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, 2025**

or

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

For the transition period from ______________ to ______________

Commission file number 001-35476

Air T, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

*Issued by Air T Funding

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

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

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

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

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

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

Yes ☐ No ☒

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of September 30, 2024 (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, 2024 was approximately $14,257,338.

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, 2025	2,702,639

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s definitive proxy statement for its 2025 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
2025 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 grow Air T's earnings power, compounding its free-cash-flow per share over time.

We currently operate in four core industry segments:

- Overnight air cargo, which operates in the air express delivery services industry;
- Ground support equipment (formerly known as 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 (formerly known as 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;
- Digital solutions, which develops and provides digital aviation and other business services to customers within the aviation industry to generate recurring subscription revenues.

The Company additionally has a central corporate function that acts as the capital allocator and resource for other consolidated businesses, referred to as Corporate and other. Further, Corporate and other also comprises insignificant businesses and business interests.

Effective as of the fourth quarter of fiscal year 2025, we renamed our ground equipment sales segment to ground support equipment and renamed our commercial jet engines and parts segment to commercial aircraft, engines and parts to better align the descriptions of the segments with their activities.

Additionally, we have elected to separately disclose the digital solutions segment to better align our financial statement presentation with a key long-term growth area for the Company. Digital solutions was previously classified as part of insignificant business activities. As a result of this change, prior period segment information has been recast to conform to our current presentation in our financial statements and related notes included Item 8 of this report.

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

Certain financial data with respect to the Company's geographic areas and segments is set forth in Note 18 and Note 19 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 businesses and their principal legal entities that comprise of the activities of Air T are as follows:

Legal Entity	Principal Place of Business
Air T, Inc.	Charlotte, North Carolina
Mountain Air Cargo, Inc. (“MAC”)	Denver, North Carolina
CSA Air, Inc. (“CSA”)	Iron Mountain, Michigan
Global Ground Support, LLC (“GGS”)	Olathe, Kansas
Delphax Technologies, Inc (“Delphax”)	Minneapolis, Minnesota
Delphax Solutions, Inc. (“DSI”)	Mississauga, Canada
Contrail Aviation Support, LLC (“Contrail”)	Verona, Wisconsin
AirCo, LLC, AirCo 1, LLC, AirCo 2, LLC and AirCo Services, LLC (collectively, "AirCo”)	Eagan, Minnesota
Worthington Aviation, LLC (“Worthington”)	Eagan, Minnesota
Jet Yard, LLC (“Jet Yard”)	Marana, Arizona
Jet Yard Solutions, LLC ("Jet Yard Solutions")	Marana, Arizona
Air'Zona Aircraft Services, Inc. ("Air'Zona")	Kingman, Arizona
Wolfe Lake HQ, LLC ("Wolfe Lake")	Minneapolis, Minnesota
Shanwick B.V. ("Shanwick")	Amsterdam, the Netherlands
WorldACD Market Data B.V. ("WACD")	Amsterdam, the Netherlands
Landing Gear Support Services, Inc. ("LGSS")	Eagan, Minnesota
Worldwide Aircraft Services, Inc. ("WASI")	Springfield, Missouri
Ambry Hills Technology, LLC ("AHT")	Cambridge, Minnesota

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 comprises the operations of MAC, CSA and WASI. MAC and CSA have a relationship with FedEx spanning over 40 years and represent two of eight companies in the U.S. that have North American feeder airlines under contract with FedEx. MAC and CSA operate and maintain Cessna Caravan, SkyCourier, 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, for which monthly rent reflects 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 agreements were most recently renewed on June 1, 2021 and are 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, 2025, MAC and CSA had an aggregate of 103 aircraft under its dry-lease agreements with FedEx. Included within the 103 aircraft, 6 Cessna Caravan, 4 Sky Courier, and 2 ATR 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. In addition, 2 Cessna Caravan and 1 Sky Courier aircraft were considered hard-parked. Hard-parked aircraft are covered under the agreements with FedEx, do not receive an administrative fee, and do not operate scheduled routes but do receive a nominal storage fee.

Revenues from MAC and CSA's contracts with FedEx accounted for approximately 39% and 36% of the Company's consolidated revenue for the fiscal years ended March 31, 2025 and 2024, 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.

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. The maximum payload (cargo capacity) for the Cessna 408 operated under Part 135 is 6,000 pounds. The maximum structural payload (cargo capacity) for the ATR72-600F operated under Part 121 is 20,281 pounds. 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, exclusively through dry leases for the last five years:

			Number of Aircraft as of March 31,				
Type of Aircraft	Model Year	Form of Ownership	2025	2024	2023	2022	2021
Cessna Caravan 208B (single turbo prop)	1985-1996	Dry lease	68	71	61	54	49
Cessna SkyCourier 408 (twin turbo prop)[1]	2022-2023	Dry lease	12	11	4	0	0
ATR-42 (twin turbo prop)	1992	Dry lease	9	9	9	9	8
ATR-72 (twin turbo prop)	1992	Dry lease	10	10	10	9	9
ATR-72-600 (twin turbo prop)	2022-2023	Dry lease	4	4	1	0	0
			103	105	85	72	66

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.

The Cessna Caravan 408 aircraft are maintained under an FAA Approved AAIP. The inspection program consists of 400 to 5,600 flight hour checks and 18 month to 120 month calendar checks.

MAC and CSA operate in a niche market within a highly competitive contract cargo carrier market. MAC and CSA are two of eight carriers that operate within the United States as FedEx feeder carriers. MAC and CSA are benchmarked against the other six 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

[1] MAC was specifically chosen to operate the first commercial revenue-service flight for the Cessna 408 SkyCourier in 2023.

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.

On January 31, 2023, the Company acquired WASI, an aircraft repair station that began operating in 1986. WASI is a certified FAA/EASA part 145 repair station (no. OWRF547L) and specializes in medium passenger regional jets, regional/commuter turboprops, cargo and other operators. It maintains a fully equipped engine shop with tooling and engine run stands. Services of WASI include inspections, contract maintenance, refurbishment, structural repairs and modifications, avionics, engine service refurbishment and upgrades.

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

Ground Support Equipment.

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, 2025, sales of deicing equipment accounted for approximately 72% of GGS's revenues, compared to 74% in the fiscal year ended March 31, 2024.

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 1,200 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, glycol transfer 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 in July 2009. Per the contract, GGS had to provide annual pricing for each one-year period during the duration of the contract. 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 15 and 9 deicers under the current contract with the USAF, including both GL 1800 and ER 2875 models, during fiscal years ended March 31, 2025 and March 31, 2024, respectively and all the units were accepted by the USAF. GGS has already received confirmed orders of 16 deicers for fiscal 2026's delivery order and currently expects the delivery of both GL 1800 and ER 2875 models in the first quarter of fiscal year 2026.

Commercial Aircraft, Engines and Parts.

Contrail and Jet Yard (acquired during fiscal year 2017), AirCo (formed in May 2017), Worthington (acquired in May 2018), Jet Yard Solutions (formed in January 2021), Air'Zona (acquired in March 2021), and LGSS (formed March 2022) comprise the commercial aircraft, engines and parts segment of the Company's operations. Contrail 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 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 has 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 operational presence in four strategic locations 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.

Air'Zona is a full service Fixed Base Operator, located on field at Kingman Airport (IGM) in Kingman. Arizona provides Jet A and 100LL fuel to customers along with supporting aircraft service and maintenance. LGSS delivers landing gear focused asset management and technical and commercial services worldwide. The revenues of Air'Zona and LGSS are not material to the Company's consolidated financial statements.

The Company's commercial aircraft, engines and parts operations are not materially seasonal.

Digital Solutions.

WACD (acquired during fiscal year 2022) and AHT (acquired during fiscal 2019) comprise the digital solutions segment of the Company's Operations. WACD is a data aggregator that collects global air cargo shipping data. It partners with customers to collect and verify their data as part of a data partnership. Customers receive access to the fully aggregated data in WACD's cloud-native platform to enable strategic decisions about their operations in real time.

AHT is a software company that specializes in cloud-based software solutions targeting aviation aftermarket businesses. AHT has two offerings through its Vista-Suite and Vista-Quote products. Vista-Suite is an ERP/MRO software solution designed to address the particular needs of aviation businesses. Vista-Quote is a software solution specifically designed to automate the request for quotation ("RFQ") process for aftermarket products.

Unconsolidated Investments

The Company has ownership interest in Crestone Asset Management, LLC ("CAM"), formerly known as Contrail Asset Management LLC, and an aircraft capital joint venture called Crestone JV II LLC ("CJVII"), formerly known as Contrail JV II LLC. The operations of CAM are not consolidated into the operations of the Company. See Note 9 and Note 21 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company also has ownership interests in Lendway Inc. - NASDAQ: LDWY ("Lendway"), formerly known as 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 9 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company additionally has ownership interests in other smaller entities that are not consolidated into the operations of the Company and included in the disclosure in Note 9 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

Backlog.

GGS's backlog consists of "firm" orders supported by customer purchase orders for the equipment sold by GGS. As of March 31, 2025, GGS's backlog of orders was $14.3 million, all of which GGS expects to be filled in the fiscal year ending March 31, 2026. As of March 31, 2024, GGS's backlog of orders was $12.6 million. Backlog is not meaningful for the Company's other reportable 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, AirCo, and WASI, 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 Space Age Insurance Company ("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. As of December 26, 2023, SAIC was considered a dormant captive insurance company with the State of Utah, in which it was registered. SAIC is included within Corporate and other.

Employees and Human Capital Resources.

As of March 31, 2025, the Company and its subsidiaries had 646 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.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees. As it relates to our employees:

Oversight and Management

Our executive officers are tasked with leading our organization in managing employment-related matters, including recruiting and hiring, onboarding and training, compensation planning, talent management and development. We are committed to providing team members with the training and resources necessary to continually strengthen their skills. Our executive team is responsible for periodically reviewing team member programs and initiatives, including healthcare and other benefits, as well as our management development and succession planning practices. Management periodically reports to the Board regarding our human capital measures and results that guide how we attract, retain and develop a workforce to enable our business strategies.

Diversity, Equity and Inclusion

We believe that a diverse workforce is critical to our success. We strive for an environment where all employees feel that they belong, are accepted, included, respected and supported because of whom they are individually. We continue to monitor and improve the application of our hiring, retention, compensation and advancement processes for our wide array of talent.

Workplace Safety and Health

A vital part of our business is providing our workforce with a safe, healthy and sustainable working environment. We focus on implementing change through workforce observation and feedback channels to recognize risk and continuously improve our processes.

Item 1A. *Risk Factors*

RISK FACTORS
SUMMARY

General Business Risks

- Market fluctuations may affect the Company's operations.

- 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 securities.
- We could experience significant increases in operating costs and reduced profitability due to competition for skilled management and staff employees in our operating businesses.
- Legacy technology systems require a unique technical skillset which is becoming scarcer.
- Security threats and other sophisticated computer intrusions could harm our information systems, which in turn could harm our business and financial results.
- We may not be able to insure certain risks adequately or economically.
- Legal liability may harm our business.
- Our business might suffer if we were to lose the services of certain key employees.

Risks Related to Our Structure and Financing/Liquidity Risks

- Our holding company structure may increase risks related to our operations.
- A small number of stockholders has the ability to control the Company.
- Although we do not expect to rely on the "controlled company" exemption, we do qualify as a "controlled company" within the meaning of the Nasdaq listing standards, and we could rely on exemptions from certain corporate governance requirements.
- 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.
- 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.
- Future cash flows from operations or through financings may not be sufficient to enable the Company to meet its obligations.
- 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.
- To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available.
- If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives.
- Despite our substantial indebtedness, we may 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.
- 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.
- 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.
- We face numerous risks and uncertainties as we expand our business.
- 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.
- Strategic ventures may increase risks applicable to our operations.
- Rapid business expansions or new business initiatives may increase risk.
- Our policies and procedures may not be effective in ensuring compliance with applicable law.
- 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.
- Deficiencies in our public company financial reporting and disclosures could adversely impact our reputation.

Risks Related to Our Segment Operations

- The operating results of our segments may fluctuate, particularly our commercial aircraft, engines and parts segment.
- Our Overnight Air Cargo Segment is dependent on a significant customer.
- Our dry-lease agreements with FedEx subject us to operating risks.
- Because of our dependence on FedEx, we are subject to the risks that may affect FedEx's operations.
- A material reduction in the aircraft we fly for FedEx could materially adversely affect our business and results of operations.
- Sales of deicing equipment can be affected by weather conditions.
- We are affected by the risks faced by commercial aircraft operators and MRO companies because they are our customers.
- 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.

- 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.
- 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.
- We may experience losses and delays in connection with repossession of engines or aircraft when a lessee defaults.
- Our commercial aircraft, engines 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.
- Our aircraft, engines and parts could cause damage resulting in liability claims.
- We have risks in managing our portfolio of aircraft and engines to meet customer needs.
- 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.
- 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.
- 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.
- 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.
- Our lessees may fail to adequately insure our aircraft or engines which could subject us to additional costs.
- 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.
- If our lessees fail to discharge aircraft liens for which they are responsible, we may be obligated to pay to discharge the liens.
- If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.
- Withdrawal, suspension or revocation of governmental authorizations or approvals could negatively affect our business.

Risks Related to Air T Funding

- The ranking of the Company's obligations under the Junior Subordinated Debentures and the Guarantee creates a risk that Air T Funding may not be able to pay amounts due to holders of the Trust Preferred Securities.
- The Company has the option to extend the Trust Preferred Securities interest payment period.
- Tax event or investment company act redemption of the Trust Preferred Securities.
- The Company may cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities.
- There are limitations on direct actions against the Company and on rights under the guarantee.
- The covenants in the Indenture are limited.
- Holders of the Trust Preferred Securities have limited voting rights.

RISKS RELATED TO THE COMPANY

General Business Risks

Market fluctuations may affect our operations.

Market fluctuations may affect our ability to obtain funds necessary 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. Market studies or demographics we have reviewed also 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 and interest rates 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 increase in interest rates by the Federal Reserve, armed conflicts, a rise in energy prices, wage increases and strong consumer demand. 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 may 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 and our ability to sell additional trust preferred securities.

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 businesses. 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 businesses.

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 have taken actions to improve our existing systems such as adding multi-factor authentication and to improve employee training and security competency. While we do not believe this event or resultant actions had or 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 or may not be adequate to indemnify us for any liability that may be incurred. 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 businesses, the industries they operate in and customers that would be difficult to replace.

A pandemic, epidemic or outbreak of a contagious disease in the markets in which we operate or that otherwise impacts our markets could adversely impact our business.

If a pandemic, epidemic or outbreak of an infectious disease, including new COVID-19 variants, or other public health crisis were to affect the areas in which we operate, our business, including our revenue, profitability and cash flows, could be adversely affected. Further, a pandemic, epidemic or outbreak of an infectious disease might adversely impact our businesses by causing temporary shutdowns or by causing staffing shortages. We may be unable to locate replacement supplies, and ongoing delays could require us to reduce business operations. Although we have disaster plans in place, the extent to which a public health crisis would impact our business is difficult to predict and will depend on many factors beyond our control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel and other activity, and public reactions to these factors.

Changes to U.S. tariff and import/export regulations may have a negative effect on our suppliers and/or service providers and, in turn, could have a material adverse impact on our financial condition.

The United States has recently enacted and proposed to enact significant new tariffs. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U.S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the United States and other countries with respect to such trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly impact the cost of our products and services, and other parts and supplies sourced internationally or impact the cost of service providers located outside of the United States, which in turn could negatively impact us.

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, 2025, our two largest stockholders beneficially owned or had the ability to direct the voting of shares of our Common Stock representing approximately 67% 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.

Although we do not expect to rely on the "controlled company" exemption, we do qualify as a "controlled company" within the meaning of the Nasdaq listing standards, and we do qualify for exemptions from certain corporate governance requirements.

A "controlled company," as defined in the Nasdaq listing standards, is a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. Controlled companies are not required to comply with certain Nasdaq listing standards relating to corporate governance, including:

- the requirement that a majority of its board of directors consist of independent directors;
- the requirement that its nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that its compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Nick Swenson, our President, Chief Executive Officer and Chairman of the Board, beneficially owns an aggregate of 1,352,938 shares of our Common Stock, which represents approximately 50.06% of the voting power of our outstanding Common Stock. Since our President, CEO/Chairman owns a majority of the voting power for the election of our directors, and we do meet the definition of a "controlled company." As a result, these requirements would not apply to us as long as we remain a "controlled company."

We currently do not, and we do not expect to, rely on this exemption and we currently comply with, and we expect to continue to comply with, all relevant corporate governance requirements under the Nasdaq listing standards. However, if we were to utilize some or all of these exemptions, you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq listing standards that relate to corporate governance.

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 or it matures 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 or matures, 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 or meet covenant requirements, we may be forced to seek alternatives.

If we cannot meet our debt service or covenant 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 any aircraft or engine purchase commitments as they come due.

Despite our substantial indebtedness, we may 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 junior subordinated debentures, 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.

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 require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and adequate insurance coverage. 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 and market 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, other operations and adequate security. 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 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 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 aircraft, engines and parts segment and the establishment of an aircraft asset management business and an 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 and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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.

