series of specific engines that must be implemented for the engine or aircraft to remain in service. Also, airworthiness directives may require the lessee to make more frequent inspections of an engine, aircraft or particular engine parts. Each lessee of an engine or aircraft generally is responsible for complying with all airworthiness directives. However, if the engine or aircraft is off lease, we may be forced to bear the cost of compliance with such airworthiness directives. Additionally, even if the engine or aircraft is leased, subject to the terms of the lease, if any, we may still be forced to share the cost of compliance.

Our aircraft, engines and parts could cause damage resulting in liability claims.

Our aircraft, engines or parts could cause bodily injury or property damage, exposing us to liability claims. Our leases require our lessees to indemnify us against these claims and to carry insurance customary in the air transportation industry, including general liability and property insurance at agreed upon levels. However, we cannot guarantee that one or more catastrophic events will not exceed insurance coverage limits or that lessees' insurance will cover all claims that may be asserted against us. Any insurance coverage deficiency or default by lessees under their indemnification or insurance obligations may reduce our recovery of losses upon an event of loss.

We have risks in managing our portfolio of aircraft and engines to meet customer needs.

The relatively long life cycles of aircraft and jet engines can be shortened by world events, government regulation or customer preferences. We seek to manage these risks by trying to anticipate demand for particular engine and aircraft types, maintaining a portfolio mix of engines that we believe is diversified, has long-term value and will be sought by lessees in the global market for jet engines, and by selling engines and aircraft that we expect will not experience obsolescence or declining usefulness in the foreseeable future. There is no assurance that the engine and aircraft types owned or acquired by us will meet customer demand.

Liens on our engines or aircraft could exceed the value of such assets, which could negatively affect our ability to repossess, lease or sell a particular engine or aircraft.

Liens that secure the payment of repairers' charges or other liens may, depending on the jurisdiction, attach to engines and aircraft. Engines also may be installed on airframes to which liens unrelated to the engines have attached. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens, exceed the value of the particular engine or aircraft to which the liens have attached. In some jurisdictions, a lien may give the holder the right to detain or, in limited cases, sell or cause the forfeiture of the engine or aircraft. Such liens may have priority over our interest as well as our creditors' interest in the engines or aircraft. These liens and lien holders could impair our ability to repossess and lease or sell the engines or aircraft. We cannot give assurance that our lessees will comply with their obligations to discharge third-party liens on our assets. If they do not, we may, in the future, find it necessary to pay the claims secured by such liens to repossess such assets.

In certain countries, an engine affixed to an aircraft may become an addition to the aircraft and we may not be able to exercise our ownership rights over the engine.

In certain jurisdictions, an engine affixed to an aircraft may become an addition to the aircraft such that the ownership rights of the owner of the aircraft supersede the ownership rights of the owner of the engine. If an aircraft is security for the owner's obligations to a third-party, the security interest in the aircraft may supersede our rights as owner of the engine. Such a security interest could limit our ability to repossess an engine located in such a jurisdiction in the event of a lessee bankruptcy or lease default. We may suffer a loss if we are not able to repossess engines leased to lessees in these jurisdictions.

Higher or volatile fuel prices could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us.

Historically, fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental factors and events and currency exchange rates. Natural and other disasters can also significantly affect fuel availability and prices. The cost of fuel represents a major expense to airlines that is not within their control, and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs can materially and adversely affect their operating results. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully offsets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices if such airlines are required to post cash collateral under hedge agreements. Therefore, if for any reason fuel prices return to historically high levels or show significant volatility, our lessees are likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

Interruptions in the capital markets could impair our lessees' ability to finance their operations, which could prevent the lessees from complying with payment obligations to us.

The global financial markets can be highly volatile and the availability of credit from financial markets and financial institutions can vary substantially depending on developments in the global financial markets. Our lessees depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. To the extent such funding is unavailable, or available only on unfavorable terms, and to the extent financial markets do not provide equity financing as an alternative, our lessees' operations and operating results may be materially and adversely affected and they may not comply with their respective payment obligations to us.

Our lessees may fail to adequately insure our aircraft or engines which could subject us to additional costs.

While an aircraft or engine is on lease, we do not directly control its operation. Nevertheless, because we hold title to the aircraft or engine, we could, in certain jurisdictions, be held liable for losses resulting from its operation. At a minimum, we may be required to expend resources in our defense. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, such operational liabilities. However, some lessees may fail to maintain adequate insurance coverage during a lease term, which, although constituting a breach of the lease, would require us to take some corrective action, such as terminating the lease or securing insurance for the aircraft or engines. Therefore, our lessees' insurance coverage may not be sufficient to cover all claims that could be asserted against us arising from the operation of our aircraft or engines. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations to us will reduce the insurance proceeds that we would otherwise be entitled to receive in the event we are sued and are required to make payments to claimants. Moreover, our lessees' insurance coverage is dependent on the financial condition of insurance companies and their ability to pay claims. A reduction in insurance proceeds otherwise payable to us as a result of any of these factors could materially and adversely affect our financial results.

If our lessees fail to cooperate in returning our aircraft or engines following lease terminations, we may encounter obstacles and are likely to incur significant costs and expenses conducting repossessions.

Our legal rights and the relative difficulty of repossession vary significantly depending on the jurisdiction in which an aircraft or engines are located. We may need to obtain a court order or consents for de-registration or re-export, a process that can differ substantially from county to country. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may also apply. For example, certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease, to assign it to a third party, or to entitle the lessee or another third party to retain possession of the aircraft or engines without paying lease rentals or performing all or some of the obligations under the relevant lease. Certain of our lessees are partially or wholly owned by government-related entities, which can further complicate our efforts to repossess our aircraft or engines in that government's jurisdiction. If we encounter any of these difficulties, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft or engines.
When conducting a repossession, we are likely to incur significant costs and expenses that are unlikely to be recouped. These include legal and other expenses related to legal proceedings, including the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft or engines, particularly if the lessee is contesting the proceedings or is in bankruptcy. We must absorb the cost of lost revenue for the time the aircraft or engines are off-lease. We may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and are necessary to put the aircraft or engines in suitable condition for re-lease or sale. We may also incur significant costs in retrieving or recreating aircraft records required for registration of the aircraft and in obtaining the certificate of airworthiness for an aircraft. It may be necessary to pay to discharge liens or pay taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee may have incurred in connection with the operation of its other aircraft. We may also incur other costs in connection with the physical possession of the aircraft or engines.

If our lessees fail to discharge aircraft liens for which they are responsible, we may be obligated to pay to discharge the liens.

In the normal course of their businesses, our lessees are likely to incur aircraft and engine liens that secure the payment of airport fees and taxes, custom duties, Eurocontrol and other air navigation charges, landing charges, crew wages, and other liens that may attach to our aircraft. Aircraft may also be subject to mechanic's liens as a result of routine maintenance performed by third parties on behalf of our customers. Some of these liens can secure substantial sums, and if they attach to entire fleets of aircraft, as permitted for certain kinds of liens, they may exceed the value of the aircraft itself. Although the financial obligations relating to these liens are the contractual responsibility of our lessees, if they fail to fulfill their obligations, the liens may ultimately become our financial responsibility. Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft or engines. In some jurisdictions, aircraft and engine liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft. If we are obliged to pay a large amount to discharge a lien, or if we are unable take possession of our aircraft subject to a lien in a timely and cost-effective manner, it could materially and adversely affect our financial results.

If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.

If a lessee delays, reduces, or fails to make rental payments when due, or has advised us that it will do so in the future, we may elect or be required to restructure or terminate the lease. A restructured lease will likely contain terms that are less favorable to us. If we are unable to agree on a restructuring and we terminate the lease, we may not receive all or any payments still outstanding, and we may be unable to re-lease the aircraft or engines promptly and at favorable rates, if at all.

Withdrawal, suspension or revocation of governmental authorizations or approvals could negatively affect our business.

We are subject to governmental regulation and our failure to comply with these regulations could cause the government to withdraw or revoke our authorizations and approvals to do business and could subject us to penalties and sanctions that could harm our business. Governmental agencies throughout the world, including the FAA, highly regulate the manufacture, repair and operation of aircraft operated in the United States and equivalent regulatory agencies in other countries, such as the EASA in Europe, regulate aircraft operated in those countries. With the aircraft, engines and related parts that we purchase, lease and sell to our customers, we include documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness established by the FAA or the equivalent regulatory agencies in other countries. Specific regulations vary from country to country, although regulatory requirements in other countries are generally satisfied by compliance with FAA requirements. With respect to a particular engine or engine component, we utilize FAA and/or EASA certified repair stations to repair and certify engines and components to ensure marketability. The revocation or suspension of any of our material authorizations or approvals would have an adverse effect on our business, financial condition and results of operations. New and more stringent government regulations, if enacted, could have an adverse effect on our business, financial condition and results of operations. In addition, certain product sales to foreign countries require approval or licensing from the U.S. government. Denial of export licenses could reduce our sales to those countries and could have a material adverse effect on our business.

Risks Related to Our Structure and Financing/Liquidity Risks

Our holding company structure may increase risks related to our operations.

Our business, financial condition and results of operations are dependent upon those of our individual businesses, and our aggregate investment in particular industries. We are a holding company with investments in businesses and assets in a number of industries. Our business, financial condition and results of operations are dependent upon our various businesses and investments and their management teams. Each of our businesses generally operate independently and in a decentralized manner. Additionally, in the ordinary course of business we guarantee the obligations of entities that we manage and/or invest in. Any material adverse change in one of our businesses, investments or management teams, or in a particular industry in which we operate or invest, may cause material adverse changes to our business, financial condition and results of operations. The more capital we devote to a particular investment or industry may increase the risk that such investment could significantly impact our financial condition and results of operations, possibly in a material adverse way.

A small number of stockholders has the ability to control the Company.

We have a very concentrated stockholder base. As of March 31, 2022, our three largest stockholders beneficially owned or had the ability to direct the voting of shares of our common stock representing approximately 64% of the outstanding shares. As a result, these stockholders have the power to determine the outcome of substantially all matters submitted to our stockholders for approval, including the election of our board of directors. In addition, future sales by these stockholders of substantial amounts of our common stock, or the potential for such sales, could adversely affect the prevailing market price of our securities.

An increase in interest rates or in our borrowing margin would increase the cost of servicing our debt and could reduce our cash flow and negatively affect the results of our business operations.

A portion of our outstanding debt bears interest at floating rates. As a result, to the extent we have not hedged against rising interest rates, an increase in the applicable benchmark interest rates would increase the cost of servicing our debt and could materially and adversely affect our results of operations, financial condition, liquidity and cash flows. In addition, if we refinance our indebtedness and interest rates or our borrowing margins increase between the time an existing financing arrangement was consummated and the time such financing arrangement is refinanced, the cost of servicing our debt would increase and our results of operations, financial condition, liquidity and cash flows could be materially and adversely affected.

Our inability to maintain sufficient liquidity could limit our operational flexibility and also impact our ability to make payments on our obligations as they come due.

In addition to being capital intensive and highly leveraged, our aircraft and engine business requires that we maintain sufficient liquidity to enable us to contribute the non-financed portion of engine and aircraft purchases as well as to service our payment obligations to our creditors as they become due, despite the fact that the timing and amounts of our revenues do not match the timing under our debt service obligations. Our restricted cash is unavailable for general corporate purposes. Accordingly, our ability to successfully execute our business strategy and maintain our operations depends on our ability to continue to maintain sufficient liquidity, cash and available credit under our credit facilities. Our liquidity could be adversely impacted if we are subjected to one or more of the following:

- a significant decline in revenues,
- a material increase in interest expense that is not matched by a corresponding increase in revenues,
- a significant increase in operating expenses,
- a reduction in our available credit under our credit facilities, or
- general economic or national events.

If we do not maintain sufficient liquidity, our ability to meet our payment obligations to creditors or to borrow additional funds could become impaired.

Future cash flows from operations or through financings may not be sufficient to enable the Company to meet its obligations.

Future cash flow of the Company's operations can fluctuate significantly. If future cash flows are not sufficient to permit the Company to meet its obligations, this would likely have a material adverse effect on the Company, its businesses, financial condition and results of operations. Additionally, credit market volatility may affect our ability to refinance our existing debt, borrow funds under our existing lines of credit or incur additional debt. There can be no assurance that the Company or its subsidiaries will continue to have access to their lines of credit if their financial performance does not satisfy the financial covenants set forth in the applicable financing agreements. If the Company or its subsidiaries do not meet certain of its financial covenants, and if they are unable to secure necessary waivers or other amendments from the respective lenders on terms acceptable to management and to renew or replace financing arrangements that mature during the current fiscal year, their ability to access available lines of credit could be limited, their debt obligations could be accelerated by the respective lenders and liquidity could be adversely affected.

The Company and/or its subsidiaries may be required to seek additional or alternative financing sources if the Company's or its subsidiaries' cash needs are significantly greater than anticipated or they do not materially meet their business plans, or there are unanticipated downturns in the markets for the Company's and its subsidiaries' products and services. Future disruption and volatility in credit market conditions could have a material adverse impact on the Company's ability, or that of its subsidiaries, to refinance debt when it comes due on terms similar to our current credit facilities, to draw upon existing lines of credit or to incur additional debt if needed. There can be no assurance therefore that such financing will be available or available on acceptable terms. The inability to generate sufficient cash flows from operations or through financings or disruptions in the credit markets could impair the Company's or its subsidiaries' liquidity and would likely have a material adverse effect on their businesses, financial condition and results of operations.