Risks Related to Our Segment Operations

The operating results of our segments may fluctuate, particularly our commercial aircraft, engines and parts segment.

The operating results of our 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 aircraft, engines and parts segment. These risks may reduce the commercial aircraft, 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 Overnight Air Cargo Segment is dependent on a significant customer.

Our Overnight 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, 2025, 39% of our consolidated operating revenues, and 92% 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. An increase in unreimbursed operational costs would negatively affect our results of operations.

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, 2024. These risks include but are not limited to the following:

- Global economic and geopolitical conditions and developments in the 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 its business and result of operations;
- Its transportation businesses are affected by the price and availability of jet and vehicle fuel;
- Its ability to successfully implement its business strategy and transformation program
- A significant data breach or other disruption to its technology infrastructure could disrupt its operations and result in the loss of critical sensitive or confidential information;
- Failure to adjust its air network to remove costs related to services currently provided to the USPS could adversely affect our profitability;
- Insurance and claims expenses could have material adverse effect on it;
- The effects of any international conflicts or terrorist activities on the transportation infrastructure;
- The failure of third-party service providers to perform as expected, or disruptions in relationships with those providers or their provision of services to FedEx;
- The effects of a widespread outbreak of an illness or any other communicable disease or public health crisis;
- Failure to successfully implement its business strategy and effectively respond to changes in market dynamics and customer preferences;
- Its ongoing assessment of the role of FedEx Freight in its portfolio structure may not result in any consummated transaction or other outcome;
- It depends on the strong reputation and the value of the FedEx brand;
- The effect of intense competition;
- Its businesses are capital intensive, and it must make capital decisions based upon projected volume levels;
- Its ability to execute and effectively operate, integrate, leverage, and grow acquired businesses and realize the anticipated benefits of acquisitions, joint ventures, and strategic alliances and investments;
- Labor-related disruptions and potential changes in labor laws;
- Its ability to attract and retain employee talent, meet its purchased transportation needs, or maintain its company culture, as well as increases in labor and purchased transportation costs;
- Challenges to the status of service providers providing certain linehaul and pickup-and-delivery operations as direct and exclusive employers of drivers providing these services is being challenged;
- Potential changes to pilot flight and duty time regulations could impair its operations and impose substantial costs;
- Increasing costs, the volatility of costs and funding requirements, and other legal mandates for employee benefits, especially pension and healthcare benefits;
- It could be affected by global climate change or by legal, regulatory, or market responses to such change;
- It may be unable to achieve or demonstrate progress on our goal of carbon neutrality for global operations by calendar 2040;
- Its inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography;
- Government regulation and enforcement are evolving and unfavorable changes could harm its business;
- It could be subject to adverse changes in regulations and interpretations or challenges to its tax positions;
- The regulatory environment for global aviation or other transportation rights may affect its operations and increase operating costs; and,
- Its business is subject to complex and evolving U.S. and foreign laws and regulations regarding data protection.

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 support equipment 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 or sell 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 grounding of the related engine or aircraft;
- 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;
- a need to incur additional costs and devote resources to recreate the records prior to the sale or lease of the engine or aircraft;
- a decline in the market value of the aircraft or engine resulting in lower revenues upon a subsequent lease or sale;
- loss of lease revenue while we perform refurbishments or repairs and recreate records; and
- 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 aircraft, engines 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 may be 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 Environmental, Social, and Governance Issues

Climate change, related legislative and regulatory responses to climate change, and the transition to a lower carbon economy may adversely affect our business.

There is increasing concern that a gradual rise in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe, an increase in the frequency, severity, and duration of extreme weather conditions and natural disasters, and water scarcity and poor water quality. These events could also compound adverse economic conditions. To the extent that significant changes in the climate occur in areas where our businesses are located or operate, we may experience extreme weather and/or changes in precipitation and temperature, all of which may result in physical damage to, or a decrease in demand for, our properties located in these areas or affected by these conditions and could negatively impact our operations. In addition, changes in federal, state, and local legislation and regulation based on concerns about climate change, including regulations aimed at limiting greenhouse gas emissions and the implementation of "green" building codes, could result in increased capital expenditures without a corresponding increase in revenue. Any assessment of the potential impact of future climate change legislation, regulations, or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change.

We are subject to risks from natural disasters such as earthquakes and severe weather (the frequency and severity of which may be impacted by climate change), which may include more frequent or severe storms, extreme temperatures and ambient temperature increases, hurricanes, flooding, rising sea levels, shortages of water, droughts and wildfires, any of which could have a material adverse effect on our business, results of operations, and financial condition.

Natural disasters, severe weather such as earthquakes, tornadoes, wind, or floods, and wildfires may result in significant damage to our properties or disruption of our operations. The extent of casualty losses and loss of income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Additional consequences of severe weather could include increased insurance premiums and deductibles or a decrease in the availability of coverage.

Environmentally hazardous conditions could potentially adversely affect us.

Under various federal, state, and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources, or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. The cost of defending against environmental claims, of compliance with environmental regulatory requirements, or of remediating any contaminated property could materially and adversely affect us.

We are subject to increasing scrutiny from investors and others regarding our environmental, social, governance, or sustainability responsibilities, which could result in additional costs or risks and adversely impact our reputation, employee retention, and ability to raise capital from investors.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, and stakeholders have focused on the Environmental, Social and Governance ("ESG" or "sustainability") practices of companies, including those associated with climate change. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet investor or other industry stakeholder expectations and standards, which continue to evolve, our reputation and employee retention may be negatively impacted based on an assessment of our ESG practices. Any sustainability disclosures we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, environmental compliance, associate health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. In addition, investors may decide to refrain from investing in us as a result of their assessment of our approach to and consideration of the ESG factors.

Risks Related to Air T Funding

The ranking of the Company's obligations under the Junior Subordinated Debentures and the guarantee creates a risk that Air T Funding may not be able to pay amounts due to holders of the Trust Preferred Securities.

The ability of Air T Funding to pay amounts due to holders of the Trust Preferred Securities is solely dependent upon the Company making payments on the Junior Subordinated Debentures as and when required. All obligations of the Company under the Guarantee, the Junior Subordinated Debentures and other documents are unsecured and rank subordinate and junior in right of payment to all current and future Senior and Subordinated Debt, the amount of which is unlimited. As of March 31, 2025, the aggregate outstanding Senior and Subordinated Debt of the Company was approximately $35.3 million. None of the Indenture, the Guarantee or the Trust Agreement places any limitation on the amount of secured or unsecured debt, including Senior and Subordinated Debt that may be incurred by the Company or its subsidiaries. Further, there is no limitation on the Company's ability to issue additional Junior Subordinated Debentures in connection with any further offerings of Trust Preferred Securities, and such additional debentures would rank pari passu with the Junior Subordinated Debentures. Furthermore, payment of amounts due on the Junior Subordinated Debentures could adversely affect the Company's cash flow and liquidity and financial condition.

The Company has the option to extend the interest payment period could delay interest payments on the Trust Preferred Securities.

So long as no Debenture Event of Default (as defined herein) has occurred and is continuing, at any time on or after, June 7, 2024, the Company has the right under the Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each Extension Period, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. As a consequence of any such deferral, quarterly Distributions on the Trust Preferred Securities by Air T Funding will be deferred (and the amount of Distributions to which holders of the Trust Preferred Securities are entitled will accumulate additional amounts thereon at the rate of 8% per annum, compounded quarterly, from the relevant payment date for such Distributions, to the extent permitted by applicable law) during any such Extension Period. During any such Extension Period, the Company will be prohibited from making certain payments or distributions with respect to the Company's capital stock (including dividends on or redemptions of common or preferred stock) and from making certain payments with respect to any debt securities of the Company that rank pari passu with or junior in interest to the Junior Subordinated Debentures; however, the Company will NOT be restricted from (a) paying dividends or distributions in Common Stock of the Company, (b) redeeming rights or taking certain other actions under a stockholders' rights plan, (c) making payments under the Guarantee or (d) making purchases of Common Stock generally or related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees. Further, during an Extension Period, the Company would have the ability to continue to make payments on Senior and Subordinated Debt. As of March 31, 2025, the aggregate outstanding Senior and Subordinated Debt of the Company was approximately $35.3 million. Prior to the termination of any Extension Period, the Company may further extend such Extension Period provided that such extension does not cause such Extension Period to exceed 20 consecutive quarters or to extend beyond the Stated Maturity. Upon the termination of any Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of 8%, compounded quarterly, to the extent permitted by applicable law), the Company may elect to begin a new Extension Period subject to the above requirements. There is no limitation on the number of times that the Company may elect to begin an Extension Period.

Tax event redemption or investment company act redemption

Upon the occurrence and during the continuation of a Tax Event or an Investment Company Event, the Company has the right to redeem the Junior Subordinated Debentures in whole (but not in part) at 100% of the principal amount together with accrued but unpaid interest to the date fixed for redemption within 90 days following the occurrence of such Tax Event or Investment Company Event and therefore cause a mandatory redemption of the Trust Preferred Securities.

A "Tax Event" means the receipt by the Company and Air T Funding of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement or decision is announced on or after the original issuance of the Trust Preferred Securities, there is more than an insubstantial risk that (i) Air T Funding is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, (ii) interest payable by the Company on the Junior Subordinated Debentures is not, or within 90 days of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes, or (iii) Air T Funding is, or will be within 90 days of the date of the opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

An "Investment Company Event" means the receipt by the Company and Air T Funding of an opinion of counsel experienced in such matters to the effect that, as a result of any change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, Air T Funding is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change becomes effective on or after the original issuance of the Trust Preferred Securities.

The Company may cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities.

The Company has the right at any time to terminate Air T Funding and cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities in liquidation of Air T Funding. Because holders of the Trust Preferred Securities may receive Junior Subordinated Debentures in liquidation of Air T Funding and because Distributions are otherwise limited to payments on the Junior Subordinated Debentures, prospective purchasers of the Trust Preferred Securities are also making an investment decision with regard to the Junior Subordinated Debentures.

There are limitations on direct actions against the Company and on rights under the guarantee.

Under the Guarantee, the Company guarantees the payment of distributions by Air T Funding and payments on liquidation of or redemption of the Trust Preferred Securities (subordinate to the right to payment of Senior and Subordinated Debt of the Company) to the extent of funds held by Air T Funding. If Air T Funding has insufficient funds to pay distributions on the Trust Preferred Securities (i.e., if the Company has failed to make required payments under the Junior Subordinated Debentures), a holder of the Trust Preferred Securities would have the right to institute a legal proceeding directly against the Company for enforcement of payment to such holder of the principal of or interest on such Junior Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Trust Preferred Securities of such holder (a "Direct Action"). Except as described herein, holders of the Trust Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Junior Subordinated Debentures or assert directly any other rights in respect of the Junior Subordinated Debentures.

Under the Guarantee, Delaware Trust Company will act as indenture trustee (the "Guarantee Trustee"). The holders of not less than a majority in aggregate Liquidation Amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust power conferred upon the Guarantee Trustee under the Guarantee Agreement. Any holder of the Trust Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against Air T Funding, the Guarantee Trustee or any other person or entity. The Trust Agreement provides that each holder of the Trust Preferred Securities by acceptance thereof agrees to the provisions of the Guarantee Agreement and the Indenture.

The covenants in the Indenture are limited.

The covenants in the Indenture are limited, and there are no covenants relating to the Company in the Trust Agreement. As a result, neither the Indenture nor the Trust Agreement protects holders of Junior Subordinated Debentures, or Trust Preferred Securities, respectively, in the event of a material adverse change in the Company's financial condition or results of operations or limits the ability of the Company or any subsidiary to incur additional indebtedness. Therefore, the provisions of these governing instruments should not be considered a significant factor in evaluating whether the Company will be able to comply with its obligations under the Junior Subordinated Debentures or the Guarantee.

<u>Holders of the Trust Preferred Securities will generally have limited voting rights.</u>

Holders of the Trust Preferred Securities will generally have limited voting rights relating only to the modification of the Trust Preferred Securities and certain other matters described herein. In the event that (i) there is a Debenture Event of Default (as defined herein) with respect to the Junior Subordinated Debentures (see "Description of the Junior Subordinated Debentures -- Events of Default"), (ii) the Property Trustee fails to pay any distribution on the Trust Preferred Securities for 30 days (subject to deferral of distributions), (iii) the Property Trustee fails to pay the redemption price on the Trust Preferred Securities when due upon redemption, (iv) the Property Trustee fails to observe a covenant in the Trust Agreement for the Trust Preferred Securities for 60 days after receiving a Notice of Default, or (v) the Property Trustee is declared bankrupt or insolvent and not replaced by the Company within 60 days, the holders of a majority of the outstanding Trust Preferred Securities will be able to remove the Property Trustee and the Indenture Trustee (but not the Administrative Trustees who may only be removed by the Company as holder of the Trust's common securities).

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 1C. *Cybersecurity*

Cybersecurity Risk Management and Strategy

To effectively prevent, detect, and respond to cybersecurity threats, the Company employs a multi-faceted cybersecurity risk management program supervised by our Senior Director of Technology Infrastructure and Operations ("Sr Director of Tech"), who reports directly to our CEO. The Sr Director of Tech is responsible for leading our enterprise cybersecurity strategy. This responsibility includes establishing processes designed to prevent and monitor potential cybersecurity risks, assessing potential cybersecurity incidents, implementing mitigation measures, and maintaining the cybersecurity program itself. We do this so that we can continuously enhance our cybersecurity capabilities and strengthen our defensive posture.

Our capabilities, processes, and other security measures also include, without limitation:

- Endpoint Detection and Response software, which monitors for malicious activities on external-facing endpoints (computers, servers, etc.).
- Managed Detection and Response partnership with a third-party security firm, which monitors these endpoints on a continual basis.
- Cloud monitoring, running on primary public and private cloud environments.
- Disaster recovery and incident response plans, including a ransomware response plan.
- Training for all personnel with access to digital assets.

Cybersecurity risk management is an integral part of overall enterprise risk management. As part of its enterprise risk management efforts, the Board of Directors meets with the executive leadership team to assess and respond to critical business risks. These assessments include a review of our cybersecurity programs, as well as an overview of trending cyber threats based on industry intelligence and potential mitigation strategies. Performing these assessments regularly enables the Company to determine key business objectives and the IT assets and capabilities needed to achieve them. In addition, the assessments also provide the executive leadership and the Board of Directors an understanding of the Company's security landscape and allows it to prepare to respond to threats. Cybersecurity threats continue to be identified as one of the Company's significant risks, with our Sr Director of Tech assigned as the risk owner. Our Sr Director of Tech has developed expertise in cybersecurity and compliance, enterprise architecture and road mapping, data analytics and customer service through his twenty years of experience in the information technology space. He holds a Bachelor's degree from the University of North Carolina, Charlotte.

Governance

The Board of Directors has delegated primary responsibility for the oversight of cybersecurity and information technology risks, and the Company's preparedness for these risks, to the Audit Committee. The Audit Committee serves and functions as the Board of Directors primary oversight body to monitor the Company's cybersecurity and related information technology risks. The Audit Committee receives periodic updates from the Sr Director of Tech on the Company's policies, processes, procedures, and any significant development related to the identification, mitigation and remediation of cybersecurity risks. The Audit Committee ensures that the Sr Director of Tech provides to the Board of Directors annual updates on our cybersecurity and information technology risk. These annual updates include topics related to our cybersecurity programs and mitigation strategies, trends in cybersecurity, and other cybersecurity-related developments.

We may engage third-party advisors to monitor threats and to scan for vulnerabilities. When a cybersecurity threat or incident is identified by our third-party advisor, it is reported directly to our Sr Director of Tech. The Sr Director of Tech in conjunction with professionals throughout the organization, including information technology specialists, accountants, and lawyers, determine severity and response, then manage it to conclusion in accordance with our cybersecurity incident response processes. We may engage third party advisors as part of our incident response processes to assist with digital forensics among other efforts. The Sr Director of Tech, together with the cross-functional team, report material or potentially material incidents to our executive leadership and the Audit Committee. The Sr Director of Tech provides further updates regarding root causes and remediation efforts. In the event the Company determines it has experienced a material cybersecurity incident the Board of Directors is notified.

In an effort to deter and detect cyber threats, we engage a third-party service provider to periodically provide all employees with a data protection and cybersecurity awareness training program, which covers timely and relevant topics, including phishing, password protection, confidential data protection, asset use and mobile security, and further educates employees on the importance of and process for reporting all potential incidents immediately.

The Company continuously monitors the risk associated with its third-party service providers. The Company mandates that our key third-party service providers undergo an annual SOC 1 audit, which assist in identifying risks from cybersecurity threats. In cases where a waiver is granted, the Company ensures that alternative measures are in place to maintain rigorous oversight. The Company reviews all SOC1 audit reports to ensure our third-party service providers are maintaining adequate IT security and business process controls. This review process is part of our commitment to confirming that these third-party service providers are safeguarding our operations and data integrity.

We have not identified any cybersecurity threats during the last two fiscal years that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. Please refer to our Risk Factors in Item 1A for more information on the risks associated with cybersecurity attacks.

Item 2. *Properties.*

The Company owns approximately 4.626 acres and a 13,000 square foot office building in Denver, North Carolina, which houses the operations of MAC, and a 55,000 square foot 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 4,900 square feet of office space in Charlotte, North Carolina to accommodate Air T's operations. The lease commenced on July 1, 2023 and will expire on November 30, 2028 with the option to extend the lease for one additional three year term.

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 2028, with the option to extend the lease for three additional five-year periods thereafter. The rental rate under the lease increases by increments for each of the five-year renewal periods.

GGS leases a 112,500 square foot production facility in Olathe, Kansas. The facility is leased from a third party under a lease agreement, which expired in August 2024. On June 6th, 2024, GGS entered into an agreement to extend the current lease for an additional five years through August 31, 2029.

As of March 31, 2025, 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 13 “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 was a 60 month lease that extended through June 2026. As part of the formation of Crestone and transition of certain Contrail's employees to Crestone, Contrail terminated this lease prior to its expiration in 2026. Crestone entered into a lease agreement of a 1,663 square foot office space in Glendale, Colorado on September 1, 2022. On January 1, 2024, Crestone entered into an amended lease agreement which terminated the 1,663 square foot office space and leased new premises of 3,698 square feet of office space located in Glendale, Colorado. The amended lease expires in August 2027.

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, 2028.

Worthington and AirCo lease a 41,280 square-feet facility in Eagan, Minnesota. The lease for this facility expires in April 2027. Worthington has a lease in Tulsa, Oklahoma, which is 22,582 square feet and expires in January 2027. Additionally, Worthington also has two facility leases in Australia: Unit E3 is 1,195 square feet and Unit B5 is 1,442 square feet. The lease for Unit E3's lease expired in April 2025 and was not renewed. The lease for Unit B5A's lease was renewed and extended until April 2029.

WASI subleases approximately 53,500 square feet of land and facilities located at Branson National Airport, Springfield, Missouri. The lease expires on January 30, 2028 with an option to renew for two additional and consecutive five year terms plus an additional and consecutive term ending on May 5, 2039. WASI also leased an additional 2,000 square feet of hangar space that expired on January 30, 2025 with no option to renew.

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 Capital Market under the symbol "AIRT."

As of March 31, 2025, the approximate number of holders of record of the Company's Common Stock was 149.

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 70,756 shares pursuant to this authorization during the fiscal year ended March 31, 2025.

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 Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Jan 1 - Jan 31, 2025	16,343	$ 19.99	16,343	775,505
Feb 1 - Feb 28, 2025	12,065	$ 20.16	12,065	763,440
Mar 1 - Mar 31, 2025	11,212	$ 18.09	11,212	752,228

As of March 31, 2025, the Company did not sell any equity 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 grow Air T's earnings power, compounding 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 support equipment, 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;
- Digital solutions, which develops and provides digital aviation and other business services to customers within the aviation industry to generate recurring subscription revenues;

The Company additionally has a central corporate function that acts as the capital allocator and resource for other consolidated businesses, referred to as Corporate and other. Further, Corporate and other also comprises insignificant businesses and business interests.

Effective as of the fourth quarter of fiscal year 2025, we renamed our ground equipment sales segment to ground support equipment and renamed our commercial jet engines and parts segment to commercial aircraft, engines and parts to better align the descriptions of the segments with their activities.

Additionally, we have elected to separately disclose the digital solutions segment to better align our financial statement presentation with a key long-term growth area for the Company. Digital solutions was previously classified as part of insignificant business activities. As a result of this change, prior period segment information has been recast to conform to our current presentation in our financial statements and related notes included Item 8 of this report.

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

Unconsolidated Investments

The Company has an ownership interest in Crestone Asset Management, LLC. The operations of CAM are not consolidated into the operations of the Company. See Note 9 and Note 21 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company also has ownership interests in Lendway and CCI. The operations of these companies are not consolidated into the operations of the Company. See Note 9 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

The Company additionally has ownership interests in other smaller entities that are not consolidated into the operations of the Company and included in the disclosure in Note 9 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

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:

- An inability to finance our operations through bank or other financing or through the sale or issuance of debt or equity securities;
- Economic and industry conditions in the Company's markets;
- The risk that contracts with FedEx Corporation ("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 or armed conflict on United States soil or abroad;
- Changes in U.S. and foreign trade regulations and tariffs;
- 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 aircraft asset management business and related aircraft capital joint venture; and
- Despite our current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial leverage.

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

Fiscal 2025 vs. 2024

Consolidated revenue increased by $5.0 million (2%) to $291.9 million for the fiscal year ended March 31, 2025 compared to the prior fiscal year. Following is a table detailing revenue for the Company's four segments and Corporate and other (after elimination of intercompany transactions), in thousands:

	Year Ended March 31,		Change	
	2025	2024		
Overnight Air Cargo	$ 124,031	$ 115,546	$ 8,485	7 %
Ground Support Equipment	38,940	37,168	1,772	5 %
Commercial Aircraft, Engines and Parts	118,215	125,535	(7,320)	(6)%
Digital Solutions	7,268	5,783	1,485	26 %
Segments total	288,454	284,032	4,422	2 %
Corporate and Other	3,396	2,802	594	21 %
Total	$ 291,850	$ 286,834	$ 5,016	2 %

Revenues from the overnight air cargo segment increased by $8.5 million (7%) compared to the prior fiscal year, principally attributable to higher labor revenues, increase in admin fees and higher FedEx pass through revenues due to higher billable hours for maintenance. Pass-through costs under the dry-lease agreements with FedEx totaled $39.9 million and $36.4 million for the years ended March 31, 2025 and 2024, respectively.

The ground support equipment segment contributed approximately $38.9 million and $37.2 million to the Company’s revenues for the fiscal years ended March 31, 2025 and 2024, respectively, representing a $1.7 million (5%) increase in the current fiscal year. The increase was primarily driven by an increase in spare part sales and support services provided to customers while deicer sales increased slightly. At March 31, 2025, the ground support equipment segment’s order backlog was $14.3 million compared to $12.6 million at March 31, 2024.

The commercial aircraft, engines and parts segment contributed $118.2 million of revenues in fiscal year ended March 31, 2025 compared to $125.5 million in the prior fiscal year which is a decrease of $7.3 million (6%). The decrease was primarily driven by a lower supply of whole assets available to purchase for tear-down or resale in an increasingly competitive market, further exacerbated by aircraft operators keeping older aircraft in operation for longer than they have in the past.

The digital solutions segment contributed $7.3 million of revenues in the fiscal year ended March 31, 2025 compared to $5.8 million in the prior fiscal year which is an increase of $1.5 million (26%). The increase is primarily due to increased software subscriptions driven by continued acquisition of new and recurring customers.

Following is a table detailing operating income (loss) for the Company's four segments and Corporate and other, net of intercompany during Fiscal 2025 and Fiscal 2024 (in thousands):

	Year Ended March 31,		Change
	2025	2024	
Overnight Air Cargo	$ 6,251	$ 6,765	$ (514)
Commercial Aircraft, Engines and Parts	7,116	4,169	2,947
Ground Support Equipment	(1,210)	(1,553)	343
Digital Solutions	(1,064)	(661)	(403)
Segments total	11,093	8,720	2,373
Corporate and Other	(9,185)	(7,456)	(1,729)
Total	$ 1,908	$ 1,264	$ 644

Consolidated operating income for the fiscal year ended March 31, 2025 was $1.9 million compared to consolidated operating income of $1.3 million in the prior fiscal year.

Operating income for the overnight air cargo segment decreased by $0.5 million in the current fiscal year, due primarily to increased loss provisioning for bad debt and additional taxes related to conducting business in Puerto Rico.

Operating loss for the ground support equipment segment was $1.2 million compared to operating loss of $1.6 million in the prior fiscal year. The decrease in operating loss was primarily attributable to reduced headcount, partially offset by increased warranty expense in the current year.

Operating income of the commercial aircraft, engines and parts segment was $7.1 million compared to operating income of $4.2 million in the prior year. The increase was primarily attributable to increased sales of component packages with a higher gross profit, which offset the decrease in revenue noted above.

Operating loss for the digital solutions segment increased by $0.4 million year over year, attributable to increased personnel needed to continue to scale operations.

The table below provides Adjusted EBITDA for the Company's four segments and Corporate and other for the fiscal year ended March 31, 2025 and 2024 (in thousands):

	Twelve Months Ended		Change
	March 31, 2025	March 31, 2024	
Overnight Air Cargo	$ 6,808	$ 7,144	(336)
Ground Support Equipment	(773)	(949)	176
Commercial Aircraft, Engines and Parts	9,832	6,119	3,713
Digital Solutions	(272)	149	(421)
Segments total	15,595	12,463	3,132
Corporate and Other	(8,232)	(6,273)	(1,959)
Adjusted EBITDA	$ 7,363	$ 6,190	1,173

Consolidated Adjusted EBITDA for the fiscal year ended March 31, 2025 was $7.4 million, an increase of $1.2 million compared to the prior fiscal year.

Adjusted EBITDA for the overnight air cargo segment decreased by $0.3 million in the current fiscal year, due primarily to lower segment operating income as described above.

Adjusted EBITDA loss for the ground support equipment segment decreased by $0.2 million in the current fiscal year, primarily due to higher sales as described above.

Adjusted EBITDA of the commercial aircraft, engines and parts segment was $9.8 million, an increase of $3.7 million from the prior fiscal year. The increase was primarily driven by higher profit margins on sales as described above.

Adjusted EBITDA of the digital solutions segment decreased by $0.4 million in the current fiscal year, due primarily to higher personnel costs as described above.

Following is a table detailing consolidated non-operating income (expense), net of intercompany during fiscal 2025 and fiscal 2024 (in thousands):

	Year Ended March 31,		Change
	2025	2024	
Interest expense, net	(8,387)	(6,916)	(1,471)
Income from equity method investments	1,700	1,689	11
Other	(209)	8	(217)
Total	$ (6,896)	$ (5,219)	$ (1,677)

The Company had a net non-operating loss of $6.9 million for the fiscal year ended March 31, 2025 compared to a net non-operating loss of $5.2 million in the prior fiscal year. The increase in non-operating loss was primarily driven by a $1.5 million increase in interest expense, and $1.2 million related to the recognition of gains and losses from the change in fair value for interest rate swap contracts that were not classified as an effective hedge where hedge accounting was not applied.

During the year ended March 31, 2025, the Company recorded $0.4 million of income tax expense, which yielded an effective rate of -8.5%. 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, 2025 were the foreign rate differentials and changes in valuation allowance. The net change in the valuation allowance was $1.1 million for the year ended March 31, 2025. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. The change in the Company's valuation allowance is primarily due to the realizability of the domestic deferred tax assets, the unrealized losses on investments, the foreign tax credits generated by the operations in the Company's Puerto Rico branch that is expected to expire before being fully utilized, and the change in full valuation allowances associated with the Delphax entities.

During the fiscal year ended March 31, 2024, the Company recorded $0.7 million of income tax expense at an effective tax rate of -18.5%. 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, 2024 were the foreign rate differentials and changes in valuation allowance. The net change in the valuation allowance was $2.0 million for the year ended March 31, 2024. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. The change in the Company's valuation allowance is primarily due to the realizability of the domestic deferred tax assets, the unrealized losses on investments, the foreign tax credits generated by the operations in the Company's Puerto Rico branch that is expected to expire before being fully utilized, and the change in full valuation allowances associated with the Delphax entities.

Market Outlook

Future economic developments such as inflation, along with evolving trade policies and the potential for new or increased tariffs present uncertainty and risk with respect to our financial condition and results of operations. Despite the aforementioned, we experienced improved demand for commercial aircraft, jet engines and parts in the fiscal year ended March 31, 2025. We expect that issues caused by economic and business issues will continue to some extent. The fluidity of this situation precludes any prediction as to the ultimate adverse impact of these issues 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, 2025, the Company held approximately $6.5 million in total cash, cash equivalents and restricted cash, of which, $0.5 million related to cash reserved for payments of SAIC's insurance claims. The Company also held $0.7 million in restricted investments held as statutory reserve of SAIC.

As of March 31, 2025, the Company's working capital amounted to $30.8 million, a decrease of $25.2 million compared to March 31, 2024. The decrease in working capital was primarily driven by a $22.2 million decrease in inventory driven by timing of sales and acquisition of inventory in addition to increased competition for acquiring aircraft and engines for tear-down and conversion of $2.5 million of receivables for expense reimbursements from CAM to a long-term note receivable.

The Company's Credit Agreement with Alerus Financial, National Association ("Alerus") (the debt obtained by the Company, as the Loan Party Agent, and AirCo, LLC, AirCo 2, LLC, AirCo Services, LLC, Air'Zona, CSA, GGS, MAC, Stratus Aero Partners LLC, WASI, Worthington, Jet Yard and Jet Yard Solutions (the "Original Alerus Loan Parties") in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report) includes several covenants that are measured twice a year (at September 30 and March 31), including but not limited to, a negative covenant requiring a debt service coverage ratio of 1.25 and a leverage ratio greater than 3.00.

Air T Acquisition 22.1's term loans with ING Bank (the Air T Acquisition 22.1 debt in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report) include several covenants that are measured once a year at December 31, including but not limited to, a negative covenant requiring a debt service coverage ratio of 1.10 and a senior net leverage ratio of 1.50.

The Contrail Credit Agreement with Old National Bank ("ONB") (the Contrail debt in Note 12 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 $15.0 million. As of March 31, 2025, Air T, Air T Acquisition 22.1 and Contrail were all in compliance with their respective covenants.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8, on May 30, 2024, Contrail, a majority-owned subsidiary of the Company, entered into a Membership Interest Redemption and Earnout Agreement (the "Redemption Agreement") with OCAS, Inc. (the "Seller"). Pursuant to the Redemption Agreement, Contrail agreed to purchase and redeem from the Seller, 16% of its 21% interest in Contrail, effective as of April 1, 2024. The purchase price for the redeemed interest is $4.6 million, plus an earnout amount. The cash purchase price is payable pursuant to a secured, subordinated promissory note ("OCAS Loan"), payable beginning on May 1, 2024 and monthly thereafter for a 12-month period of interest payments only with the outstanding balance amortized and paid over the following three years. Interest accrues on the principal amount at an annual rate equal to the 10-year Treasury bond yield plus 375 basis points, compounded monthly. The rate adjusts on each anniversary date of the note. The payment obligation under the note may be deferred if Contrail's forecast indicates that any payment following the first 12-month period would cause a loan default or a loan default exists. Initially, the payment obligation would revert back to interest only, unless a default exists, in which case no payment would be required. If Contrail is unable to make a payment for 12 months, then interest shall cease to accrue. The note is expressly subordinated to the payment in full of all indebtedness of Contrail on or prior to the date of the note or thereafter created. The OCAS Loan is classified as related party debt on the Company's condensed consolidated balance sheet.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8, on August 29, 2024, the Original Alerus Loan Parties entered into a credit agreement with Alerus (the "New Credit Agreement"). The New Credit Agreement provides for a secured revolving credit facility ("Revolver - Alerus") in an initial maximum principal amount of up to $14.0 million. Availability under the Revolver - Alerus is subject to a borrowing base and provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $3.0 million, with the outstanding amount of any such letters of credit reducing availability for borrowings under the revolving credit facility. Revolver - Alerus matures on February 28, 2026 and balance outstanding will bear interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. On January 21, 2025, the Original Alerus Loan Parties entered into Amendment No. 1 to Credit Agreement ("Amendment No. 1") and Other Loan Documents with Alerus which extends the maturity date of the revolving credit agreement from February 28, 2026 to August 28, 2026.

In addition to the Revolver - Alerus, the New Credit Agreement provides for two secured term loans – Term Note A ("Term Note A - Alerus") and Term Note B ("Term Note B - Alerus"). Term Note A - Alerus is a loan in the principal amount of $10.7 million that matures on August 15, 2029 that bears interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. Term Note A - Alerus requires monthly payments of principal commencing September 15, 2024 with such payments set at a seven year level principal amortization and a payment of $3.2 million due at maturity. A prepayment premium based on the amount prepaid is due in certain circumstances.

Term Note B - Alerus is a loan in the principal amount of $2.3 million that matures on August 15, 2029 and bears interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. Term Note B - Alerus requires monthly payments of principal commencing September 15, 2024 with such payments set at a 25 year level principal amortization and a payment of $1.8 million due at maturity. A prepayment premium based on the amount prepaid is due in certain circumstances.

The Original Alerus Loan Parties are co-borrowers under the New Credit Agreement and each of the notes. The obligations of the Original Alerus Loan Parties under the New Credit Agreement and the notes are secured by a first priority security interest in substantially all of the Original Alerus Loan Parties' current assets, including accounts receivable and inventory. The Company is not a borrower under the New Credit Agreement but has guaranteed the obligations of the Original Alerus Loan Parties owed to the Alerus. In addition, Air T, Inc. has pledged a brokerage account of marketable securities held at a securities intermediary to secure the obligations. Furthermore, the obligations are further secured by a deed of trust on approximately 4.626 acres of real estate that includes a 13,000 square foot office building in Denver, North Carolina.