A large proportion of our capital is invested in physical assets and securities that can be hard to sell, especially if market conditions are poor.

Because our investment strategy can involve public company securities, we may be restricted in our ability to effect sales during certain time periods. A lack of liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, if financial or operating difficulties of other competitors result in distress sales, such sales could depress asset values in the markets in which we operate. The restrictions inherent in owning physical assets could reduce our ability to respond to changes in market conditions and could adversely affect the performance of our investments, our financial condition and results of operations. Because there is significant uncertainty in the valuation of, or in the stability of the value of illiquid or non-public investments, the fair values of such investments do not necessarily reflect the prices that would actually be obtained when such investments are realized.

To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available.

Our ability to make payments on, or repay or refinance, our debt, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on our maintaining specified financial ratios and satisfying financial condition tests and other covenants in the agreements governing our debt. Our business may not generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to pay our debt and to satisfy our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives.

If we cannot meet our debt service obligations, we may be forced to reduce or delay investments and aircraft or engine purchases, sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and might require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our debt instruments may restrict us from adopting some of these alternatives. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or to meet our aircraft or engine purchase commitments as they come due.

The transition away from LIBOR may adversely affect our cost to obtain financing and may potentially negatively impact our interest rate swap agreements.

It is expected that a transition away from the widespread use of London Interbank Offered Rate (“LIBOR") to alternative rates will occur over the course of the next few years. The Federal Reserve Bank of New York and various other authorities have commenced the publication of reforms and actions relating to alternatives to U.S. dollar LIBOR. The full impact of such reforms and actions, together with any transition away from LIBOR remains unclear. These changes may have a material adverse impact on the availability and cost of our financing, including LIBOR-based loans, as well as our interest rate swap agreements.

Despite our substantial indebtedness, we might incur significantly more debt, and cash may not be available to meet our financial obligations when due or enable us to capitalize on investment opportunities when they arise.

We employ debt and other forms of leverage in the ordinary course of business to enhance returns to our investors and finance our operations, and despite our current indebtedness levels, we expect to incur additional debt in the future to finance our operations, including purchasing aircraft and engines and meeting our contractual obligations as the agreements relating to our debt, including our indentures, term loan facilities, revolving credit facilities, and other financings do not entirely prohibit us from incurring additional debt. We also enter into financing commitments in the normal course of business, which we may be required to fund. If we are required to fund these commitments and are unable to do so, we could be liable for damages pursued against us or a loss of opportunity through default under contracts that are otherwise to our benefit could occur. We are therefore subject to the risks associated with debt financing and refinancing, including but not limited to the following: (i) our cash flow may be insufficient to meet required payments of principal and interest; (ii) payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses and dividends; (iii) if we are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at high interest rates or on other unfavorable terms, we may have difficulty completing acquisitions or may generate profits that are lower than would otherwise be the case; (iv) we may not be able to refinance indebtedness at maturity due to company and market factors such as the estimated cash flow produced by our assets, the value of our assets, liquidity in the debt markets, and/or financial, competitive, business and other factors; and (v) if we are able to refinance our indebtedness, the terms of a refinancing may not be as favorable as the original terms for such indebtedness. If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, dispose of one or more of our assets on disadvantageous terms, or raise equity, causing dilution to existing stockholders.

The terms of our various credit agreements and other financing documents also require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, adequate insurance coverage and certain credit ratings. These covenants may limit our flexibility in conducting our operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, even if we have satisfied and continue to satisfy our payment obligations. Regulatory changes may also result in higher borrowing costs and reduced access to credit.

Our current financing arrangements require compliance with financial and other covenants and a failure to comply with such covenants could adversely affect our ability to operate.

The terms of our various credit agreements and other financing documents also require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, adequate insurance coverage and certain credit ratings. These covenants may limit our flexibility in conducting our operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, even if we have satisfied and continue to satisfy our payment obligations. Regulatory changes may also result in higher borrowing costs and reduced access to credit.

Future acquisitions and dispositions of businesses and investments are possible, changing the components of our assets and liabilities, and if unsuccessful or unfavorable, could reduce the value of the Company and its securities.

Any future acquisitions or dispositions may result in significant changes in the composition of our assets and liabilities, as well as our business mix and prospects. Consequently, our financial condition, results of operations and the trading price of our securities may be affected by factors different from those affecting our financial condition, results of operations and trading price at the present time.

We face numerous risks and uncertainties as we expand our business.

We expect the growth and development of our business to come primarily from internal expansion and through acquisitions, investments, and strategic partnering. As we expand our business, there can be no assurance that financial controls, the level and knowledge of personnel, operational abilities, legal and compliance controls and other corporate support systems will be adequate to manage our business and growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, if we acquire new businesses and/or introduce new products, we face numerous risks and uncertainties concerning the integration of their controls and systems, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business and prospects.

Our business strategy includes acquisitions, and acquisitions entail numerous risks, including the risk of management diversion and increased costs and expenses, all of which could negatively affect the Company's ability to operate profitably.

Our business strategy includes, among other things, strategic and opportunistic acquisitions. This element of our strategy entails several risks, including, but not limited to the diversion of management's attention from other business concerns and the need to finance such acquisitions with additional equity and/or debt. In addition, once completed, acquisitions entail further risks, including: unanticipated costs and liabilities of the acquired businesses, including environmental liabilities, that could materially adversely affect our results of operations; difficulties in assimilating acquired businesses, preventing the expected benefits from the transaction from being realized or achieved within the anticipated time frame; negative effects on existing business relationships with suppliers and customers; and losing key employees of the acquired businesses. If our acquisition strategy is not successful or if acquisitions are not well integrated into our existing operations, the Company's operations and business results could be negatively affected.

Strategic ventures may increase risks applicable to our operations.

We may enter into strategic ventures that pose risks, including a lack of complete control over the enterprise, and other potential unforeseen risks, any of which could adversely impact our financial results. We may occasionally enter into strategic ventures or investments with third parties in order to take advantage of favorable financing opportunities, to share capital or operating risk, or to earn aircraft management fees. These strategic ventures and investments may subject us to various risks, including those arising from our possessing limited decision-making rights in the enterprise or over the related aircraft. If we were unable to resolve a dispute with a strategic partner in such a venture that retains material managerial veto rights, we might reach an impasse which may lead to operational difficulties in the venture and increases costs or the liquidation of our investment at a time and in a manner that would result in our losing some or all of our original investment and/or the occurrence of other losses, which could adversely impact our financial results.

Rapid business expansions or new business initiatives may increase risk.

Certain business initiatives, including expansions of existing businesses such as the relatively recent expansion at our commercial jet engines and parts segment and the establishment of a large aircraft asset management business and a new aircraft capital joint venture, may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes, new business plans and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held. There is no assurance that prior year activity and results will occur in future periods.

Our policies and procedures may not be effective in ensuring compliance with applicable law.

Our policies and procedures designed to ensure compliance with applicable laws may not be effective in all instances to prevent violations. We could become subject to various governmental investigations, audits and inquiries, both formal and informal. Such investigations, regardless of their outcome, could be costly, divert management attention, and damage our reputation. The unfavorable resolution of such investigations could result in criminal liability, fines, penalties or other monetary or non-monetary sanctions and could materially affect our business or results of operations.

Compliance with the regulatory requirements imposed on us as a public company results in significant costs that may have an adverse effect on our results.

As a public company, we are subject to various regulatory requirements including, but not limited to, compliance with the rules and regulations of the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Compliance with these rules and regulations results in significant additional costs to us both directly, through increased audit and consulting fees, and indirectly, through the time required by our limited resources to address such regulations.

Deficiencies in our public company financial reporting and disclosures could adversely impact our reputation.

As we expand the size and scope of our business, there is a greater susceptibility that our financial reporting and other public disclosure documents may contain material misstatements and that the controls we maintain to attempt to ensure the complete accuracy of our public disclosures may fail to operate as intended. The occurrence of such events could adversely impact our reputation and financial condition. Management is responsible for establishing and maintaining adequate internal controls over financial reporting to give our stakeholders assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). However, the process for establishing and maintaining adequate internal controls over financial reporting has inherent limitations, including the possibility of human error. Our internal controls over financial reporting may not prevent or detect misstatements in our financial disclosures on a timely basis, or at all. Some of these processes may be new for certain subsidiaries in our structure, and in the case of acquisitions, may take time to be fully implemented. Our disclosure controls and procedures are designed to provide assurance that information required to be disclosed by us in reports filed or submitted under U.S. securities laws is recorded, processed, summarized and reported within the required time periods. Our policies and procedures governing disclosures may not ensure that all material information regarding us is disclosed in a proper and timely fashion or that we will be successful in preventing the disclosure of material information to a single person or a limited group of people before such information is generally disseminated.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties.*

The Company owns approximately 4.626 acres in Denver, North Carolina, which houses the operations of Air T and MAC and a 55,000 square feet office building in St. Louis Park, Minnesota that is partially leased to tenants and is the location of the Company's Minnesota executive office.

The Company leases approximately 1,950 square feet of office space and approximately 4,800 square feet of hangar space at the Ford Airport in Iron Mountain, Michigan. CSA's operations are headquartered at these facilities which are leased from a third party under an annually renewable agreement.

The Company leases approximately 53,000 square feet of a 66,000 square foot aircraft maintenance facility located in Kinston, North Carolina under an agreement that extends through January 2023, with the option to extend the lease for four additional five-year periods thereafter. The rental rate under the lease increases by increments for each of the five-year renewal periods.

GGS leases an 112,500 square foot production facility in Olathe, Kansas. The facility is leased from a third party under a lease agreement, which expires in August 2024.

As of March 31, 2022, the Company leased hangar, maintenance and office space from third parties at a variety of other locations, at prevailing market terms.

Contrail leases a 21,000 square foot facility in Verona, Wisconsin. This is a lease from a related party. See Note 15 "Related Party Matters" of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report. This lease expires on July 17, 2026. Contrail also leases a 1,453 square foot office space in Denver, Colorado. The lease is a 60 month lease that extends through June 2026.

Jet Yard leases approximately 48.5 acres of land from Pinal County at the Pinal Air Park in Marana, Arizona. The lease expires in May 2046, though Jet Yard has an option to renew the lease for an additional 30-year period (though the lease to a 2.6-acre parcel of the leased premises may be terminated by Pinal County upon 90 days' notice). The lease agreement permits Pinal County to terminate the lease if Jet Yard fails to make substantial progress toward the construction of facilities on the leased premises in phases in accordance with a specified timetable. On May 27, 2020, Pinal County and Jet Yard entered into the first amendment to the lease agreement in which Pinal County agreed to the terms of Jet Yard's ground hardening civil improvement project ("ground hardening improvements") on areas under lease to improve its aircraft parking facilities. Starting in fiscal 2021, Jet Yard subleased the aforementioned lease along with the ground hardening improvements to Jet Yard Solutions.

DSI leases 12,206 square feet of space in a building located in Mississauga, Canada. The lease expires on July 31, 2023. The lease required Air T to deposit six months' rent as a cash deposit.

AirCo and Worthington began work in mid-2019 to consolidate back office operations. This process began with the move of AirCo's inventory from Wichita to Eagan, MN. In parallel to this, Worthington worked with the landlord and property manager on a tenant expansion project to add an additional 2,546 square feet of office space and 11,214 square feet of warehouse to the Eagan, MN facility to consolidate inventory and support operations into one facility. AirCo Services occupied the Wichita facility through the end of the lease on April 30, 2020 at which time the Repair Station moved to Eagan, MN.

Worthington and AirCo lease a 41,280 square-foot facility in Eagan, Minnesota. The lease for this facility expires in December 2027. In addition, Worthington also leases a 12,000 square-foot storage facility in Hastings, Minnesota. The lease for this facility expires in July 2022. Worthington has two leases in Tulsa, Oklahoma. One lease is 22,582 square feet and expires in January 2027. The other lease is 10,000 square feet, renewable every six months, with the latest renewal expiring in September 2022. Additionally, Worthington also has two facility leases in Australia: Unit E3 is 1,195 square feet and Unit B5 is 1,442 square feet, both of which expire in January 2025.

Item 3. *Legal Proceedings.*

The Company and its subsidiaries are subject to legal proceedings and claims that arise in the ordinary course of their business. We believe that our current proceedings will not have a material adverse effect on our financial condition, liquidity or results of operations. We record a liability when a loss is considered probable, and the amount can be reasonably estimated.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

The Company's common stock is publicly traded on the NASDAQ Global Market under the symbol "AIRT."

As of March 31, 2022, the approximate number of holders of record of the Company's Common Stock was 157.

The Company has not paid any cash dividends since 2014.

On May 14, 2014, the Company announced that its Board of Directors had authorized a program to repurchase up to 750,000 shares (adjusted to 1,125,000 shares after the stock split on June 10, 2019) 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. The Company purchased 15,435 shares pursuant to this authorization during the fiscal year ended March 31, 2022.

The equity compensation plan information called for by Item 201(d) of Regulation S-K is set forth in Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of Part III of this report under the heading "Equity Compensation Plan Information".

Purchases of shares of common stock during the fourth quarter are described below:

Dates of Shares Purchased	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Public Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Jan 1 - Jan 31, 2022	5,660	$ 25.47	178,970	933,282
Feb 1 - Feb 28, 2022	9,775	$ 24.65	188,745	923,507
March 1 - March 31, 2022	—	$ —	188,745	923,507

As of March 31, 2022, the Company did not sell any securities within the past three years that were not registered under the Securities Act.

Item 6. *[Reserved]*

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Overview

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 in its 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.

Acquisitions

Wolfe Lake HQ, LLC. On December 2, 2021, the Company, through its wholly-owned subsidiary Wolfe Lake, completed the purchase of the real estate located at 5000 36th Street West, St. Louis Park, Minnesota for $13.2 million pursuant to the real estate purchase agreement with WLPC East, LLC, a Minnesota limited liability company 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 and contains an estimated 54,742 total square feet of space. Air T's Minnesota executive office is currently located in the building. With this purchase, the Company assumed 11 leases from existing tenants occupying the building. Wolfe Lake HQ, LLC is included within the Corporate and other segment. See Note 2 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

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 for EUR 12.5 million. The acquisition was completed through a wholly-owned subsidiary of the Company, 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 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report. As part of the transaction, the executive management of the underlying business purchased 30% of Shanwick. Air T Acquisition 22.1 and its consolidated subsidiaries are included within the Corporate and other segment. See Note 2 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

Unconsolidated Investments

On May 5, 2021, the Company helped form an aircraft asset management business called CAM, and a new aircraft capital joint venture called CJVII. The Company and MRC agreed to become common members in CAM. CAM serves two separate and distinct functions: 1) to direct the sourcing, acquisition and management of aircraft assets owned by CJVII, and 2) to directly invest into CJVII alongside other institutional investment partners. For the Asset Management Function, CAM receives origination fees, management fees, consignment fees (where applicable) and a carried interest. For its Investment Function, CAM has an initial commitment to CJVII of approximately $53.0 million, which is comprised of an $8.0 million initial commitment from the Company and an approximately $45.0 million initial commitment from MRC. Any investment returns are shared pro-rata between the Company and MRC. See Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company also has ownership interests in Insignia and CCI. The operations of these companies are not consolidated into the operations of the Company. See Note 10 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

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.

Discontinued Operations

On September 30, 2019, the Company completed the sale of GAS. The results of operations of GAS are reported as discontinued operations in the condensed consolidated statements of operations for the year ended March 31, 2021. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

Forward Looking Statements

Certain statements in this Report, including those contained in “Overview,” are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the Company’s financial condition, results of operations, plans, objectives, future performance and business. Forward-looking statements include those preceded by, followed by or that include the words “believes”, “pending”, “future”, “expects,” “anticipates,” “estimates,” “depends” or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by such forward-looking statements, because of, among other things, potential risks and uncertainties, such as:

- Economic and industry conditions in the Company’s markets;
- The risk that contracts with FedEx could be terminated or adversely modified;
- The risk that the number of aircraft operated for FedEx will be reduced;
- The risk that GGS customers will defer or reduce significant orders for deicing equipment;
- The impact of any terrorist activities on United States soil or abroad;
- The Company’s ability to manage its cost structure for operating expenses, or unanticipated capital requirements, and match them to shifting customer service requirements and production volume levels;
- The Company's ability to meet debt service covenants and to refinance existing debt obligations;
- The risk of injury or other damage arising from accidents involving the Company’s overnight air cargo operations, equipment or parts sold and/or services provided;
- Market acceptance of the Company’s commercial and military equipment and services;
- Competition from other providers of similar equipment and services;
- Changes in government regulation and technology;
- Changes in the value of marketable securities held as investments;
- Mild winter weather conditions reducing the demand for deicing equipment;
- Market acceptance and operational success of the Company’s relatively new aircraft asset management business and related aircraft capital joint venture; and
- The length and severity of the COVID-19 pandemic.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

Outlook

COVID-19 and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas 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 but we still experienced a substantial number of disruptions, and we experienced and continue to experience 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 flow and may operate at a loss beyond fiscal 2022. We expect that the impact of COVID-19 will continue to some extent. The fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions and our business in particular, and, as a result, present material uncertainty and risk with respect to us and our results of operations.

Fiscal 2022 vs. 2021

Consolidated revenue increased by $2.0 million (1%) to $177.1 million for the fiscal year ended March 31, 2022 compared to the prior fiscal year. Following is a table detailing revenue (after elimination of intercompany transactions), in thousands:

	Year ended March 31,		Change	
	2022	2021		
Overnight Air Cargo	$ 74,409	$ 66,251	$ 8,158	12 %
Ground Equipment Sales	42,239	60,679	(18,440)	(30)%
Commercial Jet Engines and Parts	57,689	46,793	10,896	23 %
Corporate and Other	2,740	1,398	1,342	96 %
Total	$ 177,077	$ 175,121	$ 1,956	1 %

Revenues from the air cargo segment increased by $8.2 million (12%) compared to the prior fiscal year, principally attributable to higher FedEx pass through revenues, higher admin fee as a result of increased contract rates starting in June 2021 and higher maintenance labor revenue. In addition, maintenance revenue with customers outside of FedEx also increased compared to the prior year. Pass-through costs under the dry-lease agreements with FedEx totaled $23.0 million and $19.9 million for the years ended March 31, 2022 and 2021, respectively.

The ground equipment sales segment contributed approximately $42.2 million and $60.7 million to the Company's revenues for the fiscal periods ended March 31, 2022 and 2021, respectively, representing a $18.4 million (30%) decrease in the current year. The decrease was primarily driven by a lower volume of truck sales to the USAF in the current fiscal year. At March 31, 2022, the ground equipment sales segment's order backlog was $14.0 million compared to $10.3 million at March 31, 2021.

The commercial jet engines and parts segment contributed $57.7 million of revenues in fiscal year ended March 31, 2022 compared to $46.8 million in the prior fiscal year which is an increase of $10.9 million (23%). The increase is primarily attributable to the fact that all the companies within this segment had higher component sales as the aviation industry started to see more activity in the current year as COVID-19 related restrictions continued to loosen.

Following is a table detailing operating income (loss) by segment, net of intercompany during Fiscal 2022 and Fiscal 2021 (in thousands):

	Year ended March 31,		Change
	2022	2021	
Overnight Air Cargo	$ 2,794	$ 2,178	$ 616
Ground Equipment Sales	3,220	8,948	(5,728)
Commercial Jet Engines and Parts	3,619	(10,882)	14,501
Corporate and Other	(878)	(9,419)	8,541
Total	$ 8,755	$ (9,175)	$ 17,930

Consolidated operating income for the fiscal year ended March 31, 2022 was $8.8 million compared to consolidated operating loss of $9.2 million in the prior fiscal year.

Operating income for the air cargo segment increased by $0.6 million in the current fiscal year, due primarily to having higher segment revenues as described above, offset by higher pilot and staff salaries as well as contract labor.

The ground equipment sales segment operating income decreased by $5.7 million from $8.9 million in the prior year to $3.2 million in the current year. This decrease was primarily attributable to the decreased sales noted in the segment revenue discussion above.

Operating income of the commercial jet engines and parts segment was $3.6 million compared to operating loss of $10.9 million in the prior year. The change was primarily attributable to the increased component sales with more favorable margin as the aviation industry started to see more activity as explained in the segment revenue discussion above. In addition, this segment incurred an inventory write-down of $6.4 million in the prior year compared to only $0.8 million in the current year.

The table below provides Adjusted EBITDA by segment for the fiscal year ended March 31, 2022 and 2021 (in thousands):

	Twelve Months Ended		Change
	March 31, 2022	March 31, 2021	
Overnight Air Cargo	$ 2,854	$ 2,248	606
Ground Equipment Sales	3,455	9,132	(5,677)
Commercial Jet Engines and Parts	5,200	(3,933)	9,133
Corporate and Other	(103)	(8,777)	8,674
Adjusted EBITDA	$ 11,406	$ (1,330)	12,736

Consolidated Adjusted EBITDA for the fiscal year ended March 31, 2022 was $11.4 million, an increase of $12.7 million compared to the prior fiscal year.

Adjusted EBITDA for the air cargo segment increased by $0.6 million in the current fiscal year, due primarily to having higher segment operating income as described above.

The ground equipment sales segment Adjusted EBITDA decreased by $5.7 million from $9.1 million in the prior year to $3.5 million in the current year. This decrease was primarily attributable to the decreased operating income noted in the discussion above.

Adjusted EBITDA of the commercial jet engines and parts segment was $5.2 million, an increase of $9.1 million from the prior fiscal year. The increase was primarily driven by the change in operating income (loss) as described above, partially offset by a lower EBITDA adjustment in inventory write-down of $5.5 million in this fiscal year compared to the prior fiscal year.

The corporate and other segment Adjusted EBITDA increased by $8.7 million from fiscal 2021 to fiscal 2022. The increase was driven by the $9.1 million offset to general and administrative expenses in the current fiscal year as a result of the ERC credit.

Following is a table detailing consolidated non-operating income (expense), net of intercompany during fiscal 2022 and fiscal 2021 (in thousands):

	Year Ended March 31,		Change
	2022	2021	
Interest expense, net	$ (4,948)	$ (4,624)	$ (324)
Gain on forgiveness of Paycheck Protection Program ("PPP")	8,331	—	8,331
Income (loss) from equity method investments	37	(723)	760
Other	1,221	2,741	(1,520)
Total	$ 4,641	$ (2,606)	$ 7,247

The Company had net non-operating income of $4.6 million for the year ended March 31, 2022, an increase of $7.2 million from $2.6 million non-operating expense in the prior year. The increase was primarily attributable to the $8.3 million gain recognized on the SBA's forgiveness of the Company's PPP loan offset by a decrease of $1.5 million in other income primarily driven by prior-year's unrealized and realized gain on sale of investments that did not recur in the current-year.

During the year ended March 31, 2022, the Company recorded $1.2 million of income tax expense related to continuing operations, which yielded an effective rate of 8.7%. The primary factors contributing to the difference between the federal statutory rate of 21% and the Company's effective tax rate for the fiscal year ended March 31, 2022 were the estimated benefit for the exclusion of income for the Company's captive insurance company subsidiary under §831(b), the exclusion of the minority owned portion of pretax income of Contrail, state income tax expense, the exclusion of PPP loan forgiveness proceeds from taxable income, and changes in the valuation allowance. The change in the valuation allowance is primarily due to unrealized losses on investments and the generation of foreign tax credits through the NOL carryback claim that the Company expects to expire before they are fully utilized, and attribute reduction incurred by Delphax related to dissolution of its French subsidiary.

During the fiscal year ended March 31, 2021, the Company recorded $3.4 million of income tax benefit related to continuing operations at an effective tax rate of 28.8%. The primary factors contributing to the difference between the federal statutory rate of 21% and the Company's effective tax rate for the fiscal year ended March 31, 2021 were the estimated benefit for the exclusion of income for the Company's captive insurance company subsidiary under §831(b), the exclusion of the minority owned portion of pretax income of Contrail, state income tax expense, the rate differential for the Net Operating Loss ("NOL") carryback claim and changes in the valuation allowance. The change in the valuation allowance is primarily due to unrealized losses on investments and the generation of foreign tax credits through the NOL carryback claim that the Company expects to expire before they are fully utilized.

Market Outlook

COVID-19 and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas (such as inflation and 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 but we still experienced a substantial number of disruptions, and we experienced and continue to experience 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 flow and could operate at a loss from time to time beyond fiscal 2022. We expect that the impact of COVID-19 will continue to some extent. The fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions and our businesses in particular, and, as a result, present material uncertainty and risk with respect to us and our results of operations.

Liquidity and Capital Resources

As of March 31, 2022, the Company held approximately $8.4 million in total cash, cash equivalents and restricted cash. Of which, $2.3 million related to cash collateral for three Opportunity Zone fund investments. The Company also held $1.7 million in restricted investments held as statutory reserve of SAIC. The Company also has approximately $0.9 million of marketable securities.

As of March 31, 2022, the Company's working capital amounted to $97.3 million, an increase of $19.7 million compared to March 31, 2021, primarily driven by the $9.1 million Employee Retention Credit ("ERC") receivable and an increase of $13.2 million in accounts receivable.

The Company's Credit Agreement with Minnesota Bank & Trust, a Minnesota state banking corporation ("MBT") (the Air T debt in Note 14 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report) includes several covenants that are measured once a year at March 31, including but not limited to, a negative covenant requiring a debt service coverage ratio of 1.25. The AirCo 1 Credit Agreement (the AirCo 1 debt in Note 14 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report) contains an affirmative covenant relating to collateral valuation. The Contrail Credit Agreement (the Contrail debt in Note 14 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report) contains affirmative and negative covenants, including covenants that restrict the ability of Contrail 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 Contrail Credit Agreement also contains quarterly financial covenants applicable to Contrail and its subsidiaries, including a minimum debt service coverage ratio of 1.25 to 1.0 and a minimum tangible net worth ("TNW") of $8 million. The obligations of Contrail under the Contrail Credit Agreement are 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 other lenders. As of March 31, 2022, the Company, AirCo 1 and Contrail were in compliance with all financial covenants.

In April 2020, the Company obtained loans under the PPP loan, as authorized by the CARES Act, of $8.2 million to help pay for payroll costs, mortgage interest, rent and utility costs. As of March 31, 2022, the Company's PPP Loan was fully forgiven by the SBA. As such, the Company accounted for its then outstanding principal and accrued interest as a gain on extinguishment in accordance with ASC 470.