In connection with the closing of the New Credit Agreement, the Company and its subsidiaries used proceeds from the new financing to satisfy and discharge all obligations, and terminated all commitments, under the Company's existing secured credit facility with Minnesota Bank & Trust ("MBT"). The Company incurred no termination penalties in connection with such termination.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8, on September 12, 2024, Contrail entered into the Fifth Amendment to the Master Loan Agreement dated June 24, 2019 and Supplement #11 to the Master Loan Agreement, and Term Note J with ONB. Term Note J is a term loan in the principal amount of $10.0 million. The loan bears a variable monthly interest rate at the 1-month SOFR Rate plus 3.86% and requires equal monthly payments of principal and interest until the loan maturity date of September 12, 2028. The loan requires compliance with covenants that require minimum Tangible Net Worth of $15.0 million and a Quarterly Cash Flow Coverage of not less than 1.25 to 1.0. In order to induce ONB to enter into these agreements, Contrail and OCAS, Inc. entered into a subordination agreement dated September 12, 2024 to address certain loan matters and to establish the priority of repayment of Contrail's debt to ONB over the OCAS Loan in the original principal amount of $4.6 million.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, on October 16, 2024, the Company and AAM 24-1, LLC, a wholly-owned subsidiary of the Company ("AAM 24-1") entered into a Second Note Purchase Agreement (the “Second NPA”) with two institutional investors (the "Institutional Investors"). The Second NPA amended and restated the terms of the Company’s previously disclosed Note Purchase Agreement (the “Original NPA”), which was filed in a Current Report on Form 8-K on February 26, 2024. Under the Original NPA, AAM 24-1 had issued and sold $15.0 million of 8.5% senior secured notes. The Second NPA amended and restated the amount issued and sold to $30.0 million of 8.5% senior secured notes (collectively the "Notes" to the Institutional Investors, which includes the $15.0 million from the Original NPA bringing the total indebtedness to $30.0 million. The Notes mature on March 1, 2031 and bear an annual interest at a rate of 8.5%. In addition to the 160,000 previously pledged TruPs, 160,000 newly-issued shares of TruPs held by AAM 24-1 are now pledged to the Institutional Investors, in connection with the closing of the Second NPA.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8, on February 21, 2025, MAC entered into a $2.3 million term loan with Bank of America, N.A ("BofA"). The term loan requires monthly interest payments commencing March 21, 2025 until payment in full on the February 21, 2030 maturity date. The loan also requires principal payments in equal monthly installments of $9,500 and MAC may prepay the loan at any time in full or in part without penalty. The loan bears a variable monthly interest rate at the 1-month SOFR Rate plus 1.75% plus 0.11%. As part of the term loan, BofA put a lien on real property owned by MAC in Denver, North Carolina to further secure the loan.. The new loan with Bank of America, N.A. contains a number of covenants, including but not limited to: providing financial information and statements, maintaining a fixed coverage ratio of at least 1.25 to 1.0, a limit on other debts and other liens, maintenance of assets, a limit on loans and investments, a prohibition on a change of ownership and additional negative covenants.

In connection with the financing, the Original Alerus Loan Parties entered into Amendment No. 2 to Credit Agreement and Consent (“Amendment No. 2”) on February 21, 2025. Amendment No. 2 updated the Credit Agreement dated as of August 29, 2024, as amended by Amendment No. 1 dated as of January 21, 2025 to remove references to Term Note B - Alerus and remove the lien and assignment of rents on the Denver, North Carolina real property. MAC used the proceeds of the new financing to repay Term Note B - Alerus with Alerus.

As mentioned in Note 12 of Notes to Consolidated Financial Statements included under Part II, Item 8, on March 31, 2025, the Alerus Loan Parties under the Credit Agreement with Alerus entered into Amendment No. 3 to Credit Agreement ("Amendment No. 3") with Alerus as well as a $3.0 million secured Overline Note and an Amended and Restated Revolving Credit Note in the amount of $14.0 million. The maturity date of the Overline Note is October 31, 2025 or such earlier date on which the Overline Note becomes due and payable. The Overline Note bears interest at the greater of 5.00% or one-month SOFR plus 2.00%. In connection with Amendment No. 3, AirCo, LLC, AirCo 2, LLC, AirCo Services, LLC, and Stratus Aero Partners, LLC were released as co-borrowers from the New Credit Agreement (including the Overline Note). As a result, only Air'Zona, CSA, GGS, MAC, WASI, Worthington, Jet Yard and Jet Yard Solutions remain as entities related to the Alerus note (the "Alerus Loan Parties")

As mentioned in Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, on May 15, 2025 the Alerus Loan Parties under the Revolving Credit Agreement with Alerus and Royal Aircraft Services, LLC, a Maryland limited liability company (“Royal”) and Air T entered into Amendment No. 4 to Credit Agreement and Consent (the “Amendment”) and Term Loan C with Alerus in the amount of $1.1 million. The purpose of the Amendment and Term Note was to provide a term loan to finance the full purchase price of the Royal acquisition, to add Royal as a part of the Alerus Loan Parties to the Alerus credit agreement, as amended and to memorialize Alerus’ consent to the Royal acquisition. The new term loan matures May 15, 2030 and bears interest at the greater of five (5%) percent or the CME one-month term SOFR rate plus 2.25%. Monthly payments on Term Note C commenced June 15, 2025 and are equal to $12,500 plus accrued interest. The term loan is secured by the terms of Security Agreement dated as of August 29, 2024.

As mentioned in Note 24 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report, on May 30, 2025 the Company and AAM 24-1 entered into a Third Note Purchase Agreement (the "Third NPA") with the Institutional Investors. Under the Third NPA, the Institutional Investors advanced an addition $10.0 million to AAM 24-1 and committed to advance an additional $60.0 million in $10.0 million increments periodically on the 30th day of each September, January commencing on September 30, 2025 and ending on May 30, 2027 if all requirements as dictated by the Third NPA are met. The Third NPA bears annual interest at a rate of 8.5% which is computed on the basis of a 30/360-day year and actual days elapsed and is payable semi-annually in arrears. The maturity of the Third NPA is May 31, 2035.

As a result, management believes it is probable that the cash on hand and current financings, net cash provided by operations from its remaining operating segments, together with amounts available under our current revolving lines of credit, as amended, will be sufficient to meet 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 fiscal years ended March 31, 2025 and 2024 (in thousands):

	Year Ended March 31, 2025	Year Ended March 31, 2024	Change
Net Cash Provided by Operating Activities	$ 23,496	$ 17,178	$ 6,318
Net Cash Used in Investing Activities	(20,189)	(2,499)	(17,690)
Net Cash Used in Financing Activities	(4,801)	(13,910)	9,109
Effect of foreign currency exchange rates	408	(16)	424
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	$ (1,086)	$ 753	$ (1,839)

Net cash provided by operating activities in fiscal year 2025 was $23.5 million compared to net cash provided by operating activities for the prior fiscal year of $17.2 million. The increase in operating cash flows was primarily driven by a higher decrease in inventory of $11.5 million due to higher component sales at Contrail in the current year and timing of inventory purchases. These changes were partially offset by $5.9 million net change in accounts receivable.

Net cash used in investing activities for fiscal year 2025 was $20.2 million compared to net cash used in investing activities for the prior fiscal year of $2.5 million. The cash used in investing activities was primarily driven by capital expenditures of $14.6 million related to assets on lease in the current year at Contrail and disbursements of $3.8 million related to the Lendway notes receivable.

Net cash used in financing activities for fiscal year 2025 was $4.8 million compared to net cash used in financing activities for the prior fiscal year of $13.9 million. The cash used in financing activities in the current year period was primarily driven by $12.3 million more proceeds and $10.6 million less payments on the Company's revolving lines of credit. These changes were partially offset by $6.7 million more payments made on the Company's term loans and $7.9 million less proceeds received from the issuance of TruPs in the current year period compared to the prior year period.

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.

Systems and Network Security

Although we have employed significant resources to develop our security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including hacking, viruses, malicious software, break-ins, phishing attacks, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of client information or other interruption to our business operations. As techniques used to obtain unauthorized access to sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us or other participants, or the communication infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches would not only harm our reputation and business, but also could materially decrease our revenue and net income.

Supply Chain and Inflation

In fiscal 2025, we faced sourcing challenges that impacted our ability to procure raw materials and certain commodities, which resulted in delays and increased costs. These disruptions were driven by supply chain market constraints and macroeconomic conditions, including inflation and labor market shortages. High inflation increased material and component prices, labor rates and supplier costs, and put pressure on our margins. Current geopolitical conditions, including conflicts and other causes of strained intercountry relations, as well as sanctions and other trade restrictive activities, are contributing to these supply chain issues. The fluidity of this situation precludes any prediction as to the ultimate adverse impact of these issues on economic and market conditions and our businesses in particular, and, as a result, presents material uncertainty and risk with respect to us and our results of operations.

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. There was $1.4 million depreciation expense for leased assets in the current fiscal year, whereas there was no depreciation expense in the prior fiscal year.

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. We may periodically review and update our non-GAAP financial measures based on our determination of their relevance to our business which could result in the addition or elimination of select non-GAAP financial measures in the future.

The table below provides a reconciliation of operating income (loss) from continuing operations to Adjusted EBITDA for the fiscal years ended March 31, 2025 and 2024 (in thousands):

	Twelve Months Ended	
	March 31, 2025	**March 31, 2024**
Operating income (loss) from continuing operations	$ 1,908	$ 1,264
Depreciation and amortization (excluding leased assets depreciation)	2,998	2,798
Asset impairment, restructuring or impairment charges	1,463	1,195
Loss on sale of property and equipment	15	18
TruPs issuance expenses	212	347
Share-based compensation	88	106
Severance expenses	244	462
Earnout remeasurement	$ 435	$ —
Adjusted EBITDA	$ 7,363	$ 6,190

The table below provides Adjusted EBITDA for the Company's four segments and Corporate and other for the fiscal years ended March 31, 2025 and 2024 (in thousands):

	Twelve Months Ended	
	March 31, 2025	March 31, 2024
Overnight Air Cargo	$ 6,808	$ 7,144
Ground Support Equipment	(773)	(949)
Commercial Aircraft, Engines and Parts	9,832	6,119
Digital Solutions	(272)	149
Segments total	15,595	12,463
Corporate and Other	(8,232)	(6,273)
Adjusted EBITDA	$ 7,363	$ 6,190

Issuer and guarantor subsidiary summarized information

Air T Funding is a statutory business trust formed under Delaware law in September 2018. Air T Funding exists for the exclusive purposes of (i) issuing and selling its Alpha Income Trust Preferred Securities (also referred to as the 8.0% Cumulative Securities, Capital Securities or "Trust Preferred Securities"), par value $25.00 per share, (ii) using the proceeds from the sale of the Trust Preferred Securities to acquire Junior Subordinated Debentures issued by the Company, and (iii) engaging in only those other activities necessary, advisable or incidental thereto (such as registering the transfer of the Trust Preferred Securities). Accordingly, the Junior Subordinated Debentures are the sole assets of Air T Funding, and payments by the Company under the Junior Subordinated Debentures and a related expense agreement are the sole revenues of Air T Funding. Air T Funding's business and affairs are conducted by a Property Trustee, a Delaware Trustee and two individual Administrative Trustees who are officers of Air T.

Distributions on the Trust Preferred Securities are payable to record holders at the annual rate of 8% of the stated $25.00 liquidation amount, payable quarterly in arrears on the 15th day of February, May, August, and November in each year. The Trust Preferred Securities issued by the Trust are fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by Air T. Air T guarantees the payment of distributions by Air T Funding and payments on liquidation or redemption of the Trust Preferred Securities (subordinate to the right to payment of senior and subordinated debt of Air T, as defined in Note 12 of Notes to Consolidated Financial Statements included under Part I, Item 1 of this report). If Air T Funding has insufficient funds to pay distributions on the Trust Preferred Securities (i.e., if Air T has failed to make required payments under the Junior Subordinated Debentures), a holder of the Trust Preferred Securities would have the right to institute a legal proceeding directly against Air T to enforce payment of such distributions.

All of the common securities of Air T Funding are owned by Air T. The common securities rank pari passu, and payments will be made thereon pro rata, with the Trust Preferred Securities, except that upon the occurrence and during the continuance of an event of default under the Trust Agreement, as amended resulting from an event of default under the indenture, the rights of the Company as holder of the common securities to payment in respect of distributions and payments upon liquidation, redemption or otherwise would be subordinated to the rights of the holders of the Trust Preferred Securities.

The Company has an optional right to repay the Junior Subordinated Debentures (i) to Air T Funding on or after June 7, 2024, in whole at any time or in part from time to time at a redemption price equal to the accrued and unpaid interest on the Junior Subordinated Debentures so redeemed to the date fixed for redemption, plus 100% of the principal amount thereof, or (ii) at any time, in whole (but not in part), upon the occurrence of a Tax Event, an Investment Company Event or a Capital Treatment Event (each as defined in the indenture) at a redemption price equal to the accrued and unpaid interest on the Junior Subordinated Debentures so redeemed to the date fixed for redemption, plus 100% of the principal amount thereof. In the event a Tax Event, an Investment Company Event or Capital Treatment Event has occurred and is continuing and the Company does not elect to redeem the Junior Subordinated Debentures and thereby cause a mandatory redemption of the Trust Preferred Securities or to liquidate Air T Funding and cause the Junior Subordinated Debentures to be distributed to holders of the Trust securities in liquidation of Air T Funding, such Trust Preferred Securities will remain outstanding and additional sums may be payable on the Junior Subordinated Debentures.

At any time on or after June 7, 2024, the Trust Preferred Securities are subject to mandatory redemption upon the Company's repayment of the Junior Subordinated Debentures at maturity or their earlier redemption in an amount equal to the amount of Junior Subordinated Debentures maturing on or being redeemed at a redemption price equal to the aggregate liquidation amount of the Trust Preferred Securities plus accumulated and unpaid distributions thereon to the date of redemption. If less than all of the Junior Subordinated Debentures are to be repaid or redeemed on a redemption date, then the proceeds from such repayment or redemption would be allocated to the redemption of the Trust Preferred Securities pro rata.

So long as no Debenture event of default has occurred and is continuing, at any time on or after June 7, 2024, the Company has the right under the indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each such period (each, an "Extension Period"), provided that no Extension Period may extend beyond the stated maturity of the Junior Subordinated Debentures on June 7, 2049. As a consequence of any such election, quarterly distributions on the Trust Preferred Securities will be deferred by Air T Funding during any such Extension Period. Distributions to which holders of Trust Preferred Securities are entitled will accumulate additional amounts thereon at the rate per annum of 8% thereof, compounded quarterly from the relevant Distribution Date, to the extent permitted under applicable law. During any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock (which includes common and preferred stock) or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the Junior Subordinated Debentures (other than (a) dividends or distributions in common stock of the Company, (b) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, (c) payments under the guarantee and (d) purchases of common stock for issuance under any of the Company's benefit plans for its directors, officers or employees). Prior to the termination of any such Extension Period, the Company may further extend such Extension Period, provided that such extension does not cause such Extension Period to exceed 20 consecutive quarters or extend beyond the stated maturity. Upon the termination of any such Extension Period and the payment of all amounts then due, and subject to the foregoing limitations, the Company may elect to begin a new Extension Period. Subject to the foregoing, there is no limitation on the number of times that the Company may elect to begin an Extension Period. The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Junior Subordinated Debentures.

Air T Funding has a term of 30 years, but may terminate earlier as provided in the Trust Agreement, as amended. The Trust Agreement was most recently amended on March 3, 2021 and on January 28, 2022 and currently allows for the issuance of up to $100.0 million of Trust Preferred Securities. As of March 31, 2025, there are $48.3 million in Trust Preferred Securities outstanding (which includes $13.0 million held by wholly-owned subsidiaries of the Company).

The Trust is a "finance subsidiary" of Air T within the meaning of Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended, and as a result the Air T Funding does not file periodic reports with the SEC under the Securities Exchange Act of 1934, as amended.

Seasonality

The ground support equipment 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:

Inventories – Inventories are carried at the lower of cost or net realizable value. Within the Company's commercial aircraft, 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 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, expected future demand, and costs to refurbish aircraft parts. 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.

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 on certain obligations 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 stockholders and the Board of Directors of Air T, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Air T, Inc. and subsidiaries (the "Company") as of March 31, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2025, 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

Inventories are carried at the lower of cost or net realizable value. Within the commercial aircraft, engines, and parts reportable segment, the Company is required to make assumptions about expected profit margins used in the relief of inventory as parts are sold from established groups of parts from one engine or airframe purchase. Additionally, in its periodic evaluation of the carrying value of the inventories, the Company is required to make estimates regarding the net realizable value. These estimates include assumptions about sales patterns, expected future demand and costs to refurbish. Changes in these assumptions could have a significant impact on the valuation of inventory held by the Company's commercial aircraft, engines and parts reportable segment.

We identified the valuation of certain inventory held by the Company's commercial aircraft, engines and parts reportable segment as a critical audit matter. Given the magnitude of the inventories at certain business units, coupled with the significant judgments necessary to estimate the expected profit margins and to project sales patterns, expected future demand and costs to refurbish, auditing such estimates required a high degree of auditor judgment and an increased extent of effort when performing audit procedures and evaluating the results of those procedures

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to expected profit margins utilized in the relief of inventory, and related to the sales patterns, expected future demand and costs to refurbish used in estimating the net realizable value of inventory, included the following, among others:

- We assessed the reasonableness of management’s estimates of expected profit margins for a representative sample of inventories by:
    - Comparing the life-to-date profit margin on sales from the group of parts to management’s initial profit margin assessment.
    - Evaluating the reasonableness of management’s judgments about changes to the initial profit margin estimates, if any.
- We assessed the reasonableness of management’s projections of sales patterns, expected future demand and costs to refurbish by:
    - Comparing the information to historical results of those business units.
    - Evaluating the methodology and assumptions used by, and the qualifications of, the Company’s third-party valuation specialist.
    - Performing the following procedures for a representative sample of inventories:
        - Evaluating the key assumptions underlying the valuation by examining recent sales of comparable parts and component condition.
        - Utilizing historical costs to develop an independent estimate of costs necessary to refurbish the parts.
- We compared management’s assumptions to market data and industry forecasts.

/s/ Deloitte & Touche LLP
Minneapolis, Minnesota
June 27, 2025

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

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

(In thousands, except per share data)	Year Ended March 31, 2025	2024
Operating Revenues:		
Overnight air cargo	$ 124,031	$ 115,546
Ground support equipment	38,940	37,168
Commercial aircraft, engines and parts	118,215	125,535
Digital solutions	7,268	5,783
Corporate and other	3,396	2,802
	291,850	286,834
Operating Expenses:		
Overnight air cargo	104,760	97,690
Ground support equipment	33,994	31,834
Commercial aircraft, engines and parts	84,896	99,222
Digital solutions	2,462	1,710
Corporate and other	1,191	1,202
General and administrative	57,848	51,114
Depreciation and amortization	4,356	2,798
Earnout remeasurement	435	—
	289,942	285,570
Operating Income	1,908	1,264
Non-operating (Expense) Income:		
Interest expense	(8,387)	(6,916)
Income from equity method investments	1,700	1,689
Other	(209)	8
	(6,896)	(5,219)
Loss before income taxes	(4,988)	(3,955)
Income Tax Expense	423	729
Net Loss	(5,411)	(4,684)
Net Income Attributable to Non-controlling Interests	(729)	(2,135)
Net Loss Attributable to Air T, Inc. Stockholders	$ (6,140)	$ (6,819)
Loss per share (Note 20)		
Basic	$ (2.23)	$ (2.42)
Diluted	$ (2.23)	$ (2.42)
Weighted Average Shares Outstanding:		
Basic	2,750	2,816
Diluted	2,750	2,816

See notes to consolidated financial statements.

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

	Year Ended March 31,	
	2025	**2024**
Net Loss	$ (5,411)	$ (4,684)
Other Comprehensive (Loss) Income:		
Foreign currency translation income (loss)	407	(93)
Unrealized gain on interest rate swaps	—	20
Reclassification of interest rate swaps into earnings	(1,351)	(823)
Redemption of non-controlling interest	146	—
Other	231	—
Total Other Comprehensive Loss	(567)	(896)
Total Comprehensive Loss	(5,978)	(5,580)
Comprehensive Income Attributable to Non-controlling Interests	(729)	(2,135)
Comprehensive Loss Attributable to Air T, Inc. Stockholders	$ (6,707)	$ (7,715)

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)		March 31, 2025		March 31, 2024
ASSETS				
Current Assets:				
Cash and cash equivalents	$	5,932	$	7,100
Marketable securities		422		531
Restricted cash		575		743
Restricted investments		683		1,392
Accounts receivable, net of allowance for doubtful accounts of $1,338 and $1,420		23,917		22,911
Income tax receivable		681		561
Inventories, net		38,516		60,720
Prepaid expenses		3,103		2,351
Due from Crestone Asset Management, LLC for expense reimbursements		180		3,093
Other current assets		4,498		3,475
Total Current Assets		78,507		102,877
Notes Receivable - Lendway		3,350		—
Notes Receivable - CAM		2,500		—
Assets on lease or held for lease, net of accumulated depreciation of $1,451 and $8		14,662		252
Property and equipment, net of accumulated depreciation of $9,240 and $7,705		20,285		20,861
Intangible assets, net of accumulated amortization of $6,330 and $5,119		10,020		10,978
Right-of-use ("ROU") assets		13,274		11,376
Equity method investments		19,003		16,653
Other assets (includes $0 and $1,909 measured at fair value)		1,635		3,630
Goodwill		10,542		10,540
Total Assets		173,778		177,167
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	$	17,782	$	15,072
Accrued expenses and other (Note 10)		16,691		15,650
Current portion of long-term debt		9,099		14,358
Current portion of long-term debt - related party (Note 12)		1,282		—
Current portion of earnout liability		430		—
Short-term lease liability		2,377		1,761
Total Current Liabilities		47,661		46,841
Long-term debt		101,226		98,568
Long-term debt - related party (Note 12)		3,288		—
Deferred income tax liabilities, net		2,249		2,447
Long-term lease liability		11,843		10,515
Long-term earnout liability		1,109		—
Other non-current liabilities (includes $44 and $0 measured at fair value)		866		—
Total Liabilities		168,242		158,371
Redeemable non-controlling interest		7,054		12,976
Commitments and contingencies (Note 21)				
Equity:				
Air T, Inc. Stockholders' (Deficit) Equity:				
Preferred stock, $1.00 par value, 2,000,000 shares authorized		—		—
Common stock, $0.25 par value; 4,000,000 shares authorized, 3,030,245 and 3,030,245 shares issued, 2,702,639 and 2,775,163 shares outstanding		758		758
Treasury stock, 327,606 shares at $19.55 and 256,850 shares at $19.31		(6,404)		(4,959)
Additional paid-in capital		947		859
Retained earnings		2,130		8,192
Accumulated other comprehensive loss		(647)		(80)
Total Air T, Inc. Stockholders' (Deficit) Equity		(3,216)		4,770
Non-controlling Interests		1,698		1,050
Total (Deficit) Equity		(1,518)		5,820
Total Liabilities and (Deficit) Equity	$	173,778	$	177,167

See notes to consolidated financial statements.

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

	Year Ended March 31,	
(In thousands)	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,411)	$ (4,684)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,356	2,798
Income from equity method of investments	(1,700)	(1,689)
Inventory write-down	1,463	1,195
Other	2,369	1,294
Change in operating assets and liabilities:		
Accounts receivable	(1,808)	4,047
Inventories	20,630	9,103
Accounts payable	2,710	4,623
Accrued expenses	1,087	2,378
Employee retention credit receivable	—	940
Other	(200)	(2,827)
Total adjustments	22,419	18,264
Net cash provided by operating activities	23,496	17,178
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in unconsolidated entities	(7,027)	(4,633)
Distribution from unconsolidated entities	6,030	3,192
Capital expenditures related to property & equipment	(1,081)	(1,076)
Capital expenditures related to assets on lease or held for lease	(14,598)	—
Disbursements for note receivable - Lendway	(3,750)	—
Other	237	18
Net cash used in investing activities	(20,189)	(2,499)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	136,515	124,249
Payments on lines of credit	(131,376)	(141,956)
Proceeds from term loan	24,877	24,850
Payments on term loan	(35,040)	(28,341)
Proceeds received from issuance of TruPs	910	8,780
Repurchase of common stock	(1,445)	(876)
Other	758	(616)
Net cash used in financing activities	(4,801)	(13,910)
Effect of foreign currency exchange rates on cash and cash equivalents	408	(16)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,086)	753
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	7,843	7,090
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD[1]	6,757	7,843
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Assumption of liabilities to acquire assets on lease	720	—
Non-cash contribution from non-controlling interest	475	—
Contingent earnout for Contrail Aviation Support, LLC ("Contrail") redeemed interest	1,104	—
Related-party note payable for Contrail redeemed interest	4,570	—
Due from CAM expense reimbursements converted into notes receivable - CAM	2,500	—
Equipment leased or held for lease transferred to inventory	—	73
Equipment in inventory transferred to assets on lease	112	260
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Operating cash payments for operating leases	2,260	2,351
Cash paid during the year for interest	8,437	3,891
Cash paid during the year for income taxes	$ 983	$ 917

[1] The following table includes a reconciliation of "Cash and cash equivalents and restricted cash at end of period":

Cash and cash equivalents	$	5,932
Restricted cash, current		575
Restricted cash, long-term[a]		250
Total cash and cash equivalents and restricted cash at end of period	$	6,757

[a] Included in other assets on the consolidated balance sheets.

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests*	Total Equity
Balance, March 31, 2023	3,027	$ 757	208	$ (4,083)	$ 728	$ 13,686	$ 816	$ 1,078	$ 12,982
Net loss*	—	—	—	—	—	(6,819)	—	(28)	(6,847)
Repurchase of common stock	—	—	49	(876)	—	—	—	—	(876)
Exercise of stock options	3	1	—	—	25	—	—	—	26
Stock compensation expense	—	—	—	—	106	—	—	—	106
Foreign currency translation loss	—	—	—	—	—	—	(93)	—	(93)
Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	—	1,325	—	—	1,325
Unrealized gain of interest rate swaps	—	—	—	—	—	—	20	—	20
Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	(823)	—	(823)
Balance, March 31, 2024	3,030	$ 758	257	$ (4,959)	$ 859	$ 8,192	$ (80)	$ 1,050	$ 5,820

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

(In thousands)	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests*	Total Equity
Balance, March 31, 2024	3,030	$ 758	257	$ (4,959)	$ 859	$ 8,192	$ (80)	$ 1,050	$ 5,820
Net loss*	—	—	—	—	—	(6,140)	—	16	(6,124)
Declared distributions to non-controlling interests	—	—	—	—	—	—	—	(98)	(98)
Repurchase of common stock	—	—	71	(1,445)	—	—	—	—	(1,445)
Stock option forfeiture (Note 14)	—	—	—	—	(54)	—	—	—	(54)
Stock compensation expense	—	—	—	—	142	—	—	—	142
Foreign currency translation gain	—	—	—	—	—	—	407	—	407
Redemption of non-controlling interest	—	—	—	—	—	78	146	—	224
Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	(1,351)	—	(1,351)
Initial consolidation of CASP, LLC	—	—	—	—	—	—	—	730	730
Allocation of comprehensive income from unconsolidated investments	—	—	—	—	—	—	(3)	—	(3)
Allocation of comprehensive income to redeemable non-controlling interests	—	—	—	—	—	—	234	—	234
Balance, March 31, 2025	3,030	$ 758	328	$ (6,404)	$ 947	$ 2,130	$ (647)	$ 1,698	$ (1,518)

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

See notes to consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2025 AND 2024

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, compounding its free-cash-flow per share over time.

We currently operate in four reportable segments:

- Overnight air cargo, which operates in the air express delivery services industry;
- Ground support equipment, 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;
- Digital solutions, which develops and provides digital aviation and other business services to customers within the aviation industry to generate recurring subscription revenues.

The Company additionally has a central corporate function that acts as the capital allocator and resource for other consolidated businesses, referred to as Corporate and other. Further, Corporate and other also comprises insignificant businesses and business interests.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as well as its non-wholly owned subsidiaries, Contrail, Shanwick and Delphax. All material 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.

Reportable Segments and Reclassification of Prior Year Presentation – Effective as of the fourth quarter of fiscal year 2025, the Company renamed our ground equipment sales segment to ground support equipment and renamed out commercial jet engines and parts segment to commercial aircraft, engines and parts to better align the descriptions of the segments with their activities.

The Company has elected to separately disclose the digital solutions segment, as of the fourth quarter of fiscal year 2025, to align presentation in the financial statements with a key long-term growth area for the Company. Digital solutions was previously classified as part of insignificant business activities. As a result of this change, prior period segment information has been recast to conform to our current presentation in our financial statements. Refer to Note 19 for additional details.

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

Future economic developments such as inflation, along with evolving trade policies and the potential for new or increased tariffs, may impact our financial condition and operating results. The unpredictable nature of these developments makes it difficult to assess their full effect on economic and market conditions or on our business specifically. 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, 2025.

Segments - The Company has four reportable operating segments: overnight air cargo, ground support equipment, commercial aircraft, engines and parts, and digital solutions. The Company assesses the performance of these segments on an individual basis (see Note 19).

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 reportable segment for purposes of allocating resources and evaluating financial performance. Each reportable segment has separate management teams and infrastructures that offer different products and services. We evaluate the performance of our reportable 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.

Accounts Receivable – Accounts receivable include trade receivables from customers with stated collection terms of less than one year from the date of origination. Accounts receivable are stated net of estimated allowance for uncollectible balances.

We measure expected credit losses primarily utilizing credit loss history. In addition, our credit loss estimates consider current conditions. We charge off receivables against the allowances after reasonable collection efforts are exhausted. Below is the reconciliation for allowance for credit losses on accounts receivables for the years ended March 31, 2025 and 2024 (in thousands):

	Year Ended Year ended March 31,	
	2025	**2024**
Balance at the beginning of the year	$ 1,420	$ 1,160
Provision for credit losses	802	288
Charge-offs, net of recoveries	(884)	(28)
Balance at March 31	$ 1,338	$ 1,420

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.

Within the Company's commercial aircraft, 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 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.

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 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 for relevant segments and corporate and other, at original cost, consisted of the following (in thousands):

	Year Ended March 31,	
	2025	**2024**
Overnight air cargo	$ 76	$ 76
Commercial aircraft, engines and parts	4,227	4,227
Digital solutions	6,239	6,237
Total reportable segment goodwill, at cost	10,542	10,540
Corporate and other	376	376
Less accumulated impairment	(376)	(376)
Goodwill, net of impairment	$ 10,542	$ 10,540

As of March 31, 2025, the $4.2 million goodwill balance in commercial aircraft, engines and parts is attributable to the acquisition of Contrail in July 2016. The $6.2 million goodwill balance in digital solutions is attributable to the acquisition of Shanwick in February 2022. The $0.1 million goodwill balance in overnight aircraft cargo is attributable to the acquisition of WASI in January 2023. The minimal increase from the prior fiscal year's balance to the current fiscal year's balance is attributable to foreign currency translation adjustments related to the goodwill balance at Shanwick.

Based on the results of our annual assessment of qualitative factors conducted as of March 31, 2025, management determined that it was more likely than not that the fair value of our reporting units exceeded its carrying value, including goodwill.

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 April 24, 2024, 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.

<u>Accounting for Redeemable Non-Controlling Interest</u> – 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. On May 30, 2024, Contrail entered into a Membership Interest Redemption and Earnout Agreement (the "Redemption Agreement") with the Seller. Pursuant to the Redemption Agreement, Contrail agreed to purchase and redeem from the Seller, 16% of its 21% interest in Contrail, with the earnout period being retroactive to April 1, 2024. In connection with the Redemption Agreement, the parties agreed to certain technical amendments to the First Amended and Restated Operating Agreement of Contrail and entered into a new Put and Call Agreement with respect to the remaining 5% interest in Contrail held by the Seller.

Per the Operating Agreement, Contrail's non-controlling interest is redeemable at an amount other than fair value, which is equal to 5% of the Contrail Equity Value, which is defined as an amount equal to nine times the average Adjusted EBITDA of Contrail's most recent three completed fiscal years at the time an option notice is delivered. The purchase price for the 5% interest is to be paid in equal quarterly installments over a three-year period, together with interest at the then current ten-year Treasury bond yield plus 2.5% adjusted annually.

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 30.0% 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 30.0% 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 30.0% interest at the call option price that equals the average EBIT over the three Financial Years prior to the exercise of the Call Option multiplied by eight. In addition, the Shanwick Put/Call Option also grants the non-controlling interest owners an option to require the Company to purchase from them their respective ownership interests at the Put Option price, that is equal to the average EBIT over the three Financial Years prior to the exercise of the Put Option multiplied by seven and one-half. 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 ("Shanwick RNCI").

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. Initial measurement of the redeemable non-controlling interests is at their acquisition-date fair value. Because the redeemable non-controlling interests are redeemable at an amount other than fair value, subsequent measurement is to be measured at the greater of the carrying value in accordance with ASC 810-10 measurement guidance or the redemption value in accordance with ASC 480-10. Refer to Note 21 for further information.

<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 $39.9 million and $36.4 million for the years ended March 31, 2025 and 2024, respectively.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07- Segment Reporting (Topic 848): Improvements to Reportable Segment Disclosures. The amendments in this Update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses utilized by the chief operating decision maker for a company along with details about who the chief operating decision maker is and their title. The Update additionally requires that all annual disclosures under Topic 280 be included in interim periods financial statements, clarifies when an entity can disclose multiple segment measures of profit or loss, and provides new segment disclosure requirements for entities with a single reportable segment. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 31, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this guidance for the fiscal year ended March 31, 2025. Refer to Note 19 for more information.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09- Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this Update require the addition of specific categories to be disclosed in the rate reconciliation if they meet a quantitative threshold, disclosure of disaggregated income taxes paid to federal, state, and foreign jurisdictions, and disclosure of income or loss from continuing operations disaggregated by federal, state, and foreign jurisdictions. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this amendment on its consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03- Income Statement- Reporting Comprehensive Income- Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The amendments in this Update require disaggregated disclosure of income statement expenses for public business entities. The Update does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The Company is currently evaluating the impact of this amendment on its condensed consolidated financial statements and disclosures.