As mentioned in Note 14 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, during fiscal 2022, the Company received $8.5 million in gross proceeds from the sale of TruPs through a S-3 Registration Statement filed by the Company. The TruPs were sold and issued under the S-3 "shelf" Registration Statement base prospectus filed with the Securities and Exchange Commission on March 10, 2021 and declared effective by the SEC on March 19, 2021, and under an At the Market Offering Agreement and a First Amendment to the At the Market Offering Agreement filed with the SEC on May 14, 2021 and November 19, 2021, respectively, and prospectus supplements filed with the SEC on May 14, 2021 and November 19, 2021, respectively.

The Shelf Registration Statement registers a number of securities that may be issued by the Company in a maximum aggregate amount of up to $15 million. The Registration Statement is subject to the offering limits set forth in General Instruction I.B.6 of Form S-3 because the Company's public float is less than $75 million. For so long as the Company's public float is less than $75 million, the aggregate market value of securities sold by the Company under the Shelf Registration Statement pursuant to Instruction I.B.6 to Form S-3 during any 12 consecutive months may not exceed one-third of the Company's public float. For purposes of this limitation, the aggregate market value of our outstanding common stock held by non-affiliates, or public float, was $23.7 million, based on 1.0 million shares of our outstanding common stock held by non-affiliates and a price of $22.75 per share, which was the price as of March 31, 2022, a date within 60 days of the date that our common stock was last sold on The Nasdaq Global Market on May 26, 2022, calculated in accordance with General Instruction I.B.6 of Form S-3. After giving effect to the $7.9 million offering limit imposed by General Instruction I.B.6 of Form S-3, we have now reached the offering limit under the current Prospectus Supplement.

As mentioned in Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, Contrail entered into an Operating Agreement with the Seller providing for the put and call options 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 Put/Call Option permits the Seller to require Contrail to purchase all of the Seller's equity membership interests in Contrail commencing on July 18, 2021 ("Contrail RNCI"). 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.

As mentioned in Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, on May 5, 2021, the Company formed a new aircraft asset management business called CAM and a new aircraft capital joint venture called CJVII. The new venture will focus on acquiring commercial aircraft and jet engines for leasing, trading and disassembly. CJVII will target investments in current generation narrow-body aircraft and engines, building on Contrail's origination and asset management expertise. CAM will serve two separate and distinct functions: 1) to direct the sourcing, acquisition and management of aircraft assets owned by CJVII, and 2) to directly invest into CJVII alongside other institutional investment partners. CAM has an initial commitment to CJVII of approximately $53 million, which is comprised of an $8 million initial commitment from the Company and an approximately $45 million initial commitment from MRC. As of March 31, 2022, CAM's remaining capital commitments are approximately $2.0 million from the Company and $22.0 million from MRC. CJVII will initially be capitalized with up to $408.0 million of equity from the Company and three institutional investor partners, consisting of $108.0 million in initial commitments and $300.0 million in upsize capacity, contingent on underwriting and transaction appeal. As of the date of this filing, $75.8 million of capital has been deployed to CJVII. The timing of the remaining capital commitment is not yet known at this time.

The Company believes it is probable that the cash on hand (including that obtained from the PPP and other current financings), net cash provided by operations from its remaining operating segments, together with its current revolving lines of credit, as amended or replaced, will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued.

Cash Flows

Following is a table of changes in cash flow from continuing operations for the respective years ended March 31, 2022 and 2021 (in thousands):

	Year Ended March 31,		Change
	2022	2021	
Net Cash Used in Operating Activities	$ (33,084)	$ (1,823)	$ (31,261)
Net Cash (Used) Provided by Investing Activities	(33,388)	2,516	(35,904)
Net Cash Provided by Financing Activities	59,254	71	59,183
Effect of foreign currency exchange rates	(341)	(412)	71
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	$ (7,559)	$ 352	$ (7,911)

Cash used in operating activities was $33.1 million in fiscal year 2022 compared to cash used in operating activities of $1.8 million in fiscal year 2021. During fiscal year 2022, the Company's purchase of engines and components received into inventory exceeded amounts spent in fiscal year 2021 by $17.5 million. Further, less cash was collected this year due to timing and less concentration of cash receipts compared to the prior year as accounts receivable increased by $13.2 million.

Cash used in investing activities for fiscal year 2022 was $33.4 million compared to cash provided by investing activities for the prior fiscal year of $2.5 million. This difference was primarily driven by cash used for the acquisitions of Wolfe Lake assets of $13.4 million, GdW's acquisition of $12.8 million, and investment in unconsolidated entities of $6.8 million.

Cash provided by financing activities for fiscal year 2022 was $59.2 million more compared to the prior fiscal year. This was primarily due to the current year's increase in net proceeds from lines of credit of $33.0 million, increase in proceeds received from issuance of Trust Preferred Securities ("TruPs") of $10.0 million, and decrease in payments on line of credit of $21.0 million compared to prior year, offset by prior year's proceeds from PPP loan of $8.2 million that did not recur in the current year.

Off-Balance Sheet Arrangements

The Company defines an off-balance sheet arrangement as any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a Company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging, or research and development arrangements with the Company. The Company is not currently engaged in the use of any of these arrangements.

Supply Chain and Inflation

The Company continues to monitor a wide range of health, safety, and regulatory matters related to the continuing COVID-19 pandemic including its impact on our business operations. In particular, ongoing supply chain disruptions have impacted product availability and costs across all markets including the aviation industry in which our Company operates. Additionally, the United States is experiencing an acute workforce shortage and increasing inflation which has created a hyper-competitive wage environment. Thus far, the direct impact of these items on our businesses have been immaterial. However, ongoing or future disruptions to consumer demand, our supply chain, product pricing inflation, our ability to attract and retain employees, or our ability to procure products and fulfill orders, could negatively impact the Company’s operations and financial results in a material manner. We continue to look for proactive ways to mitigate potential impacts of supply chain disruptions at our businesses.

The Company believes that inflation has not had a material effect on its manufacturing and commercial jet engine and parts operations, because increased costs to date have been passed on to customers. Under the terms of its overnight air cargo business contracts the major cost components of that segment's operations, consisting principally of fuel, crew and other direct operating costs, and certain maintenance costs are reimbursed by its customer. Significant increases in inflation rates could, however, have a material impact on future revenue and operating income.

Non-GAAP Financial Measures

The Company uses adjusted earnings before taxes, interest, and depreciation and amortization ("Adjusted EBITDA"), a non-GAAP financial measure as defined by the SEC, to evaluate the Company's financial performance. This performance measure is not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures.

Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates Adjusted EBITDA by removing the impact of specific items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. When calculating Adjusted EBITDA, the Company does not add back depreciation expense for aircraft engines that are on lease, as the Company believes this expense matches with the corresponding revenue earned on engine leases. Depreciation expense for leased engines totaled $0.3 million and $1.9 million for the fiscal year ended March 31, 2022 and 2021.

Management believes that Adjusted EBITDA is a useful measure of the Company's performance because it provides investors additional information about the Company's operations allowing better evaluation of underlying business performance and better period-to-period comparability. Adjusted EBITDA is not intended to replace or be an alternative to operating income (loss) from continuing operations, the most directly comparable amounts reported under GAAP.

The table below provides a reconciliation of operating income (loss) from continuing operations to Adjusted EBITDA for the fiscal year ended March 31, 2022 and 2021 (in thousands):

	Twelve Months Ended	
	March 31, 2022	**March 31, 2021**
Operating income (loss) from continuing operations	$ 8,755	$ (9,175)
Depreciation and amortization (excluding leased engines depreciation)	1,589	1,231
Asset impairment, restructuring or impairment charges	805	6,592
Loss (gain) on sale of property and equipment	5	(10)
Security issuance expenses	252	32
Adjusted EBITDA	**$ 11,406**	**$ (1,330)**

Included in the asset impairment, restructuring or impairment charges for the fiscal year ended March 31, 2022 was a write-down of $0.8 million on the commercial jet engines and parts segment's inventory. The write-down was attributable to our evaluation of the carrying value of inventory as of March 31, 2022, 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.

The table below provides Adjusted EBITDA by segment for the fiscal year ended March 31, 2022 and 2021 (in thousands):

	Twelve Months Ended	
	March 31, 2022	**March 31, 2021**
Overnight Air Cargo	$ 2,854	$ 2,248
Ground Equipment Sales	3,455	9,132
Commercial Jet Engines and Parts	5,200	(3,933)
Corporate and Other	(103)	(8,777)
Adjusted EBITDA	**$ 11,406**	**$ (1,330)**

Seasonality

The ground equipment sales segment business has historically been seasonal, with the revenues and operating income typically being higher in the second and third fiscal quarters as commercial deicers are typically delivered prior to the winter season. Other segments are typically not susceptible to material seasonal trends.

Critical Accounting Policies and Estimates.

The Company's significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report. The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions to determine certain assets, liabilities, revenues and expenses. Management bases these estimates and assumptions upon the best information available at the time of the estimates or assumptions. The Company's estimates and assumptions could change materially as conditions within and beyond our control change. Accordingly, actual results could differ materially from estimates. The Company believes that the following are its most critical accounting policies:

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. There are various estimates and judgments related to the valuation of identifiable assets acquired, liabilities assumed, goodwill and non-controlling interests. These estimates and judgments have the potential to materially impact the Company's consolidated financial statements.

Inventories – Inventories are carried at the lower of cost or net realizable value. Within the Company's commercial jet engines and parts segment, there are various estimates and judgments made in relief of inventory as parts are sold from established groups of parts from one engine or airframe purchase. The estimates and judgments made in relief of inventory are based on assumptions that are consistent with a market participant's future expectations for the commercial aircraft, jet engines and parts industry and the economy in general and our expected intent for the inventory. These assumptions and estimates are complex and subjective in nature. Changes in economic and operating conditions, including those occurring as a result of the impact of the COVID-19 pandemic or its effects could impact the assumptions and result in future losses to our inventory.

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.

Valuation of Assets on Lease or Held for Lease - Engine assets on lease or held for lease are stated at cost, less accumulated depreciation. On a quarterly basis, we monitor the portfolio for events which may indicate that a particular asset may need to be evaluated for potential impairment. These events may include a decision to part-out or sell an asset, knowledge of specific damage to an asset, or supply/demand events which may impact the Company's ability to lease an asset in the future. On an annual basis, even absent any such 'triggering event', we evaluate the assets in our portfolio to determine if their carrying amount may not be recoverable. If an asset is determined to be unrecoverable, the asset is written down to fair value. When evaluating for impairment, we test at the individual asset level (e.g., engine, airframe or aircraft), as each asset generates its own stream of cash flows, including lease rents and maintenance reserves.

The Company must make significant and subjective estimates in determining whether any impairment exists. Those estimates are as follows:

- Fair value – we determine fair value by reference to independent appraisals, quoted market prices (e.g., an offer to purchase) and other factors such as current data from airlines, engine manufacturers and MRO providers as well as specific market sales and repair cost data.

- Future cash flows – 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.

If the forecasted undiscounted cash flows and fair value of our long-lived assets decrease in the future, we may incur impairment charges.

Accounting for Redeemable Non-Controlling Interest. Policies related to redeemable non-controlling interests involve judgment and complexity, specifically on the classification of the non-controlling interests in the Company's consolidated balance sheet, and the accounting treatment for changes in the fair value or estimated redemption value for non-controlling interests that are redeemed at other than fair value. Further, there is significant judgment in determining whether an equity instrument is currently redeemable or not currently redeemable but probable that the equity instrument will become redeemable. Additionally, there are also significant estimates made in the valuation of the Contrail's redeemable non-controlling interest. The fair value of Contrail's non-controlling interest 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. 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. There are also significant estimates made to determine the estimated redemption value of Shanwick's redeemable non-controlling interest ("Shanwick RNCI"). The analysis uses significant inputs such as forecasted earnings before interest and taxes ("EBIT"), discount rate and expected volatility, which require significant management judgment and assumptions.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk.*

The Company is subject to the risk of fluctuating interest rates in the normal course of business, primarily as a result of its variable rate borrowing. The Company has entered into variable to fixed rate interest-rate swap agreements to effectively reduce its exposure to interest rate fluctuations.

We are also exposed to certain losses in the event of nonperformance by the counterparties under the swaps. We regularly evaluate the financial condition of our counterparties. Based on this review, we currently expect the counterparties to perform fully under the swaps. However, if a counterparty defaults on its obligations under a swap, we could be required to pay the full rates on the applicable debt, even if such rates were in excess of the rate in the contract.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” and the Notes to Consolidated Financial Statements for a description of our accounting policies and other information related to these financial instruments.