2. MAJOR CUSTOMER

Approximately 39% and 36% of the Company’s consolidated revenues were derived from services performed for FedEx Corporation by the Company's Overnight Air Cargo segment during the fiscal years ended March 31, 2025 and 2024, respectively. Approximately 35% and 21% of the Company’s consolidated accounts receivable at March 31, 2025 and 2024, respectively, were due from FedEx Corporation.

Approximately 13% and 10% of the Company’s consolidated revenues were derived from services performed for American Airlines Corporation by the Company's Commercial Aircraft, Engines and Parts and Ground Support Equipment segments in fiscal 2025 and 2024, respectively. Approximately 19% and 24% of the Company’s consolidated accounts receivable at March 31, 2025 and 2024, respectively, were due from American Airlines Corporation.

3. 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,	
	2025	**2024**
Marketable securities (including restricted investments) (Level 1)	$ 1,105	$ 1,923
Interest rate swaps (liability) asset (Level 2)	(44)	1,909
Contrail's earnout (Level 3)	$ 1,539	$ —
Contrail's redeemable non-controlling interest (Level 3)	$ —	$ 7,437

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 8.

The fair value of Contrail's earnout is valued using an income approach and is classified as Level 3 in the hierarchy. See Note 21.

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, 2025 and 2024.

4. INVENTORIES

Inventories consisted of the following (in thousands):

	Year Ended March 31,	
	2025	**2024**
Inventories:		
Raw materials	6,928	6,174
Work in process	2,342	5,244
Finished goods	5,358	4,387
Aircraft parts	28,794	49,522
Total inventories	43,422	65,327
Reserves	(4,906)	(4,607)
Total inventories, net of reserves	$ 38,516	$ 60,720

A write-down of $1.5 million was recorded on the inventory of the commercial aircraft, engines and parts segment during the fiscal year ended March 31, 2025. The write-down was attributable to our evaluation of the carrying value of inventory as of March 31, 2025, 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.

5. LESSOR ARRANGEMENTS

Equipment Leases

The Company leases equipment to third-parties, primarily through Contrail. Leases for aircraft and engines to aviation customers typically have terms ranging from 1 and 4 years under operating lease agreements. On August 26, 2024, Contrail executed the operating agreement for CASP Leasing 1, LLC ("CASP"), a newly-created and 95% owned subsidiary of Contrail. On August 29, 2024, CASP entered into two purchase agreements to acquire and subsequently lease two Airbus Model A321-111 aircraft. The lease term for these two leased assets ends December 31, 2027. For the assets currently on lease, there are no options for the lessees to purchase the assets at the end of the lease term. The Company depreciates the aircraft and engines on a straight-line basis over the assets' useful life from the acquisition date to an estimated residual value. During the fiscal year ended March 31, 2025, the Company recognized depreciation expense relating to equipment leases of $1.5 million. Depreciation expense relating to equipment leases for the fiscal year ended March 31, 2024 was not material.

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. During the fiscal year ended March 31, 2025, earned contingent rent on equipment leases totaled approximately $1.1 million. The Company had no contingent rent earned on equipment leases during the fiscal year ended March 31, 2024. As of March 31, 2025, future minimum rental payments to be received under non-cancelable leases are as follows (in thousands):

Year ended March 31,		
2026	$	3,402
2027		3,361
2028		2,843
Thereafter		—
Total	$	9,606

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. Our contractual obligations for offices currently on lease can include termination and renewal options. We utilize the reasonably certain threshold criteria in determining which options our customers will exercise. The Company depreciates the assets on a straight-line basis over the assets' useful life. Depreciation expense relating to office leases was $0.3 million for the fiscal years ended March 31, 2025 and 2024, respectively.

We recognized rental and other revenues related to operating lease payments of $1.7 million and $1.6 million, of which variable lease payments were $0.7 million during both fiscal years ended March 31, 2025 and 2024, respectively. Future minimum rental payments to be received do not include variable lease payments that may be received under certain leases because amounts are based on usage. The following table sets forth the undiscounted cash flows for future minimum base rents to be received from customers for office leases in effect as of March 31, 2025:

Year ended March 31,		
2026	$	1,022
2027		987
2028		849
2029		774
2030		743
Thereafter		1,824
Total	$	6,199

6. PROPERTY AND EQUIPMENT

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

	Year Ended March 31,	
	2025	2024
Furniture, fixtures and equipment	$ 7,282	$ 7,060
Leasehold improvements	8,393	7,656
Land and buildings	13,850	13,850
	29,525	28,566
Accumulated depreciation	(9,240)	(7,705)
Property and equipment, net	$ 20,285	$ 20,861

During the fiscal years ended March 31, 2025 and 2024, depreciation on fixed assets amounted to $1.7 million and $1.5 million, respectively.

7. INTANGIBLES

Intangibles consisted of the following (in thousands):

	Year Ended March 31,	
	2025	2024
Purchased software	$ 865	$ 582
Internally developed software	3,658	3,657
In-place lease and other intangibles	1,094	1,094
Customer relationships	8,012	8,009
Patents	1,139	1,112
Other	1,512	1,502
	16,280	15,956
Accumulated amortization	(6,330)	(5,119)
	9,950	10,837
In-process software	70	141
Intangible assets, total	$ 10,020	$ 10,978

Based on the intangible assets recorded at March 31, 2025 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
2026	$ 1,193
2027	1,136
2028	1,053
2029	968
2030	965
Thereafter	4,635
	$ 9,950

Amortization expense totaled $1.2 million for each fiscal years ended March 31, 2025 and 2024.

8. 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 (Term Note A - MBT and Term Note D - MBT). To meet these objectives, the Company entered into interest rate swaps with notional amounts consistent with the outstanding debt on Term Note A - MBT and Term Note D - MBT, which were designated as cash flow hedging instruments and qualified as effective hedges in accordance with ASC 815. On August 31, 2021, Air T 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. At the time of de-designation, the Company amortized the fair value of the interest-rate swap contract included in accumulated other comprehensive income (loss) associated with Term Note A into earnings, classified with interest expense on the consolidated statement of income (loss), over the remainder of its term. On July 10, 2024, the interest rate swap on Term Note A - MBT was terminated and the Company received proceeds in the amount of $0.1 million with the net realized loss on swap termination included in other income (loss) on the condensed consolidated statement of income (loss). The swap termination has no impact on the Company's accounting for the fair value adjustments of the interest-rate swap contract included in accumulated other comprehensive income (loss) associated with Term Note A - MBT. On July 10, 2024, the interest rate swap on Term Note D - MBT was also terminated and the Company received proceeds in the amount $41.0 thousand with the net realized loss on swap termination included in other income (loss) on the condensed consolidated statement of income (loss). As a result of this swap termination, the Company determined that the interest rate swap on Term Note D - MBT 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 D - MBT at the time of de-designation into earnings, classified with interest expense on the consolidated statement of income (loss), over the remaining term of the originally hedged loan.

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 was designated as a cash flow hedging instrument and qualified as an effective hedge in accordance with ASC 815. On March 30, 2023, Contrail made a prepayment of $6.7 million on Contrail - Term Note G. As a result of this prepayment, the Company determined that the interest rate swap on Contrail - Term Note G was no longer an effective hedge. The Company amortized the fair value of the interest-rate swap contract included in accumulated other comprehensive income (loss) associated with Contrail - Term Note G at the time of de-designation into earnings over the remainder of its term. During the year ended March 31, 2025, the interest rate swap on Contrail - Term Note G was terminated and the Company received proceeds in the amount of $0.6 million. As a result of the termination, the Company reclassified a gain of $0.7 million from accumulated other comprehensive income (loss) into earnings.

On February 28, 2025, MAC completed an interest rate swap transaction with Bank of America, N.A ("BofA") with respect to the $2.3 million loan made to MAC in February 2025. The purpose of the floating-to-fixed interest rate swap transaction was to effectively fix the loan interest rate at 5.99%. The Company elected not to apply hedge accounting on the interest rate swap with BofA, therefore, any changes in the fair value of the swap are recognized directly into earnings. These fair value changes are included in interest expense on the condensed consolidated statement of income (loss).

When the interest rate swaps were designated as effective hedges, the effective portion of changes in the fair value on these instruments were recorded in other comprehensive income (loss) and reclassified into the consolidated statement of income (loss) as interest expense in the same period in which the underlying hedged transaction affected earnings. The changes in the fair value of the instruments during the fiscal years ended March 31, 2025 and 2024, inclusive of Term Note D - MBT due to its effective hedge designation at the time, were not material. The interest rate swaps are considered Level 2 fair value measurements. The fair value of these interest-rate swap contracts was not material as of March 31, 2025. As of March 31, 2024, the fair value of these interest-rate swap contracts was an asset of $1.9 million, which is included within other assets in the condensed consolidated balance sheets. Estimated net unrealized losses related to the interest rate swaps included in accumulated other comprehensive income (loss) that will be reclassified into earnings within the next twelve months are not material.

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, 2025, gains and losses related to these derivative instruments were not material. During the fiscal year ended March 31, 2024, the Company recorded a $0.2 million gain and $0.4 million loss related to these derivative instruments. These gains and losses are included within Corporate and other's operating expenses in the consolidated statement of income (loss).

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 and are therefore, considered Level 1 fair value measurements.

The Company's gross unrealized gains and losses on equity securities for the twelve months ended March 31, 2025 and 2024 are as follows (in thousands):

	Year Ended March 31,	
	2025	2024
Unrealized Gains	$ 615	$ 1,602
Unrealized Losses	$ 1,049	$ 2,055

These unrealized gains and losses are included within Other income (loss) in the consolidated statement of income (loss). As of March 31, 2025 and 2024, the fair value of these marketable equity securities was an asset of $1.1 million and $1.9 million, respectively, which is included within restricted investments and other current assets in the condensed consolidated balance sheets.

9. EQUITY METHOD INVESTMENTS

Lendway, Inc. investment

The Company’s investment in Lendway (NASDAQ: LDWY), formerly Insignia Systems, Inc., is accounted for under the equity method of accounting. The Company has elected a three-month lag upon adoption of the equity method. On August 2, 2023, Insignia reincorporated in the state of Delaware as Lendway, Inc. Subsequent to reincorporation, Lendway sold its legacy business on August 4, 2023 to pivot the business towards specialty agricultural finance. On February 26, 2024, Lendway acquired Bloomia B.V. ("Bloomia"), marking its first investment in specialty agriculture and underscoring its strategy of targeting high-quality agricultural assets and enterprises. As of March 31, 2025, the number of Lendway's shares owned by the Company was 0.5 million, representing approximately 28% of the outstanding shares. As of March 31, 2025, the Company's net investment basis in Lendway is $0.7 million.

On August 15, 2024, the Company entered into a delayed draw term loan with Lendway for up to $2.5 million with an interest rate of 8.0%. On September 27, 2024 the borrowing limit was increased to $3.5 million. On January 15, 2025 the borrowing limit was further increased to $3.8 million and as of March 31, 2025, $3.8 million has been drawn. All outstanding principal and accrued interest will become due and payable to the Company on the maturity date, which is earlier of August 15, 2029 or by written demand of the Company after February 15, 2026. Prior to the maturity date, Lendway may prepay any accrued interest or principal outstanding without penalty. As of March 31, 2025, $3.4 million of the principal balance remains outstanding and $0.1 million of interest has been accrued.

Cadillac Casting, Inc. investment

The Company's 20.1% investment in CCI is accounted for under the equity method of accounting. Due to the differing fiscal year-ends, the Company has elected a three-month lag to record the CCI investment at cost, with a basis difference of $0.3 million. The Company's net investment basis in CCI is $3.9 million as of March 31, 2025.

Crestone Asset Management, LLC investment

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

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

The Company determined that CAM is a variable interest entity and that the Company is not the primary beneficiary. This is primarily the result of the Company's conclusion that it does not control CAM’s Board of Directors, which has the power to direct the activities that most significantly impact the economic performance of CAM. Accordingly, the Company does not consolidate CAM and has determined to account for this investment using equity method accounting. The Company accounts for its investment in CAM using the hypothetical liquidation at book value ("HLBV") method without a reporting lag. The HLBV method uses a balance sheet approach to capture changes in the Company's claim on CAM's net assets from a period-end hypothetical liquidation at book value. This approach provides a more accurate reflection of the Company's investment in CAM, compared to recording its proportionate share of income or loss.

On October 18, 2024, the Company entered into an unsecured promissory note with CAM for $2.5 million with an interest rate of 10.0%, through conversion of a portion of the Company's accounts receivable from CAM. All outstanding principal and accrued interest will become due and payable for the Company on the maturity date (which is October 15, 2027). Prior to the maturity, CAM may prepay any accrued interest or principal outstanding without penalty.

CAM's HLBV net assets, including common interests and investor interests, was $37.8 million and $29.6 million as of March 31, 2025 and 2024, respectively. Additionally, contributions from and distributions to both Air T and MRC for the fiscal year ended March 31, 2025 and 2024 are as follows (in thousands):

	Year Ended March 31,	
	2025	2024
Contributions	$ 7,029	$ 4,095
Distributions	$ 11,847	$ 4,852

Investment balances for the Company's equity method investees as of March 31, 2025 and 2024 is as follows (in thousands):

Investment	March 31, 2025	March 31, 2024
Lendway	$ 729	$ 2,339
CCI	3,889	3,723
CAM	12,428	7,397
Other equity method investments	1,957	3,194
Total	$ 19,003	$ 16,653

Summarized income statement financial information for the Company's equity method investees accounted for on a three month lag for the twelve months ended December 31, 2024 and December 31, 2023 are as follows (in thousands):

	Twelve Months Ended December 31,	
	2024	2023
Revenue	$ 174,810	$ 143,208
Gross Profit	20,942	19,137
Operating (loss) income	(1,150)	4,843
Net (loss) income	(3,347)	8,765
Net (loss) income attributable to Air T, Inc. stockholders	$ (1,286)	$ 1,862

Summarized balance sheet financial information for the Company's equity method investees accounted for on a three month lag as of December 31, 2024 and December 31, 2023 are as follows (in thousands):

	December 31,	
	2024	2023
Current assets	$ 48,327	$ 49,101
Noncurrent assets	119,881	40,971
Total assets	168,208	90,072
Current liabilities	34,594	28,656
Noncurrent liabilities	101,151	19,262
Total liabilities	135,745	47,918
Noncontrolling interests	2,841	689

The summarized income statement financial information for the Company's equity method investees accounted for without a reporting lag for the fiscal years ended March 31, 2025 and 2024 are as follows (in thousands):

	Year Ended March 31,	
	2025	2024
Revenue	$ 31,516	$ 27,306
Gross Profit	11,949	8,356
Operating (loss) income	(228)	1,311
Net income (loss)	6,374	(1,552)
Net income (loss) attributable to Air T, Inc. stockholders	$ 3,054	$ (80)

Summarized balance sheet financial information for the Company's equity method investees accounted for on a three month lag as of March 31, 2025 and 2024 are as follows (in thousands):

	March 31,	
	2025	2024
Current assets	$ 41,947	$ 37,275
Noncurrent assets	26,856	28,460
Total assets	68,803	65,735
Current liabilities	6,194	5,959
Noncurrent liabilities	1,090	1,399
Total liabilities	7,284	7,358
Noncontrolling interests	—	—

Net income (loss) attributable to Air T, Inc. stockholders for the Company's equity method investees, included in non-operating (expense) income on the condensed consolidated statements of income (loss), including basis difference adjustments and other comprehensive income adjustments, during the fiscal years ended March 31, 2025 and 2024 is as follows (in thousands):

	Year Ended March 31,	
Investment	2025	2024
Lendway	$ (1,609)	$ 659
CCI	165	1,041
CAM	2,919	(184)
Other equity method investments	225	173
Total	$ 1,700	$ 1,689

The Company's equity method investees may, from time to time, make distributions and dividends to the Company in accordance with accumulated earnings at the investee. For the fiscal years ended March 31, 2025 and 2024, the Company received distributions and dividends from equity method investees as follows (in thousands):

	Year Ended March 31,	
Investment	2025	2024
Lendway	$ —	$ —
CCI	—	452
CAM	4,907	2,275
Other equity method investments	1,458	465
Total	$ 6,365	$ 3,192

10. ACCRUED EXPENSES

	Year ended March 31,	
(In thousands)	2025	2024
Salaries, wages and related items	$ 6,235	$ 5,296
Profit sharing and bonus	2,980	2,335
Other deposits	513	1,403
Deferred income	3,686	2,956
Other	3,277	3,660
Total	$ 16,691	$ 15,650

11. LESSEE ARRANGEMENTS

The Company has operating leases for the use of real estate, machinery, and office equipment. The majority of our leases have a lease term of 2 to 5 years; however, we have certain leases with longer terms of up to 30 years. Many of our leases include options to extend the lease for an additional period. The lease term for all of the Company's leases includes the non-cancellable period of the lease, plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor that is considered likely to be exercised.