Item 8. *Financial Statements and Supplementary Data.*

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2022, 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 $7.2 million as of March 31, 2022. 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 28, 2022

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)	2022	2021
Operating Revenues:		
Overnight air cargo	$ 74,409	$ 66,251
Ground equipment sales	42,239	60,679
Commercial jet engines and parts	57,689	46,793
Corporate and other	2,740	1,398
	177,077	175,121
Operating Expenses:		
Overnight air cargo	65,694	58,351
Ground equipment sales	33,538	45,282
Commercial jet engines and parts	36,603	36,710
General and administrative	29,817	34,264
Depreciation and amortization	1,860	3,107
Write-down of inventory	768	6,405
Impairment of property and equipment	37	187
Loss (gain) on sale of property and equipment	5	(10)
	168,322	184,296
Operating Income (Loss) from continuing operations	8,755	(9,175)
Non-operating Income (Expense):		
Interest expense, net	(4,948)	(4,624)
Gain on forgiveness of PPP	8,331	—
Income (loss) from equity method investments	37	(723)
Other	1,221	2,741
	4,641	(2,606)
Income (Loss) from continuing operations before income taxes	13,396	(11,781)
Income Tax Expense (Benefit)	1,169	(3,387)
Net Income (Loss) from continuing operations	12,227	(8,394)
Gain on sale of discontinued operations, net of tax	—	4
Net Income (Loss)	12,227	(8,390)
Net (Income) Loss Attributable to Non-controlling Interests	(1,299)	1,113
Net Income (Loss) Attributable to Air T, Inc. Stockholders	$ 10,928	$ (7,277)
Income (loss) from continuing operations per share (Note 23)		
Basic	$ 3.79	$ (2.53)
Diluted	$ 3.78	$ (2.53)
Income from discontinued operations per share (Note 23)		
Basic	$ —	$ —
Diluted	$ —	$ —
Income (Loss) per share (Note 23)		
Basic	$ 3.79	$ (2.53)
Diluted	$ 3.78	$ (2.53)
Weighted Average Shares Outstanding:		
Basic	2,880	2,882
Diluted	2,888	2,882

See notes to consolidated financial statements.

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

	Year Ended March 31,	
(In thousands)	2022	2021
Net Income (Loss)	$ 12,227	$ (8,390)
Other Comprehensive Loss:		
Foreign currency translation loss	(549)	(409)
Unrealized gain on interest rate swaps, net of tax of $294 and $78	929	262
Reclassification of interest rate swaps into earnings	41	(18)
Total Other Comprehensive Loss	421	(165)
Total Comprehensive Income (Loss)	12,648	(8,555)
Comprehensive (Income) Loss Attributable to Non-controlling Interests	(1,299)	1,113
Comprehensive Income (Loss) Attributable to Air T, Inc. Stockholders	$ 11,349	$ (7,442)

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)	March 31, 2022	March 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,616	$ 10,996
Marketable securities	859	1,407
Restricted cash	2,752	4,931
Restricted investments	1,691	1,507
Accounts receivable, net of allowance for doubtful accounts of $1,368 and $1,177	19,684	6,505
Income tax receivable	3,230	4,389
Inventories, net	75,167	71,971
Employee retention credit receivable	9,138	—
Other current assets	10,106	4,068
Total Current Assets	128,243	$ 105,774
Assets on lease or held for lease, net of accumulated depreciation of $780 and $436	14,509	2,131
Property and equipment, net of accumulated depreciation of $5,405 and $4,510	21,212	8,519
Intangible assets, net of accumulated amortization of $2,947 and $2,467	13,260	1,600
Right-of-use assets	7,354	7,757
Equity method investments	9,864	4,475
Goodwill	10,126	4,227
Other assets	3,031	6,267
Total Assets	207,599	140,750
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	9,397	8,344
Income tax payable	194	39
Accrued expenses and other (Note 12)	13,391	12,787
Current portion of long-term debt	6,482	5,639
Short-term lease liability	1,443	1,370
Total Current Liabilities	30,907	28,179
Long-term debt	129,326	81,857
Deferred income tax liabilities, net	2,812	595
Long-term lease liability	6,734	7,075
Other non-current liabilities	1,342	1,732
Total Liabilities	171,121	$ 119,438
Redeemable non-controlling interest	10,761	6,598
Commitments and contingencies (Note 24)		
Equity:		
Air T, Inc. Stockholders' Equity:		
Preferred stock, $1.00 par value, 50,000 shares authorized	—	—
Common stock, $0.25 par value; 4,000,000 shares authorized, 3,022,745 shares issued, 2,866,418 and 2,881,853 shares outstanding	756	756
Treasury stock, 156,327 at $19.20 and 140,892 shares at $18.58	(3,002)	(2,617)
Additional paid-in capital	393	—
Retained earnings	26,729	16,270
Accumulated other comprehensive loss	(263)	(684)
Total Air T, Inc. Stockholders' Equity	24,613	13,725
Non-controlling Interests	1,104	989
Total Equity	25,717	14,714
Total Liabilities and Equity	$ 207,599	$ 140,750

See notes to consolidated financial statements.

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

	Year Ended March 31,	
(In thousands)	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 12,227	$ (8,390)
Gain on sale of discontinued operations, net of income tax	—	(4)
Net income (loss) from continuing operations	12,227	(8,394)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,860	3,107
Profit from sale of assets on lease and held for lease	—	(1,473)
Gain on forgiveness of PPP loan	(8,331)	—
Write-down of inventory	768	6,405
Other	876	1,019
Change in operating assets and liabilities:		
Accounts receivable	(12,654)	6,074
Inventories	(17,602)	(129)
Accounts payable	1,050	(2,521)
Accrued expenses	(485)	(341)
Employee retention credit receivable	(9,138)	—
Other	(1,655)	(5,570)
Total adjustments	(40,484)	(2,487)
Net cash used in operating activities - continuing operations	(33,084)	(1,823)
Net cash provided by operating activities - discontinued operations	—	4
Net cash used in operating activities	(33,084)	(1,819)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	—	(659)
Sale of marketable securities	815	2,452
Proceeds from sale of assets on lease and held for lease	—	8,183
Acquisition of businesses, net of cash acquired	(12,804)	(536)
Investment in unconsolidated entities	(6,797)	—
Acquisition of assets	(13,408)	—
Capital expenditures related to property & equipment	(1,530)	(3,899)
Capital expenditures related to assets on lease or held for lease	(28)	(2,106)
Other	364	(919)
Net cash (used) provided by investing activities - continuing operations	(33,388)	2,516
Net cash (used) provided by investing activities - discontinued operations	—	—
Net cash (used) provided by investing activities	(33,388)	2,516
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	99,363	66,383
Payments on lines of credit	(84,551)	(105,552)
Proceeds from term loan	34,232	59,278
Payments on term loan	(3,813)	(27,275)
Proceeds from PPP loan	—	8,215
Proceeds received from issuance of TruPs	11,278	1,341
Other	2,745	(2,319)
Net cash provided by financing activities - continuing operations	59,254	71
Effect of foreign currency exchange rates on cash and cash equivalents	(341)	(412)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(7,559)	356
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	15,927	15,571
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	8,368	15,927
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Non-cash capital expenditures related to property & equipment	13	31
Equipment leased or held for lease transferred to Inventory	12	19,623
Equipment in Inventory transferred to Assets on Lease	13,100	—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Operating cash payments for operating leases	1,824	1,683
Cash paid during the year for interest	1,523	2,732
Cash paid during the year for income taxes	$ 429	$ 477

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, 2020	3,023	$ 756	141	$ (2,617)	$ 2,636	$ 23,768	$ (537)	$ 1,005	$ 25,011
Net loss*	—	—	—	—	—	(7,277)	—	(16)	(7,293)
Foreign currency translation loss	—	$ —	—	—	—	—	(409)	—	(409)
Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	(2,636)	(221)	—	—	(2,857)
Unrealized gain of interest rate swaps, net of tax	—	—	—	—	—	—	262	—	262
Balance, March 31, 2021	3,023	$ 756	141	$ (2,617)	$ —	$ 16,270	$ (684)	$ 989	$ 14,714

(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, 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 on interest rate swaps, net of tax	—	—	—	—	—	—	929	—	929
Put option issued to co-investor in CAM	—	—	—	—	—	(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

*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.

Discontinued Operations

On September 30, 2019, the Company completed the sale of GAS. The results of operations of GAS are reported as discontinued operations in the condensed consolidated statements of operations for the year ended March 31, 2021. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

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.

COVID-19 and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas 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 but we still experienced a number of disruptions, and we experienced and continue to experience to a lesser degree 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 flow and may continue to operate at a loss from time to time beyond fiscal 2022. We expect that the impact of COVID-19 will continue to some extent. The fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions, and, as a result, present 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, 2022, 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, 2022 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,	
	2022	2021
Goodwill, at original cost	$ 10,502	$ 4,603
Less accumulated impairment	(376)	(376)
Goodwill, net of impairment	$ 10,126	$ 4,227

As of March 31, 2022, $4.2 million of the goodwill balance is attributable to the acquisition of Contrail and included within the Commercial Jet Engines and Parts segment. $5.9 million of the goodwill balance is attributable to the acquisition of GdW in February 2022, and included within the Corporate and Other segment.

We performed our annual impairment assessment for goodwill of the Contrail reporting unit at March 31, 2022. In the fiscal year 2022, COVID-19 continued to greatly impact 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. 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 revenue and earnings derived from comparable publicly-traded companies with similar operating characteristics as Contrail.

Based on the results of our annual quantitative assessment conducted as of March 31, 2022, the fair value of our Contrail reporting unit exceeded its carrying value, 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. Accordingly, the Warrants are recorded within "Other non-current liabilities" on our consolidated balance sheets. The Warrants are recorded at fair value. Fair value measurement was based on quoted price for a similar asset or liability as observed on the NASDAQ Global Market. The liability is classified as Level 2 in the hierarchy. As of March 31, 2022, 5.3 million Warrants were exercised. The remaining 3.1 million Warrants were not exercised and 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, 2022, the fair value of the Contrail's redeemable non-controlling interest is $7.2 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, 2022, the estimated redemption value of Shanwick's redeemable non-controlling interest is $3.6 million. See Note 24, Commitments and Contingencies.

<u>Revenue Recognition</u> – 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 $23.0 million and $19.9 million for the years ended March 31, 2022 and 2021, respectively.

<u>Liquidity</u> – The Company's Credit Agreement with MBT (the Air T debt in Note 14) includes several covenants that are measured once a year at March 31, including, but not limited to, a financial covenant requiring a debt service coverage ratio of 1.25. The AirCo 1 Credit Agreement (the AirCo 1 debt in Note 14) contains an affirmative covenant relating to collateral valuation. As of March 31, 2022, the Company and AirCo 1 were in compliance with all financial covenants.

The Contrail Credit Agreement (the Contrail debt in Note 14) contains affirmative and negative covenants, including covenants that restrict the ability of Contrail 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 Contrail Credit Agreement also contains quarterly financial covenants applicable to Contrail and its subsidiaries, including a minimum debt service coverage ratio of 1.25 to 1.0 and a minimum TNW of $8 million. As of March 31, 2022, Contrail was in compliance with all financial covenants.

The Company believes it is probable that the cash on hand (including that obtained from other current financings), net cash provided by operations from its remaining operating segments, together with its current revolving lines of credit, as amended or replaced, will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued.

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 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. The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of this ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact of this amendment on our contracts, hedging relationships, and other transactions affected by reference rate reform.

In July 2021, the FASB updated the *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. The amendments in this Update address stakeholders' concerns by amending the lease classification requirements for lessors to align them with practice under Topic 840. Lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met:

1. The lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in paragraphs 842-10-25-2 through 25-3.

2. The lessor would have otherwise recognized a day-one loss.

When a lease is classified as operating, the lessor does not recognize a net investment in the lease, does not derecognize the underlying asset, and, therefore, does not recognize a selling profit or loss. The leased asset continues to be subject to the measurement and impairment requirements under other applicable GAAP. The amendments in this Update are effective for fiscal years beginning after December 15, 2021, for all entities, and interim periods within those fiscal years for public business entities. The Company is currently evaluating the impact of this amendment on its consolidated financial statements and disclosures.

Recently Adopted Accounting Pronouncements

In October 2021, the FASB updated the *2021-08—Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this Update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements (if the acquiree prepared financial statements in accordance with GAAP). However, there may be circumstances in which the acquirer is unable to assess or rely on how the acquiree applied Topic 606, such as if the acquiree does not follow GAAP, if there were errors identified in the acquiree's accounting, or if there were changes identified to conform with the acquirer's accounting policies. In those circumstances, the acquirer should consider the terms of the acquired contracts, such as timing of payment, identify each performance obligation in the contracts, and allocate the total transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception (that is, the date the acquiree entered into the contracts) or contract modification to determine what should be recorded at the acquisition date. The amendments in this Update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to business combinations occurring on or after the effective date of the amendments.

Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application.

The Company early adopted the amendments as of April 1, 2021. As a result, we recognized and measured contract assets and contract liabilities acquired from the acquisition of GdW in accordance with Topic 606 as if we had originated the contracts.

In November 2021, the FASB issued an update on the *2021-10—Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance.* The amendments in this Update apply to business entities that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance (for example, a grant model within IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, or Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition).

The amendments in this Update require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy:

1. Information about the nature of the transactions and the related accounting policy used to account for the transactions

2. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item

3. Significant terms and conditions of the transactions, including commitments and contingencies.

The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. An entity should apply the amendments in this Update either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions.

On January 24, 2022, the Company filed an application with the Internal Revenue Service for an ERC in an amount approximating $9.1 million. The Company early adopted the amendments as of April 1, 2021 and made all the required disclosures pertaining to our ERC application in Note 11.