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

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

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

The components of lease cost for the fiscal years ended March 31, 2025 and 2024 are as follows (in thousands):

	Twelve Months Ended March 31,	
	2025	2024
Operating lease cost	$ 3,121	$ 2,587
Short-term lease cost	1,111	873
Variable lease cost	1,049	828
Total lease cost	$ 5,281	$ 4,288

Amounts reported in the consolidated balance sheets for leases where we are the lessee as of March 31, 2025 and 2024 were as follows (in thousands):

	March 31, 2025	March 31, 2024
Operating leases		
Operating lease ROU assets	$ 13,274	$ 11,376
Operating lease liabilities	$ 14,220	$ 12,276
Weighted-average remaining lease term		
Operating leases	10 years, 3 months	12 years, 1 month
Weighted-average discount rate		
Operating leases	5.67 %	5.09 %

During the twelve months ended March 31, 2025, the Company had ROU assets that were obtained in exchange for new operating lease liabilities in the amount of $4.1 million.

The Company has an operating lease between entities under common control where the useful life of certain leasehold improvements exceeds the related lease term. As of March 31, 2025, the remaining lease term on the operating lease was 4 years, 8 months and the useful life of leasehold improvements that exceeded the lease term ranged from 4 years, 10 months to 5 years, 2 months. As of March 31, 2025, the unamortized balance of such leasehold improvements was $0.2 million.

Maturities of lease liabilities under non-cancellable leases where we are the lessee as of the fiscal year ended March 31, 2025 are as follows (in thousands):

	Operating Leases
2026	$ 3,115
2027	2,979
2028	2,344
2029	1,745
2030	977
Thereafter	7,669
Total undiscounted lease payments	18,829
Interest	(4,609)
Total lease liabilities	$ 14,220

12. FINANCING ARRANGEMENTS

Borrowings of the Company and its subsidiaries are summarized below at March 31, 2025 and March 31, 2024, respectively.

On May 30, 2024, Contrail, a majority-owned subsidiary of the Company, entered into a Membership Interest Redemption and Earnout Agreement (the "Redemption Agreement") with OCAS, Inc. (the "Seller"), the minority owner of Contrail. Pursuant to the Redemption Agreement, Contrail agreed to purchase and redeem from the Seller, 16% of its 21% interest in Contrail, effective as of April 1, 2024. The purchase price for the redeemed interest is $4.6 million, plus an earnout amount. The cash purchase price is payable pursuant to a secured, subordinated promissory note ("OCAS Loan"), payable beginning on May 1, 2024 and monthly thereafter for a 12-month period of interest payments only with the outstanding balance amortized and paid over the following three years. Interest accrues on the principal amount at an annual rate equal to the 10-year Treasury bond yield plus 375 basis points, compounded monthly. The rate adjusts on each anniversary date of the note. The payment obligation under the note may be deferred if Contrail's forecast indicates that any payment following the first 12-month period would cause a loan default or a loan default exists. Initially, the payment obligation would revert back to interest only, unless a default exists, in which case no payment would be required. If Contrail is unable to make a payment for 12 months, then interest shall cease to accrue. The note is expressly subordinated to the payment in full of all indebtedness of Contrail on or prior to the date of the note or thereafter. The OCAS Loan is classified as related party debt on the Company's condensed consolidated balance sheet. As a result, it is excluded from the tables of current financing arrangements and contractual financing obligations below.

On August 29, 2024, the Company and AirCo, LLC, AirCo 2, LLC, AirCo Services, LLC, Air'Zona, CSA, GGS, MAC, Stratus Aero Partners LLC, WASI, Worthington, Jet Yard and Jet Yard Solutions (the "Original Alerus Loan Parties") entered into a credit agreement (the "New Credit Agreement") with Alerus Financial ("Alerus"). The New Credit Agreement provides for a secured revolving credit facility ("Revolver - Alerus") in an initial maximum principal amount of up to $14.0 million. Availability under the Revolver - Alerus is subject to a borrowing base and provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $3.0 million, with the outstanding amount of any such letters of credit reducing availability for borrowings under the revolving credit facility. Revolver - Alerus matures on February 28, 2026 and the balance outstanding on Revolver - Alerus bears interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. On January 21, 2025, the Original Alerus Loan Parties entered into Amendment No. 1 to Credit Agreement ("Amendment No. 1") and Other Loan Documents with Alerus which extends the maturity date of the revolving credit agreement from February 28, 2026 to August 28, 2026.

In addition to the Revolver - Alerus, the New Credit Agreement provides for two secured term loans – Term Note A ("Term Note A - Alerus") and Term Note B ("Term Note B - Alerus"). Term Note A - Alerus is a loan in the principal amount of $10.7 million that matures on August 15, 2029 that bears interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. Term Note A - Alerus requires monthly payments of principal commencing September 15, 2024 with such payments set at a seven year level principal amortization and a payment of $3.2 million due at maturity.

Term Note B - Alerus is a loan in the principal amount of $2.3 million that matures on August 15, 2029 and bears interest at a rate per annum equal to the greater of 5.00% or one-month SOFR plus 2.00%. Term Note B - Alerus requires monthly payments of principal commencing September 15, 2024 with such payments set at a 25 year level principal amortization and a payment of $1.8 million due at maturity.

Term Note A and Term Note B may be prepaid in whole or in part at any time, subject to accrued interest and a prepayment premium. The prepayment premium is: 3.00% of the prepaid amount in the first loan year, 2.00% in the second and third loan years, 1.00% in the fourth and fifth loan years, and no premium after the fifth loan year. No prepayment premium applies if it is refinanced by Alerus or prepaid with funds from the Original Alerus Loan Parties' internally generated cash flows.

The Original Alerus Loan Parties are co-borrowers under the New Credit Agreement and each of the notes. The obligations of the Original Alerus Loan Parties under the New Credit Agreement and the notes are secured by a first priority security interest in substantially all of the Original Alerus Loan Parties' current assets, including accounts receivable and inventory. The Company is not a borrower under the New Credit Agreement but has guaranteed all indebtedness under the New Credit Agreement and the notes. In addition, the Company has pledged a brokerage account of marketable securities held at a securities intermediary to secure the obligations. Furthermore, the obligations are further secured by a deed of trust on approximately 4.626 acres of real estate that includes a 13,000 square foot office building in Denver, North Carolina.

In connection with the closing of the New Credit Agreement, the Company and its subsidiaries used proceeds from the new financing to satisfy and discharge all obligations, and terminated all commitments, under the Company's previous secured credit facility with MBT. All debt issuance costs were expensed as debt extinguishment cost within other income (loss) on the condensed consolidated statement of income (loss). The Company incurred no termination penalties in connection with such termination.

On September 12, 2024, Contrail entered into the Fifth Amendment to the Master Loan Agreement dated June 24, 2019 and Supplement #11 to the Master Loan Agreement, and Term Note J with ONB. Term Note J is a term loan in the principal amount of $10.0 million. The loan bears a variable monthly interest rate at the 1-month SOFR Rate plus 3.86% and requires equal monthly payments of principal and interest until the loan maturity date of September 12, 2028. The loan requires compliance with covenants that require minimum Tangible Net Worth of $15.0 million and a Quarterly Cash Flow Coverage of not less than 1.25 to 1.0. In order to induce ONB to enter into these agreements, Contrail and OCAS, Inc. entered into a subordination agreement dated September 12, 2024 to address certain loan matters and to establish the priority of repayment of Contrail's debt to ONB over the OCAS Loan in the original principal amount of $4.6 million.

On October 16, 2024, the Company and AAM 24-1, LLC ("AAM 24-1"), a wholly-owned subsidiary of the Company entered into a the Second Note Purchase Agreement (the "Second NPA") with two institutional investors (the "Institutional Investors"). The Second NPA amended and restated the terms of the Company's previously disclosed the Note Purchase Agreement (the

“Original NPA”), which was filed in a Current Report on Form 8-K on February 26, 2024. Under the Original NPA, AAM 24-1 had issued and sold $15.0 million of 8.5% senior secured notes. The Second NPA amended and restated the amount issued and sold to $30.0 million of 8.5% senior secured notes to the Institutional Investors, which includes the $15.0 million from the Original NPA bringing the total indebtedness to $30.0 million. The Notes mature on March 1, 2031 and bear an annual interest at a rate of 8.5%. In addition to the 160,000 previously pledged TruPs, 160,000 newly-issued shares of TruPs held by AAM 24-1 are now pledged to the Institutional Investors, in connection with the closing of the Second NPA.

On February 21, 2025, MAC entered into a $2.3 million term loan with BofA. The term loan requires monthly interest payments commencing March 21, 2025 until payment in full on the February 21, 2030 maturity date. The loan also requires principal payments in equal monthly installments of $9,500 and MAC may prepay the loan at any time in full or in part without penalty. The loan bears a variable monthly interest rate at the 1-month SOFR Rate plus 1.75% plus 0.11%. As part of the term loan, BofA put a lien on real property owned by MAC in Denver, North Carolina to further secure the loan. The new loan with Bank of America, N.A. contains a number of covenants, including but not limited to: providing financial information and statements, maintaining a fixed coverage ratio of at least 1.25 to 1.00, a limit on other debts and other liens, maintenance of assets, a limit on loans and investments, a prohibition on a change of ownership and additional negative covenants.

In connection with the financing, the Original Alerus Loan Parties entered into Amendment No. 2 to Credit Agreement and Consent on February 21, 2025. Amendment No. 2 updated the Credit Agreement dated as of August 29, 2024, as amended by Amendment No. 1 dated as of January 21, 2025 to remove references to Term Note B - Alerus and remove the lien and assignment of rents on the Denver, North Carolina real property. MAC used the proceeds of the new financing to repay Term Note B - Alerus with the Alerus.

On March 31, 2025, the Original Alerus Loan Parties under the Credit Agreement with Alerus entered into Amendment No. 3 to Credit Agreement with Alerus as well as a $3.0 million secured Overline Note and an Amended and Restated Revolving Credit Note in the amount of $14.0 million. The maturity date of the Overline Note is October 31, 2025 or such earlier date on which the Overline Note becomes due and payable. The Overline Note bears interest at the greater of 5.00% or one-month SOFR plus 2.00%. In connection with Amendment No. 3, AirCo, LLC, AirCo 2, LLC, AirCo Services, LLC, and Stratus Aero Partners, LLC were released as co-borrowers from the New Credit Agreement (including the Overline Note). As a result, only Air'Zona, CSA, GGS, MAC, WASI, Worthington, Jet Yard and Jet Yard Solutions remain as entities related to the Alerus note (the "Alerus Loan Parties")

The following table summarizes certain information about the current financing arrangements of the Company's and its subsidiaries as of March 31, 2025 and 2024:

(In Thousands)	March 31, 2025	March 31, 2024	Maturity Date	Interest Rate	Unused commitments as of March 31, 2025	Type of Debt
Air T Debt						
Revolver - MBT	$ —	$ —	8/31/2024	SOFR + range of 2.25% - 3.25%		Recourse
Term Note A - MBT[1]	—	6,955	8/31/2031	3.42%		Recourse
Term Note B - MBT[1]	—	2,456	8/31/2031	3.42%		Recourse
Term Note D - MBT[1]	—	1,271	1/1/2028	1-month LIBOR + 2.00%		Recourse
Term Note F - MBT[1]	—	783	1/31/2028	Greater of 6.00% or Prime + 1.00%		Recourse
Debt - Trust Preferred Securities[2]	35,342	34,214	6/7/2049	8.00%		Recourse
Total	35,342	45,679				
AirCo 1 Debt						

[1] The revolver and term notes with MBT were fully paid off with the proceeds from the new credit agreement with Alerus. The Company terminated all commitments under the credit facility with MBT as of August 29, 2024.

[2] Does not include $13.0 million held by wholly-owned subsidiaries of the Company.

Term Loan - PSB[3]	—	5,434	12/11/2025	3-month SOFR + 3.26%		Non-recourse
Total	—	5,434				
Jet Yard Debt						
Term Loan - MBT[1]	—	1,749	8/31/2031	4.14%		Recourse
Total	—	1,749				
Alerus Loan Parties Debt						
Revolver - Alerus	6,050	—	8/28/2026	Greater of 5.00% or 1-month SOFR + 2.00%	7,950	Recourse
Overline Note - Alerus	—	—	10/31/2025	Greater of 5.00% or 1-month SOFR + 2.00%	3,000	Recourse
Term Note A - Alerus	9,827	—	8/15/2029	Greater of 5.00% or 1-month SOFR + 2.00%		Recourse
Term Note B - Alerus	—	—	8/15/2029	Greater of 5.00% or 1-month SOFR + 2.00%		Recourse
Total	15,877	—				
Contrail Debt						
Revolver - ONB	3,127	3,476	11/24/2025	1-month SOFR + 3.56%	21,873	Limited recourse[4]
Term Loan G - ONB[5]	—	14,918	11/24/2025	1-month SOFR + 3.11%		Limited recourse[3]
Term Note I - ONB[5]	—	10,000	9/28/2025	1-month SOFR + 3.11%		Limited recourse[3]
Term Note J - ONB	8,750	—	9/12/2028	1-month SOFR + 3.86%		Limited recourse[3]
Total	11,877	28,394				
Wolfe Lake Debt						
Term Loan - Bridgewater	9,059	9,327	12/2/2031	3.65%		Non-recourse
Total	9,059	9,327				
Air T Acquisition 22.1						
Term Loan - Bridgewater	3,500	4,000	2/8/2027	4.00%		Non-recourse
Term Loan A - ING	1,298	1,946	2/1/2027	3.50%		Non-recourse
Term Loan B - ING	1,082	1,081	5/1/2027	4.00%		Non-recourse
Total	5,880	7,027				
WASI Debt						

[3] Term Loan - PSB was fully paid off prior to the maturity date.
[4] Includes Air T's guarantee of approximately $1.6 million.
[5] Term Loan G - ONB and Term Note I - ONB were fully paid off prior to their respective maturity dates.

Promissory Note - Seller's Note	398	849	1/1/2026	6.00%	Non-recourse
Total	398	849			
AAM 24-1 Debt					
Promissory Notes - Institutional Investors	30,000	15,000	3/1/2031	8.50%	Non-recourse
Total	30,000	15,000			
MAC Debt					
Term Loan - BofA	2,271	—	2/21/2030	1-month SOFR + 0.11% + 1.75%	Non-recourse
Total	2,271	—			
Total Debt	110,704	113,459			
Unamortized Premiums and Debt Issuance Costs	(379)	(533)			
Total Debt, net	**$ 110,325**	**$ 112,926**			

Fiscal year 2025's weighted average interest rate on short term borrowings outstanding was 7.68%. The weighted average interest rate on short term borrowings outstanding as of March 31, 2024 was 8.88%.

The New Credit Agreement between Alerus Loan Parties and Alerus includes several covenants that are measured twice a year at September 30 and March 31, including but not limited to, a negative covenant requiring a debt service coverage ratio of 1.25 and a leverage ratio greater than 3.00.

The Contrail Credit Agreement with ONB 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 1.00, a minimum cash flow coverage ratio of 1.25 to 1.00, and a minimum tangible net worth of $15.0 million.

Air T Acquisition 22.1's term loans with ING include several covenants that are measured once a year at December 31, including but not limited to, a negative covenant requiring a debt service coverage ratio of 1.10 and a senior net leverage ratio of 1.50.

The Promissory Notes - Institutional Investors also contain affirmative and negative covenants, including covenants on the utilization of loan proceeds, TruPs dividends, distributions from AAM 24-1's investments and other reporting requirements.

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 Alerus.

At March 31, 2025, our contractual financing obligations, including payments due by period, are as follows (in thousands)

Fiscal year ended	Amount
2026	$ 9,099
2027	14,135
2028	5,527
2029	3,208
2030	5,840
Thereafter	72,895
	110,704
Unamortized Premiums and Debt Issuance Costs	(379)
	$ 110,325

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 - The following table presents the carrying amounts and estimated fair values of the Company's debt instruments, which are not measured at fair value on a recurring basis, as of March 31, 2025 and 2024:

(in thousands)	March 31, 2025	March 31, 2024
Carrying Value	$ 75,362	$ 79,245
Estimated Fair Value	$ 92,984	$ 90,248

The fair value of the Company's debt was estimated using discounted cash flow models based on current market interest rates for debt instruments with similar terms, maturities, and credit risk. These estimates utilize Level 2 inputs within the fair value hierarchy.

As of March 31, 2025 and March 31, 2024, the estimated fair value exceeded the carrying value primarily due to certain outstanding borrowings bearing contractual interest rates that are above current market rates, which results in higher present values of future cash flows. The smaller differential in the prior year reflects changes in interest rate environments and debt structure.

The Company has not elected the fair value option under ASC 825-10 and continues to report its debt obligations at amortized cost. The fair value amounts are presented for disclosure purposes only.