2. Acquisitions

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 in St. Louis Park, Minnesota pursuant to the real estate purchase agreement with WLPC East, LLC, a Minnesota limited liability company 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 the Air T's 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", "Subsidiary"), 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% of Shanwick. Air T Acquisition 22.1 and its consolidated subsidiaries are included within the Corporate and other segment.

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		(6,855)
Goodwill	$	5,949

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		2,936
Intangible - Customer Relationships		7,354
Total assets		11,112
LIABILITIES		
Accounts payable		15
Accrued expenses and deferred revenue		1,670
Deferred income tax liabilities, net		2,572
Total liabilities		4,257
Net assets acquired	$	6,855

As of March 31, 2022, the purchase price allocation is considered preliminary. The Company's initial accounting for this acquisition is incomplete as of the date of this report. Therefore, as permitted by applicable accounting guidance, the foregoing amounts are provisional. All relevant facts and circumstances are still being considered by management prior to finalization of the purchase price allocation.

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 41% and 37% of the Company's consolidated revenues were derived from services performed for FedEx Corporation in fiscal 2022 and 2021, respectively. Approximately 15% and 35% of the Company's consolidated accounts receivable at March 31, 2022 and 2021, 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,	
	2022	2021
Marketable securities (including restricted investments) (Level 1)	$ 2,550	$ 2,914
Interest rate swaps (Level 2)	889	593
Warrants Liability (Level 2)	—	414
Contrail's redeemable non-controlling interest (Level 3)	$ 7,178	$ 6,598

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, 2021	$ 6,598
Contribution from non-controlling member	285
Distribution to non-controlling member	—
Net income attributable to non-controlling interests	826
Fair value adjustment - Contrail (Note 24)	(531)
Ending Balance as of March 31, 2022	$ 7,178

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, 2022 and 2021.

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, 2022, 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,	
	2022	2021
Overnight air cargo	$ 28	$ —
Ground equipment manufacturing:		
Raw materials	4,688	4,695
Work in process	2,437	5,820
Finished goods	9,264	1,691
Corporate and other:		
Raw materials	705	462
Finished goods	728	889
Commercial jet engines and parts:	60,439	60,516
Total inventories	78,289	74,073
Reserves	(3,122)	(2,102)
Total inventories, net of reserves	$ 75,167	$ 71,971

A write-down of $0.8 million was recorded on the inventory of the commercial jet engines and parts segment during the fiscal year ended March 31, 2022. The write-down was attributable to our evaluation of the carrying value of inventory as of March 31, 2022, 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 $0.3 million and $1.9 million for the fiscal years ended March 31, 2022 and 2021, 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 $0.1 million and $4.9 thousand for the fiscal years ended March 31, 2022 and 2021, respectively. As of March 31, 2022, future minimum rental payments to be received under non-cancelable leases are as follows (in thousands):

Year ended March 31,		
2023	$	4,380
2024		72
2025		—
2026		—
2027		—
Thereafter		—
Total	$	4,452

As of March 31, 2022, Contrail has one engine on lease that includes a return-to-condition compensation ("engine compensation") provision upon the lease termination in December 2022. The engine compensation is determined as the sum of $3.6 million, plus a variable component calculated based on various escalation factors, including usage of flight hours and consumption of material, labor and utility. The Company estimated the engine compensation as of March 31, 2022 to be $4.4 million, which was recorded within "Other current assets" on our consolidated balance sheets. $3.6 million of the engine compensation is fixed, and thus is included within the $4.4 million of future rental payments to be received during the fiscal year ended March 31, 2023.

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 $0.1 million for the fiscal year ended March 31, 2022.

We recognized rental and other revenues related to operating lease payments of $0.4 million, of which variable lease payments were $0.2 million during the year ended March 31, 2022. 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 at March 31, 2022:

Year ended March 31,		
2023	$	827
2024		780
2025		774
2026		746
2027		728
Thereafter		3,729
Total	$	7,584

7. PROPERTY AND EQUIPMENT

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

	Year Ended March 31,	
	2022	**2021**
Furniture, fixtures and equipment	$ 6,470	$ 4,852
Leasehold improvements	6,297	5,541
Building	13,850	2,636
	26,617	13,029
Less: accumulated depreciation	(5,405)	(4,510)
Property and equipment, net	$ 21,212	$ 8,519

8. INTANGIBLES

Intangibles consisted of the following (in thousands):

	Year Ended March 31, 2022	Year Ended March 31, 2021
Purchased software	$ 447	$ 407
Internally developed software	4,112	828
In-place lease and other intangibles	1,108	—
Customer relationships	7,694	451
Patents	1,112	1,112
Other	1,391	1,024
	15,864	3,822
Less: accumulated amortization	(2,947)	(2,467)
	12,917	1,355
In-process software	343	245
Intangible assets, total	$ 13,260	$ 1,600

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

	March 31, 2022			
	Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
In-place lease and other intangibles	9 years, 3 months	$ 1,108	$ 63	$ 1,045

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

	March 31, 2022			
	Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Amount
Internally developed software	9 years, 10 months	$ 2,892	$ 49	$ 2,843
Customer relationship	14 years, 10 months	7,243	82	7,161
	13 years, 5 months	$ 10,135	$ 131	$ 10,004

Based on the intangible assets recorded at March 31, 2022 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
2023	$ 1,312
2024	1,181
2025	1,107
2026	1,037
2027	997
Thereafter	7,283
	$ 12,917

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).

For the swaps related to Air T Term Note D and Contrail - Term Note G, 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, 2022 and March 31, 2021, the fair value of the interest-rate swap contracts was an asset of $0.9 million and a liability of $0.6 million, respectively, which is included within other assets and other non-current liabilities, respectively in the consolidated balance sheets. During the twelve months ended March 31, 2022 and 2021, the Company recorded a gain of approximately $0.9 million and $0.3 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, 2022, the Company did not record any gain or loss related to these derivative instruments. During the fiscal year ended March 31, 2021, the Company had a gross gain aggregating to $0.8 million and a gross loss aggregating to $23.7 thousand related to these derivative instruments.

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, 2022, the Company had a gross unrealized gain aggregating to $2.8 million and a gross unrealized loss aggregating to $2.4 million. During the fiscal year ended March 31, 2021, the Company had a gross unrealized gain aggregating to $1.2 million and a gross unrealized loss aggregating to $1.2 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, 2022 and 2021, the Company had no outstanding borrowings under its margin account. As of March 31, 2022 and 2021, the Company had cash margin balances related to exchange-traded equity securities and securities sold short of $0 and $0.9 million, respectively, which is reflected in other current assets on the consolidated balance sheets.

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, 2022, the number of Insignia's shares owned by the Company was adjusted to 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. As such, the Company did not record any additional share of Insignia's net loss for the fiscal year ended March 31, 2022. 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.

The Company's 18.98% 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, 2022, the Company recorded a loss of $0.8 million as its share of CCI's net loss for the twelve months ended December 31, 2021, along with a basis difference adjustment of $50.0 thousand. Additionally, due to the adverse financial results as reported in CCI's financial statements for the quarters ended June 30, 2021 and September 30, 2021, in addition to consideration of industry reports and other qualitative factors, the Company determined that it suffered from an other-than-temporary impairment in its investment in CCI. As such, the Company recorded an impairment charge of $0.3 million during the quarter ended December 31, 2021. The Company's net investment basis in CCI is $2.6 million as of March 31, 2022.

Summarized audited financial information for the Company's equity method investees for the twelve months ended December 31, 2021 and December 31, 2020 are as follows (in thousands):

	Twelve Months Ended December 31, 2021	Twelve Months Ended December 31, 2020
Revenue	$ 115,051	$ 91,245
Gross Profit	5,642	4,589
Operating loss	(9,627)	(10,551)
Net loss	(7,473)	(1,960)
Net loss attributable to Air T, Inc. stockholders	$ (815)	$ (760)

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. We recognize government grants for which there is a reasonable assurance of compliance with grant conditions and receipt of credits. As of March 31, 2022, the Company's expected one-time refunds totaling $9.1 million, are 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.

We expect to receive the employee retention credit payment in fiscal 2023. Upon receipt, we expect to allocate these funds towards a combination of further investment in our team members, growth investments, capital expenditures, and deferred maintenance capital spending.

12. ACCRUED EXPENSES

	Year ended March 31,	
(In thousands)	2022	2021
Salaries, wages and related items	$ 4,232	$ 5,427
Profit sharing and bonus	1,365	2,706
Other deposits	2,948	1,251
Other	4,846	3,403
Total	$ 13,391	$ 12,787

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 twelve months ended March 31, 2022 and 2021 are as follows (in thousands):

	Twelve Months Ended March 31, 2022	Twelve Months Ended March 31, 2021
Operating lease cost	$ 2,102	$ 2,134
Short-term lease cost	603	316
Variable lease cost	722	760
Total lease cost	$ 3,427	$ 3,210

Amounts reported in the consolidated balance sheets for leases where we are the lessee as of the years ended March 31, 2022 and 2021 were as follows (in thousands):

	March 31, 2022	March 31, 2021
Operating leases		
Operating lease ROU assets	$ 7,354	$ 7,757
Operating lease liabilities	$ 8,177	$ 8,445
Weighted-average remaining lease term		
Operating leases	13 years, 5 months	13 years, 9 months
Weighted-average discount rate		
Operating leases	4.33 %	4.37 %

Maturities of lease liabilities under non-cancellable leases where we are the lessee as of the year ended March 31, 2022 are as follows (in thousands):

	Operating Leases
2023	$ 1,736
2024	1,375
2025	1,119
2026	870
2027	704
Thereafter	5,300
Total undiscounted lease payments	11,104
Less: Interest	(2,446)
Less: Discount	(481)
Total lease liabilities	$ 8,177

14. FINANCING ARRANGEMENTS

Borrowings of the Company and its subsidiaries are summarized below at March 31, 2022 and March 31, 2021, respectively.

On April 13, 2020, the Company entered into a loan with MBT in a principal amount of $8.2 million pursuant to a PPP Loan under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). As of March 31, 2022, the Company's PPP Loan was fully forgiven by the SBA. As such, the Company accounted for its then outstanding principal and accrued interest as a gain on extinguishment in accordance with ASC 470.

As mentioned in Note 2, 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, a Minnesota limited liability company, through its Dutch subsidiary, Shanwick, and was funded with cash, investment by executive management of the underlying business, and loans as described below. As part of the transaction, Shanwick obtained a EUR 4.0 million loan package from ING Bank ("ING") to further fund this transaction. The ING loan package includes a EUR 3.0 million term loan (translated into $3.3 million Term Loan A - ING below) which carries an interest rate of 3.5% and a maturity date of February 1, 2027, and a EUR 1.0 million term loan (translated into $1.1 million Term Loan B - ING below) which carries an interest rate of 4% and a maturity date of May 1, 2027. The ING loan is non-recourse to the Company and Subsidiary and is secured by the shares of GdW.

The Company secured the funds necessary to fund its portion of the GdW acquisition consideration on February 8, 2022 through (i) a new secured loan from Bridgewater Bank ("Bridgewater"), a Minnesota banking corporation and (ii) cash. The loan is in the principal amount of $5.0 million and bears a fixed interest rate of 4.00%. The loan provides for monthly payments of accrued interest and annual principal payments of $0.5 million each for years 2023 through 2027, and matures on February 8, 2027 at which time the entire unpaid balance will be due and payable in full. In addition, the loan agreement contains affirmative and negative covenants. The loan 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.

The following table provides certain information about the current financing arrangements of the Company's and its subsidiaries as of March 31, 2022 and 2021:

(In Thousands)	March 31, 2022	March 31, 2021	Maturity Date	Interest Rate	Unused commitments
Air T Debt					
Revolver - MBT	$ 10,969	$ —	8/31/2023	Greater of 2.50% or Prime - 1.00%	$ 6,031
Term Note A - MBT	8,542	6,750	8/31/2031	3.42%	
Term Note B - MBT	3,014	3,375	8/31/2031	3.42%	
Term Note D - MBT	1,405	1,472	1/1/2028	1-month LIBOR + 2.00%	
Term Note E - MBT	2,316	4,706	6/25/2025	Greater of LIBOR + 1.50% or 2.50%	
Debt - Trust Preferred Securities	25,567	14,289	6/7/2049	8.00%	
PPP Loan	—	8,215	12/24/2022[1]	1.00%	
Total	51,813	38,807			
AirCo 1 Debt					
Term Loan - Park State Bank ("PSB")	6,393	6,200	12/11/2025	3-month LIBOR + 3.00%	
Total	6,393	6,200			
Jet Yard Debt					
Term Loan - MBT	1,943	—	8/31/2031	4.14%	
Total	1,943	—			
Contrail Debt					
Revolver - ONB	3,843	—	9/5/2023	1-month LIBOR + 3.45%	21,157
Term Loan G - ONB	44,918	43,598	11/24/2025	1-month LIBOR + 3.00%	
Term Loan H - ONB	8,698	—	8/18/2023	Wall Street Journal (WSJ) Prime Rate + 0.75%	
Total	57,459	43,598			
Delphax Solutions Debt					
Canadian Emergency Business Account Loan	32	32	12/31/2025	5.00%	
Total	32	32			
Wolfe Lake Debt					
Term Loan - Bridgewater	9,837	—	12/2/2031	3.65%	
Total	9,837	—			
Air T Acquisition 22.1					
Term Loan - Bridgewater	5,000	—	2/8/2027	4.00%	
Term Loan A - ING	3,341	—	2/1/2027	3.50%	
Term Loan B - ING	1,114	—	5/1/2027	4.00%	
Total	9,455	—			
Total Debt	136,932	88,637			
Less: Unamortized Debt Issuance Costs	(1,124)	(1,141)			
Total Debt, net	**$ 135,808**	**$ 87,496**			

[1] The PPP loan was fully forgiven by the SBA in September 2021.

Fiscal 2022's weighted average interest rate on short term borrowings outstanding was 3.90% . The weighted average interest rate on short term borrowings outstanding as of March 31, 2021 was 0.00%, due to the fact that all short-term borrowings outstanding as of March 31, 2021 have zero balances.

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, 2022, our contractual financing obligations, including payments due by period, are as follows (in thousands):

Fiscal year ended	Amount
2023	$ 6,482
2024	29,854
2025	10,242
2026	41,459
2027	5,354
Thereafter	43,541
	136,932
Less: Unamortized Debt Issuance Costs	(1,124)
	$ 135,808

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, 2022 and 2021, 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, 2022 and March 31, 2021 are as follows (in thousands):

	March 31, 2022	March 31, 2021
Contractual interest	$ 4,808	$ 4,352
Amortization of deferred financing costs	367	288
Interest income	(227)	(16)
Total	$ 4,948	$ 4,624

Other - On June 10, 2019, the Company completed a transaction with all holders of the Company's Common Stock to receive a special, pro-rata distribution of the securities enumerated below:

- A dividend of one additional share for every two shares already held (a 50% stock dividend, or the equivalent of a 3-for-2 stock split). See Note 23.
- The Company issued and distributed to existing common shareholders, via a non-cash transaction from equity, an aggregate of 1.6 million trust preferred capital security shares (aggregate $4.0 million stated value) and an aggregate of 8.4 million warrants (representing warrants to purchase $21.0 million in stated value of TruPs).

On January 14, 2020, Air T effected a one-for-ten reverse split of its TruPs. As a result of the reverse split, the stated value of the TruPs currently is $25.00 per share. Further, each Warrant conferred upon its holder the right to purchase one-tenth of a share of TruPs for $2.40, representing a 4% discount to the new stated value of $2.50 for one-tenth of a share. As of March 31, 2022, approximately 5.3 million Warrants were exercised. The remaining 3.1 million Warrants were not exercised and expired on August 30, 2021.

During fiscal 2022, the Company received $8.5 million in gross proceeds from the sale of TruPs through a S-3 Registration Statement filed by the Company. The TruPs were sold and issued under the S-3 "shelf" Registration Statement base prospectus filed with the Securities and Exchange Commission on March 10, 2021 and declared effective by the SEC on March 19, 2021, and under an At the Market Offering Agreement and a First Amendment to the At the Market Offering Agreement filed with the SEC on May 14, 2021 and November 19, 2021, respectively, and prospectus supplements filed with the SEC on May 14, 2021 and November 19, 2021, respectively.

The amount outstanding on the Company's Debt - Trust Preferred Securities is $25.6 million as of March 31, 2022.

15. RELATED PARTY MATTERS

Contrail Aviation Support, LLC 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, 2021 through March 31, 2022. 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 $50.0 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, 2022, Mr. Swenson owned 66.9% 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.

As mentioned in Note 14, 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, 2022, the Company has paid approximately $0.2 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, 2022 and 2021. No stock-based compensation expense with respect to this plan was recognized for the year ended March 31, 2022 and 2021, respectively. At March 31, 2022, there was no unrecognized compensation expense related to the Air T's 2012 stock options.

Option activity during the fiscal years ended March 31, 2021 and 2022 is summarized below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2020	11,250	$ 6.61	3.07	$ 66,388
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Repurchased	—	—		
Outstanding at March 31, 2021	11,250	6.61	2.07	193,063
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Repurchased	—	—		
Outstanding at March 31, 2022	11,250	6.61	1.07	182,000
Exercisable at March 31, 2022	11,250	$ 6.61	1.07	$ 182,000

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, 2022, 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. 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 is $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. As of March 31, 2022, total compensation cost recognized under the Plan was $0.4 million. The unrecognized compensation cost related to nonvested awards is $0.9 million, which is expected to be recognized over a weighted average period of 9.25 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, 2022:

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. 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. 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. 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. 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. In the current fiscal year, the Company also generated revenue from the sale of assets on lease or held for lease.

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

	Year Ended March 31, 2022	Year Ended March 31, 2021
Product Sales		
Air Cargo	$ 23,011	$ 19,892
Ground equipment sales	40,676	59,794
Commercial jet engines and parts	49,356	40,066
Corporate and other	285	327
Support Services		
Air Cargo	51,344	46,330
Ground equipment sales	518	291
Commercial jet engines and parts	7,049	4,743
Corporate and other	1,167	132
Leasing Revenue		
Air Cargo	—	—
Ground equipment sales	383	149
Commercial jet engines and parts	1,156	1,730
Corporate and other	571	136
Other		
Air Cargo	54	29
Ground equipment sales	662	445
Commercial jet engines and parts	128	254
Corporate and other	717	803
Total	$ 177,077	$ 175,121

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 and advanced customer deposits with respect to product sales. The following table presents outstanding contract liabilities as of April 1, 2021 and March 31, 2022 and the amount of contract liabilities that were recognized as revenue during the year ended March 31, 2022 (in thousands):

	Outstanding Contract Liabilities	Outstanding Contract Liabilities Recognized as Revenue
As of March 31, 2022	$ 4,727	
As of April 1, 2021	1,358	
For the Year ended March 31, 2022		$ (1,183)

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, 2022 and 2021 was approximately \$0.6 million and \$0.5 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 2022 and 2021 was approximately \$2.0 million and \$1.5 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,	
	2022	2021
Current:		
Federal	$ 1,358	$ (3,330)
State	44	130
Foreign	134	39
Total current	1,536	(3,161)
Deferred:		
Federal	(507)	91
State	140	(317)
Total deferred	(367)	(226)
Total	$ 1,169	$ (3,387)

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% to pretax income (loss) from continuing operations as follows (in thousands):

	Year Ended March 31,			
	2022		2021	
Expected Federal income tax expense (benefit) U.S. statutory rate	$ 2,813	21.0%	$ (2,472)	21.0%
State income taxes, net of federal benefit	177	1.3%	(271)	2.3%
Permanent Items	(165)	-1.2%	—	
Micro-captive insurance benefit	(233)	-1.8%	(217)	1.8%
Change in valuation allowance	(2,251)	-16.8%	621	-5.3%
Income attributable to minority interest - Contrail	(174)	-1.3%	247	-2.1%
Write-off Delphax Tech SAS	2,225	16.6%	—	0.0%
PPP Loan Forgiveness	(1,650)	-12.3%	—	0.0%
NOL Carryback - Rate Differential	—	0.0%	(1,468)	12.5%
Other differences, net	427	3.2%	173	-1.4%
Income tax expense (benefit)	$ 1,169	8.7%	$ (3,387)	28.8%

The Company did not record any liabilities for uncertain tax positions for the fiscal years ended March 31, 2022 and March 31, 2021.

The Company has state gross operating losses of $3.9 million at March 31, 2022. These net operating losses will begin to expire in tax year 2031. The Company has foreign tax credits of $0.3 million that will begin to expire in tax year 2027.

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, 2022, DSI and Delphax accounted for $0.2 million and $(2.2) million, respectively, of fiscal year 2022's valuation allowance effect. During the year ended March 31, 2021, each entity, respectively, accounted for $0.3 million and $(0.1) million of the fiscal year 2021's valuation allowance effect. Impairment on investments and changes in unrealized losses related to available-for-sale securities and foreign tax credits accounted for the valuation allowance effect for each year.

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

	2022	2021
Net operating loss & attribute carryforwards	$ 3,794	$ 4,094
Unrealized losses on investments	1,669	1,504
Investment in foreign subsidiaries	—	1,331
Inventory reserve	682	489
Accrued vacation	327	339
Foreign tax credit	263	535
Accounts and notes receivable	235	221
Interest rate swaps	138	149
Investment in partnerships	671	821
Lease liabilities	1,691	1,999
Other deferred tax assets	286	258
Total deferred tax assets	9,756	11,740
Bargain purchase gain	(447)	(470)
Property and equipment	(1,532)	(1,184)
Right-of-use assets	(1,511)	(1,838)
Capital gain deferment	(1,696)	(1,782)
GdW intangible assets	(2,572)	—
Other deferred tax liabilities	(36)	(35)
Total deferred tax liabilities	(7,794)	(5,309)
Net deferred tax asset	$ 1,962	$ 6,431
Less valuation allowance	(4,774)	(7,026)
Net deferred tax liability	$ (2,812)	$ (595)

Delphax entities

Effective on November 24, 2015, Air T, Inc. purchased interests in Dephax. 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, 2021 and March 31, 2022 have not yet been filed. Included in the deferred tax balances above and related to the Delphax entities are estimated foreign, U.S. federal and U.S. state loss carryforwards of $4.3 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 $3.1 million at March 31, 2022, and $5.0 million at March 31, 2021. 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.

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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	—
2021				
Operating Revenues	36,970	35,604	55,819	46,728
(Loss) Income from continuing operations, net of tax	(956)	(3,357)	1,763	(5,844)
Less: Loss attributable to non-controlling interests	115	433	335	230
(Loss) Income from continuing operations attributable to Air T, Inc. Stockholders	(841)	(2,924)	2,098	(5,614)
Income from discontinued operations, net of tax	—	4	—	—
Basic (Loss) Income per share from continuing operations	$ (0.29)	$ (1.01)	$ 0.73	$ (1.96)
Basic Income (Loss) per share from discontinued operations	$ —	$ —	$ —	$ —
Basic (Loss) Income per share	$ (0.29)	$ (1.01)	$ 0.73	$ (1.96)
Diluted (Loss) Income per share from continuing operations	$ (0.29)	$ (1.01)	$ 0.73	$ (1.96)
Diluted Income (Loss) per share from discontinued operations	$ —	$ —	$ —	$ —
Diluted (Loss) Income per share	$ (0.29)	$ (1.01)	$ 0.73	$ (1.96)
Antidilutive shares excluded from computation of income (loss) per share from continuing operations	5	5	—	8
Antidilutive shares excluded from computation of income (loss) per share from discontinued operations	—	—	—	—
Antidilutive shares excluded from computation of income (loss) per share	5	5	—	8

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, 2022 and March 31, 2021 (in thousands):

	March 31, 2022	March 31, 2021
United States	$ 34,067	$ 8,632
Foreign	1,654	2,018
Total tangible long-lived assets, net	$ 35,721	$ 10,650

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, 2022. The net book value located within each individual country at March 31, 2022 is listed below (in thousands):

Country	March 31, 2022	March 31, 2021
Macau	$ 1,351	$ 1,896
Other	303	122
Total tangible long-lived assets, net	$ 1,654	$ 2,018

Total revenue, located in the United States, and outside the United States is summarized in the following table as of March 31, 2022 and March 31, 2021 (in thousands):

	March 31, 2022	March 31, 2021
United States	$ 142,898	$ 147,010
Foreign	34,179	28,111
Total revenue	$ 177,077	$ 175,121

22. SEGMENT INFORMATION

The Company has four reportable segments: overnight air cargo, ground equipment sales, commercial jet engine and parts and corporate and other. We have presented prior periods based on the current presentation. Segment data is summarized as follows (in thousands):

(In Thousands)	Year Ended March 31, 2022	2021
Operating Revenues:		
Overnight Air Cargo:		
Domestic	$ 65,441	$ 66,251
International	8,968	—
Total Overnight Air Cargo	74,409	66,251
Ground Equipment Sales:		
Domestic	35,089	51,558
International	7,150	9,121
Total Ground Equipment Sales	42,239	60,679
Commercial Jet Engines and Parts:		
Domestic	40,798	28,235
International	16,891	18,558
Total Commercial Jet Engines and Parts	57,689	46,793
Corporate and Other:		
Domestic	1,571	967
International	1,169	431
Total Corporate and Other	2,740	1,398
Total	177,077	175,121
Operating Income (Loss):		
Overnight Air Cargo	2,794	2,178
Ground Equipment Sales	3,220	8,948
Commercial Jet Engines and Parts	3,619	(10,882)
Corporate and Other	(878)	(9,419)
Total	8,755	(9,175)
Capital Expenditures:		
Overnight Air Cargo	148	74
Ground Equipment Sales	156	124
Commercial Jet Engines and Parts	1,204	5,774
Corporate and Other	50	33
Total	1,558	6,005
Depreciation and Amortization:		
Overnight Air Cargo	58	66
Ground Equipment Sales	234	184
Commercial Jet Engines and Parts	965	2,438
Corporate and Other	603	419
Total	$ 1,860	$ 3,107

The table below provides a reconciliation of operating income (loss) to Adjusted EBITDA by reportable segment for the fiscal year ended March 31, 2022 and 2021 (in thousands):

	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
Security issuance expenses	—	—	—	252	252
Adjusted EBITDA	**$ 2,854**	**$ 3,455**	**$ 5,200**	**$ (103)**	**$ 11,406**

	Fiscal year 2021				
	Overnight Air Cargo	**Ground Equipment Sales**	**Commercial Jet Engines and Parts**	**Corporate and Other**	**Total**
Operating income (loss) from continuing operations	$ 2,178	$ 8,948	$ (10,882)	$ (9,419)	$ (9,175)
Depreciation and amortization (excluding leased engines depreciation)	66	184	562	419	1,231
Asset impairment, restructuring or impairment charges	—	—	6,405	187	6,592
Loss (gain) on sale of property and equipment	4	—	(18)	4	(10)
Security issuance expenses	—	—	—	32	32
Adjusted EBITDA	**$ 2,248**	**$ 9,132**	**$ (3,933)**	**$ (8,777)**	**$ (1,330)**

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,	
	2022	2021
Net income (loss) from continuing operations	$ 12,227	$ (8,394)
Net (income) loss from continuing operations attributable to non-controlling interests	(1,299)	1,113
Net income (loss) from continuing operations attributable to Air T, Inc. Stockholders	10,928	(7,281)
Income (loss) from continuing operations per share:		
Basic	$ 3.79	$ (2.53)
Diluted	$ 3.78	$ (2.53)
Antidilutive shares excluded from computation of income (loss) per share from continuing operations	—	6
Gain on sale of discontinued operations, net of tax	—	4
Gain from discontinued operations attributable to Air T, Inc. stockholders	—	4
Income from discontinued operations per share:		
Basic	$ —	$ —
Diluted	$ —	$ —
Antidilutive shares excluded from computation of income per share from discontinued operations	—	—
Income (loss) per share:		
Basic	$ 3.79	$ (2.53)
Diluted	$ 3.78	$ (2.53)
Antidilutive shares excluded from computation of income (loss) per share	—	6
Weighted Average Shares Outstanding:		
Basic	2,880	2,882
Diluted	2,888	2,882

24. COMMITMENTS AND CONTINGENCIES

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 $7.2 million as of March 31, 2022. The change in the redemption value compared to March 31, 2021 is an increase of $0.6 million. The increase was driven by $0.3 million of contributions made from the non-controlling interest and $0.8 million of net income attributable to the non-controlling interest, offset by $0.5 million of the net change in fair value. 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.

On May 5, 2021, the Company formed an aircraft asset management business called CAM, and an aircraft capital joint venture called CJVII. The new venture focuses on acquiring commercial aircraft and jet engines for leasing, trading and disassembly. CJVII targets investments in current generation narrow-body aircraft and engines, building on Contrail's origination and asset management expertise. CAM serves two separate and distinct functions: 1) to direct the sourcing, acquisition and management of aircraft assets owned by CJVII, and 2) to directly invest into CJVII alongside other institutional investment partners. CAM has an initial commitment to CJVII of approximately $53.0 million, which is comprised of an $8.0 million initial commitment from the Company and an approximately $45.0 million initial commitment from MRC. As of March 31, 2022, CAM's remaining capital commitments are approximately $2.0 million from the Company and $22.0 million from MRC. In connection with the formation of CAM, MRC has a fixed price put option of $1 million to sell its common equity in CAM to Air T at each of the first 3 anniversary dates. At the later of (a) 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 equal annual installments after exercise. As of March 31, 2022, Air T recorded MRC's $1.0 million put option within "Other non-current liabilities" on our consolidated balance sheets. We also reflected it within on our consolidated statements of equity as "Put option issued to co-investor in CAM".

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 at $3.6 million as of March 31, 2022, which was comprised of the following (in thousands):

	Shanwick's Redeemable Non-Controlling Interest	
Beginning Balance as of April 1, 2021	$	—
Contribution from non-controlling members		3,226
Distribution to non-controlling members		—
Net income attributable to non-controlling interests		10
Redemption value adjustments		348
Ending Balance as of March 31, 2022	$	3,584

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, 2022, the Company repurchased 15,435 shares at an aggregate cost of $0.4 million, in which all were recorded as treasury shares. The Company has a total of 156,327 treasury shares as of March 31, 2022.

26. SUBSEQUENT EVENTS

Sale of CF34-3B engines

On May 3, 2022, wholly-owned subsidiary AirCo1 completed an agreement to sell two CF34-3B engine leases to an outside party. Previous to the sale, the engines were leased by AirCo1 to an unrelated third party and the leases were included in the transaction. Total proceeds for the transaction were $3.9 million.

Amendment No.1 to Third Amended And Restated Credit Agreement with MBT and Overline Note

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 total amount of borrowings under the facility as revised is now the Company's calculated borrowing base or $22.0 million. The borrowing base calculation methodology remains unchanged.

The interest rate on borrowings under the facility that are less than $17 million remains at the greater of 2.50% or Prime minus 1%. The interest rate applicable to borrowings under the facility that exceed $17.0 million is the greater of 2.50% or Prime plus 0.5%. 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.

The Overline loan and commitment mature on the earlier of March 31, 2023 or the date on which the Company receives all funds from the Company's ERC application (estimated at approximately $9.1 million) filed on or about January 24, 2022 plus the full receipt of the Company's carryback tax refund for the year (estimated at approximately $2.6 million) filed on or about August 19, 2021. Both were applied for under different components of the CARES Act. It is not possible to estimate when, or if, these funds may be received.

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

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None

Item 9A. *Controls and Procedures.*

Disclosure Controls

Our Chief Executive Officer and Chief Financial Officer, referred to collectively herein as the Certifying Officers, are responsible for establishing and maintaining our disclosure controls and procedures that are designed to ensure that information relating to the Company required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 240.13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934) as of March 31, 2022. Our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2022, the Company's disclosure controls and procedures were effective. In addition, we believe that the consolidated financial statements in this annual report fairly present, in all material respects, the Company's consolidated financial condition as of March 31, 2022, and consolidated results of its operations and cash flows for the year then ended, in conformity with U.S. GAAP.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, 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. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining policies and procedures designed to maintain the adequacy of the Company's internal control over financial reporting, including those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2022 based on the criteria established in a report entitled Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, the Company's management has concluded that the Company's internal control over financial reporting was effective at the reasonable assurance level as of March 31, 2022.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during fiscal quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information.*

(a) Other Information

Not Applicable.

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.*

Not Applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information contained under the headings “Proposal 1 - Election of Directors,” “Executive Officers,” “ Committees of the Board of Directors,” and “Delinquent Section 16(a) Reports” in our Proxy Statement to be filed within 120 days of our fiscal year end, is incorporated herein by reference.

Audit Committee Report

The Audit Committee reviews the Company’s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process.

In this context, the Audit Committee has reviewed and discussed with management and the independent registered public accounting firm the audited financial statements as of and for the year ended March 31, 2022. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committee, as adopted by the Public Company Accounting Oversight Board and currently in effect. In addition, the Audit Committee discussed with the independent registered public accounting firm the written disclosures and letter required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, regarding the independent registered public accounting firm's communication with the Audit Committee concerning independence and discussed with them their independence from the Company and its management. The Audit Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended March 31, 2022 for filing with the Securities and Exchange Commission.

June 28, 2022

AUDIT COMMITTEE

Travis Swenson, Chair
Peter McClung
Ray Cabillot

Code of Ethics

The Company has adopted a code of ethics applicable to its executive officers and other employees. A copy of the code of ethics is available on the Company's internet website at http://www.airt.net. The Company intends to post waivers of and amendments to its code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions on its Internet website.

Item 11. *Executive Compensation*.

The information contained under the heading "Executive Compensation," "Base Salary," "Incentive and Bonus Compensation," "Retirement and Other Benefits," "Executive Compensation Tables," "Employment Agreement and Retirement Savings Plan" and "Director Compensation" in our Proxy Statement to be filed within 120 days of our fiscal year end, is incorporated herein by reference..

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information contained under the heading "Certain Beneficial Owners of Common Stock," "Director and Executive Officer Stock Ownership," in our Proxy Statement to be filed within 120 days of our fiscal year end, is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of March 31, 2022, regarding shares outstanding and available for issuance under Air T, Inc.'s existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities listed in first column)
Equity compensation plans approved by security holders:			
Air T 2012 Stock Option Plan	11,250	$ 6.61	—
Air T 2020 Omnibus Stock Option Plan	326,000	N/A	94,000
Equity compensation plans not approved by security holders:	—	—	—
Total	337,250	$ 6.61	94,000

Item 13. *Certain Relationships and Related Transactions and Director Independence.*

The information contained under the heading "Director Independence" and "Certain Transactions" in our Proxy Statement to be filed within 120 days of our fiscal year end, is incorporated herein by reference.

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, 2022 and 2021.
(iii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended March 31, 2022 and 2021.
(iv) Consolidated Statements of Stockholders' Equity for the years ended March 31, 2022 and 2021.
(v) Consolidated Statements of Cash Flows for the years ended March 31, 2022 and 2021.
(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)
3.2	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)
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)
4.2	Description of Registered Securities
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)
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)*
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)*
10.5	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)*
10.6	Promissory Note and Business Loan Agreement executed as of September 14, 2018 between Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC as Borrower and Old National Bank as the Lender, incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K dated September 20, 2018 (Commission File No. 001-35476)
10.7	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)
10.8	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)

10.9	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)
10.10	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)
10.11	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)
10.12	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)
10.13	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)
10.14	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)
10.15	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)
10.16	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)
10.17	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)
10.18	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)
10.19	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)
10.20	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)
10.21	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)
10.22	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)
10.23	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)
10.24	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)
10.25	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)

10.26	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)
10.27	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)
10.28	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)
10.29	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)
10.30	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)
10.31	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)
10.32	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)
10.33	Form of Warrant, incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)
10.34	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)
10.35	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)
10.36	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)
10.37	Warrant Agency Agreement dated as of June 10, 2019, incorporated by reference to Exhibit 4.11 to the Company's Current Report on Form 8-K dated June 13, 2019 (Commission File No. 001-35476)
10.38	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)
10.39	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)
10.40	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)**
10.41	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)**
10.42	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)**
10.43	Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC First Amended and Restated Promissory Note Term Note B in the principal amount of $18,000,000.00 to Old National Bank, incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**

10.44	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)**
10.45	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)**
10.46	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)**
10.47	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)**
10.48	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)**
10.49	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)**
10.50	Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC Term Note D in the principal amount of $7,553,165.00 to Old National Bank, incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)**
10.51	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)**
10.52	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)**
10.53	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)**
10.54	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)**
10.55	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)**
10.56	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)**
10.57	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)**

10.58	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)**
10.59	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)**
10.60	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)**
10.61	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)**
10.62	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)**
10.63	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)**
10.64	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)**
10.65	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)**
10.66	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)**
10.67	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)**
10.68	Form of Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC Term Note E, dated December 19, 2019, in the principal amount of $6,894,790 to Old National Bank, incorporated by reference to Exhibit 10.47 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2019 (Commission File No. 001-35476)
10.69	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)
10.70	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)
10.71	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)
10.72	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)

10.73	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)
10.74	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)
10.75	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)
10.76	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)
10.77	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)
10.78	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)
10.79	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)
10.80	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)
10.81	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)
10.82	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)
10.83	"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)
10.84	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)
10.85	"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)
10.86	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)
10.87	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)
10.88	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)

10.89	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)
10.90	$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)
10.91	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)
10.92	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)
10.93	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)
10.94	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)
10.95	$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)
10.96	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)
10.97	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)
10.98	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)
10.99	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)
10.100	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)*
10.101	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)*
10.102	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)*
10.103	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)*
10.104	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)*
10.105	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 Quarterly Report on Form 10-Q dated August 14, 2020 (Commission File No. 001-35476)

10.106	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)
10.107	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)
10.108	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)
10.109	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)
10.110	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)
10.111	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)
10.112	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)
10.113	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)
10.114	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)
10.115	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)
10.116	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)
10.117	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).
10.118	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)
10.119	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)
10.120	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)
10.121	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)
10.122	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)

10.123	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)
10.124	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)
10.125	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)
10.126	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)
10.127	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)
10.128	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)
10.129	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)
10.130	Form of Non-Qualified Stock Option Award Agreement under 2020 Omnibus Stock and Incentive Plan**, incorporated by reference to the Company's Definitive Proxy Statement as Appendix B on Form DEF 14A dated July 19, 2021 (Commission File No. 001-35476)
10.131	The Company's Quarterly Report on Form 10-Q dated August 12, 2021 (Commission File No. 001-35476)
10.132	The Company’s Quarterly Report on Form 10-Q dated November 12, 2021 (Commission File No. 001-35476)
10.133	The Company’s Quarterly Report on Form 10-Q dated February 14, 2022 (Commission File No. 001-35476)
21.1	List of subsidiaries of the Company (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
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, 2022, 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.

Item 16. Form 10-K Summary

We have chosen not to include an optional summary of the information required by this Form 10-K. For a reference to the information in this Form 10-K, investors should refer to the Table of Contents to this Form 10-K.

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/ Nick Swenson Nick Swenson, Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	Date: June 28, 2022
By:	/s/ Brian Ochocki Brian Ochocki, Chief Financial Officer (Principal Financial Officer)	Date: June 28, 2022
By:	/s/ Raymond Cabillot Raymond Cabillot, Director	Date: June 28, 2022
By:	/s/ William R. Foudray William R. Foudray, Director	Date: June 28, 2022
By:	/s/ Gary S. Kohler Gary S. Kohler, Director	Date: June 28, 2022
By:	/ s/ Peter McClung Peter McClung, Director	Date: June 28, 2022
By:	/s/ Travis Swenson Travis Swenson, Director	Date: June 28, 2022