Interest Expense, net

The components of net interest expense during the years ended March 31, 2025 and March 31, 2024 are as follows (in thousands):

	March 31, 2025	March 31, 2024
Contractual interest	$ 8,606	$ 6,688
Amortization of deferred financing costs	323	324
Gain on interest rate swaps	(167)	(4)
Interest income	(375)	(92)
Total	$ 8,387	$ 6,916

Net interest expense by entity during the years ended March 31, 2025 and March 31, 2024 are as follows (in thousands):

	Year Ended March 31,	
	2025	2024
Air T	$ 3,380	$ 3,818
Jet Yard	31	78
Alerus Loan Parties	997	—
Contrail	1,316	1,570
AirCo 1	378	561
Wolfe Lake	345	356
Air T Acquisition 22.1	277	318
WASI	39	67
AAM 24-1	1,793	132
MAC	14	—
Gain on interest rate swaps	(167)	(4)
Other	(16)	20
Total	$ 8,387	$ 6,916

13.   RELATED PARTY MATTERS

Contrail leases its corporate and operating facilities at Verona, Wisconsin from Cohen Kuhn Properties, LLC, a limited liability company whose membership interests are owned by Mr. Joseph Kuhn, Contrail's Chief Executive Officer and Mrs. Miriam Cohen-Kuhn, Contrail's Chief Financial Officer, equally. The facility consists of approximately 21,000 square feet of warehouse and office space. The Company paid aggregate rental payments of approximately $0.2 million to Cohen Kuhn Properties, LLC pursuant to such lease during the period for each of the fiscal years ended March 31, 2025 and March 31, 2024. 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 included in Corporate and other, to serve as its Chief Investment Officer in return for an annual salary of $51.5 thousand plus variable compensation based on the management and incentive fees to be paid to the subsidiary by certain of these investment funds and eligibility to participate in discretionary annual bonuses.

Nick Swenson, CEO of the Company, along with his affiliates (other than the Company), successors and assignees, are the majority shareholders of CCI. As of March 31, 2025, Mr. Swenson and his affiliates, successors and assignees own 70.4% of ownership interests in CCI. Under the VIE model, Mr. Swenson and his affiliates (other than the Company), successors and assignees are the primary beneficiaries of CCI due to Mr. Swenson's controlling interest in CCI. It follows the power held by Mr. Swenson to direct the activities of CCI that most significantly impact CCI's economic performance is not shared with the Company ("the related party group").

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 Nick Swenson.

Air T engages Fox Lake Capital, LLC ("FLC") to perform certain consulting and brokerage services for the Company. Dan Philp, an employee of Air T, is the CEO of FLC. During the fiscal year ended March 31, 2025, the Company has paid approximately $0.2 million to FLC to compensate for services rendered.

On October 16, 2024 Air T converted a portion of receivables related to expense reimbursements for CAM to a note receivable in the amount of $2.5 million. The note accrues interest at a rate of 10.0% and is due with any accrued and unpaid interest on October 16, 2027. As of March 31, 2025, $0.1 million has been accrued to interest with an outstanding principal balance of $2.5 million.

On August 2024 Air T provided a Delayed Draw Term Loan to Lendway where Lendway can borrow up to $2.5 million. The Delayed Draw Term Loan with Lendway was later amended on September 27, 2024 and January 15, 2025 to increase the total borrowing to $3.5 million and $3.8 million, respectively. The note accrues interest at a rate of 8.0% and is due with any accrued and unpaid interest the earlier of August 14, 2029 or by written notice by the Company delivered on or after February 15, 2026. As of March 31, 2025 $0.1 million has been accrued to interest with an outstanding principal balance of $3.4 million.

14.   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. 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. 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

Air T, Inc.’s 2012 Stock Option Plan terminated in 2022. The last of the activity under this plan occurred during the year ended March 31, 2024. As of March 31, 2024 no unrecognized compensation expense related to the Air T's 2012 stock options and no stock-based compensation expense with respect to this plan was recognized for the year ended March 31, 2024. No unexpired options remained outstanding under this plan as of March 31, 2024.

There was no activity related to this plan during the fiscal year ended March 31, 2025. The final outstanding options after termination of this plan in 2022 were exercised or forfeited during the fiscal year ended March 31, 2024 as summarized in the table below (in thousands, except for shares):

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at Outstanding at March 31, 2023	7,500	$ 7.04	0.4	$ 135,075
Granted	—	—		
Exercised	(3,750)	7.04		
Forfeited	(3,750)	7.04		
Repurchased	—	—		
Outstanding at Outstanding at March 31, 2024	—	—	0	—

Air T's 2020 Omnibus Stock and Incentive Plan

On December 29, 2020, the Company’s Board of Directors unanimously approved the 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. Through March 31, 2025, options to purchase up to 348,050 shares have been granted under the Plan. The options vest annually over a period of ten years based on a specified service condition ("vested awards") and expire ten years after vesting. However, the ability to exercise vested awards, occurring at the conclusion of each annual vesting period, is contingent upon the Company's stock price meeting predetermined milestones outlined in the options agreements (the "market condition"). If the market condition is not fulfilled at the annual vesting period on June 30 of every year, the vested awards may not be exercisable at any subsequent point and are forfeited. On the preceding three vesting dates, June 30, 2024, 2023 and 2022, a total of 97,000 shares satisfied the service condition; however, they did not meet the market condition to become exercisable. For the fiscal years ended March 31, 2025 and March 31, 2024, 26,000 unvested shares and no unvested shares, respectively, were forfeited due to employee departures resulting in the reversal of previously recognized expense of $54.0 thousand for the fiscal year ended March 31, 2025. As of March 31, 2025 there were 226,000 granted options that may become exercisable on future vesting dates under the Plan. No options were exercisable as of March 31, 2025.

The Company used the Black-Scholes option pricing model to value stock options granted under the Air T's 2020 Omnibus Stock and Incentive Plan and determined the grant date's fair value was $1.3 million. The key assumptions used in the Plan's Black-Scholes option pricing model are as follows:

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

We do not anticipate significant forfeitures and elected to account for forfeitures as they occur. During fiscal years ended March 31, 2025 and 2024, total compensation cost recognized under the Plan for each year was $0.1 million. The unrecognized compensation cost related to nonvested awards is $0.4 million, which is expected to be recognized over a weighted average period of 6.25 years.

15. 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, 2025:

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.
Software Services	The Company provides market data related to air cargo based on primary sources and owns cloud hosted software that supports the needs of aviation businesses and helps aftermarket parts sellers automate quoting for their potential clients. For market data services, revenue is derived from contracts that grant customers the right to use the Company's web-based service for a specified term through a subscription fee. A performance obligation is created when the Company agrees to provide a subscription-based service to a customer. There is no variation in effort expanded by the Company over the subscription term, therefore, revenue is recognized each month on a straight-line basis according to the consideration paid by the customer for the given time period. Generally, subscription terms are in annual increments and, when a subscription term begins, an annual fee is remitted by the customer to cover the 12-month period. The cash received is recorded as deferred revenue for the amount stated in the contract and recognized over the subscription term based on straight-line recognition. For cloud hosted software, the Company enters into service contracts which provides access to the software and customer support services. A performance obligation is created when the Company agrees to provide a particular service to a customer. For software access, revenue is recognized ratably over time for the daily performance obligation related to the customer's access to the cloud hosted software. For support services, revenue is recognized over time for the hourly performance obligation provided to the customer. Generally, subscription terms range from three to five years. Software access is usually billed monthly and support services are billed upon completion.

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

	Year Ended March 31,	
	2025	2024
Product Sales		
Overnight air cargo	$ 42,615	$ 39,302
Ground support equipment	35,903	36,127
Commercial aircraft, engines and parts	106,946	114,049
Corporate and other	661	739
Support Services		
Overnight air cargo	81,287	76,107
Ground support equipment	2,426	533
Commercial aircraft, engines and parts	7,923	10,727
Corporate and other	31	36
Leasing Revenue		
Ground support equipment	69	49
Commercial aircraft, engines and parts	2,597	64
Corporate and other	1,713	1,624
Software Services		
Digital Solutions	7,268	5,783
Other		
Overnight air cargo	129	137
Ground support equipment	542	459
Commercial aircraft, engines and parts	749	695
Corporate and other	991	403
Total	$ 291,850	$ 286,834

See Note 18 for the Company's disaggregated revenues by geographic region and Note 19 for the Company's disaggregated revenues by segment. These notes disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Contract Balances and Costs

Contract liabilities relate to deferred revenue, our unconditional right to receive consideration in advance of performance with respect to subscription revenue and advanced customer deposits with respect to product sales. The following table presents outstanding contract liabilities as of April 1, 2024 and March 31, 2025 and the amount of contract liabilities that were recognized as revenue during the year ended March 31, 2025 (in thousands):

	Outstanding contract liabilities	Outstanding contract liabilities as of April 1, 2024 Recognized as Revenue
As of March 31, 2025	$ 4,199	
As of April 1, 2024	$ 4,359	
For the year ended March 31, 2025		$ (3,705)

16. 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 fiscal years ended March 31, 2025 and 2024 was approximately $1.0 million and $0.9 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 2025 and 2024 was approximately $3.8 million and $2.2 million, respectively, and was recorded in general and administrative expenses in the consolidated statements of income (loss).

17. INCOME TAXES

Loss from continuing operations before income taxes as shown in the Consolidated Statements of Income (Loss) consists of the following:

	Year Ended March 31,	
	2025	**2024**
Domestic	$ (4,791)	$ (3,468)
Foreign	(197)	(487)
Total	$ (4,988)	$ (3,955)

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

	Year Ended March 31,	
	2025	**2024**
Current:		
Federal	$ —	$ 23
State	166	(226)
Foreign	557	902
Total current	723	699
Deferred:		
Federal	83	126
State	(17)	(13)
Foreign	(366)	(83)
Total deferred	(300)	30
Total	$ 423	$ 729

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

	Year Ended March 31,					
	2025			2024		
Expected Federal income tax benefit U.S. statutory rate	$	(1,048)	21.0%	$	(831)	21.0%
Foreign rate differential		(101)	2.0%		399	-10.1%
State income taxes, net of federal benefit		(165)	3.3%		(125)	3.2%
Micro-captive insurance benefit		—	0.0%		(306)	7.7%
Change in valuation allowance		1,272	-25.5%		1,909	-48.3%
Income attributable to minority interest - Contrail		(140)	2.8%		(217)	5.5%
Other differences, net		605	-12.1%		(100)	2.5%
Income tax expense	$	423	-8.5%	$	729	-18.5%

The Company did not record any liabilities for uncertain tax positions for the fiscal years ended March 31, 2025 and March 31, 2024.

The Tax Cuts and Jobs Act (the "Tax Act") provides for a territorial tax system, that includes the global intangible low-taxed income ("GILTI") provision beginning in 2018. The GILTI provisions require us to include in our U.S. income tax return certain current year foreign subsidiary earnings net of foreign tax credits, subject to limitation. We elected to account for the GILTI tax in the period in which it is incurred. There was no GILTI inclusion for the fiscal years ended March 31, 2025 and March 31, 2024.

The Company (exclusive of Delphax which has a full valuation allowance) has federal gross operating losses of $11.3 million and state gross operating losses of $15.7 million, and foreign gross operating losses of $7.6 million at March 31, 2025. These net operating losses will begin to expire in tax year 2031. The Company has foreign tax credits of $0.5 million that will begin to expire in tax year 2029.

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

	Year Ended March 31,	
	2025	2024
Net operating loss & attribute carryforwards	$ 11,681	$ 9,414
Unrealized losses on investments	1,540	1,055
Inventory reserve	1,149	1,041
Accrued vacation	442	449
Foreign tax credit	520	650
Lease liabilities	3,463	2,913
Research and development capitalizations	441	275
Other deferred tax assets	792	517
Total deferred tax assets	20,028	16,314
Property and equipment	(1,651)	(1,735)
Right-of-use assets	(3,236)	(2,703)
Capital gain deferment	(1,793)	(1,763)
Foreign intangible assets	(1,830)	(2,089)
Investment in partnerships	(2,159)	(105)
Other deferred tax liabilities	(403)	(393)
Total deferred tax liabilities	(11,072)	(8,788)
Net deferred tax assets	8,956	7,526
Less valuation allowance	(11,103)	(9,973)
Net deferred tax liabilities	$ (2,147)	$ (2,447)

The Company is not asserting indefinite reinvestment with regards to foreign earnings in the Netherlands. The Company has not recorded deferred taxes associated with these undistributed earnings as the impact of any future distribution will not have a material tax impact. The Company continues to assert that it will permanently reinvest all other foreign earnings, including basis differences of all the Company's foreign subsidiaries. As a result of its permanent reinvestment assertion, the Company has not recorded deferred taxes related to its foreign subsidiaries under the indefinite exception. The Company has not determined the deferred tax liability associated with these undistributed earnings and basis differences, as such determination is not practicable.

Valuation Allowance

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended March 31, 2025. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of March 31, 2025, a valuation allowance of $11.1 million (inclusive of the Delphax entities' valuation allowances that were discussed above) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

The Organization for Economic Co-operation and Development ("OECD") has introduced a framework to implement a global minimum tax. Several jurisdictions in which the Company operates have enacted laws effective January 1, 2024, consistent with the OECD's framework. While details around the global minimum tax in each jurisdiction are uncertain, the Company has assessed the applicability of these rules and determined that it is not subject to the global minimum tax for the fiscal year ending March 31, 2025.

Delphax

Effective on November 24, 2015, Air T, Inc. purchased interests in Delphax. With an equity investment level by the Company of approximately 67%, Delphax is required to continue filing a separate United States corporate tax return.

Delphax maintains a September 30 fiscal year end, and the returns for the fiscal year ended September 30, 2024 have not been filed. The gross deferred tax balances related to Delphax includes federal and state loss carryforwards of $8.6 million and $1.7 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 Delphax's tax attributes, the Company has established a full valuation allowance of $1.8 million as of March 31, 2025 and March 31, 2024. The cumulative tax losses incurred by Delphax in recent years was the primary basis for the Company's determination that a full valuation allowance should be established against Delphax's net deferred tax assets.

18. 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, 2025 and March 31, 2024 (in thousands):

	March 31, 2025	March 31, 2024
United States	$ 20,422	$ 20,807
Foreign	14,525	306
Total tangible long-lived assets, net	$ 34,947	$ 21,113

The Company's tangible long-lived assets, net of accumulated depreciation, held outside of the United States represent primarily assets on lease at March 31, 2025. The net book value located within each individual country at March 31, 2025 is listed below (in thousands):

Country	March 31, 2025	March 31, 2024
Thailand	$ —	$ 252
Bulgaria	14,435	—
Other	90	54
Total foreign tangible long-lived assets, net	$ 14,525	$ 306

Total revenue, located in the United States, and outside the United States is summarized in the following table as of March 31, 2025 and March 31, 2024 (in thousands):

	Twelve months ended March 31,	
	2025	2024
Operating Revenues:		
Overnight Air Cargo		
United States	$ 120,804	$ 114,809
Foreign	3,227	737
Total Overnight Air Cargo	124,031	115,546
Commercial Aircraft, Engines and Parts		
United States	79,138	95,175
Foreign	39,077	30,325
Total Commercial Aircraft, Engines and Parts	118,215	125,500
Ground Support Equipment		
United States	36,175	32,677
Foreign	2,765	4,491
Total Ground Support Equipment	38,940	37,168
Digital Solutions		
United States	1,781	1,331
Foreign	5,487	4,452
Total Digital Solutions	7,268	5,783
Corporate and Other		
United States	3,324	2,634
Foreign	72	203
Total Corporate and Other	3,396	2,837
Total revenue	$ 291,850	$ 286,834

19. SEGMENT INFORMATION

Air T's robust portfolio of businesses are managed on a highly decentralized basis. These businesses are aggregated into operating segments in a manner that reflects how Air T views the business activities. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. The Chief Executive Officer is ultimately responsible for significant capital allocation decisions and evaluating operating performance. In assessing performance for the Company's businesses, the chief operating decision maker reviews operating income and Adjusted EBITDA. Certain operating segments are aggregated into reportable segments.

Effective as of the fourth quarter of fiscal year 2025, the Company renamed the ground equipment sales segment to ground support equipment and renamed the commercial jet engines and parts segment to commercial aircraft, engines and parts to better align the descriptions of the segments with their activities.

Additionally, the Company has elected to separately disclose the digital solutions segment, as of the fourth quarter of fiscal year 2025, to align presentation in the financial statements with a key long-term growth area for the Company. Digital solutions was previously classified as part of insignificant business activities. As a result of this change, prior period segment information has been recast to conform to our current presentation in our financial statements

Air T's four reportable segments are as follows:

Reportable Segment	Principal Business Activities
Overnight Air Cargo	Overnight air cargo primarily operates under its relationship with FedEx spanning over 40 years and represent two of eight companies in the U.S. that have North American feeder airlines under contract with FedEx. MAC and CSA operate and maintain Cessna Caravan, Sky Courier, 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.
Commercial Aircraft, Engines and Parts (formerly known as Commercial Jet Engines and Parts)	The Commercial aircraft, engines and parts segment 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
Ground Support Equipment (formerly known as Ground Support Sales)	Ground support equipment manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the military and industrial customers.
Digital Solutions	Digital solutions develops and provides digital aviation and other business services to customers within the aviation industry to generate recurring subscription revenues. Digital solutions has historically been reported as part of the central corporate function referred to as Corporate and Other.

The information that follows shows data of Air T's reportable segments reconciled to amounts reflected in our Consolidated Financial Statements. Intersegment eliminations are included to reconcile segment totals to consolidated amounts.

The cost and expense information presented below is based on the information regularly provided to the CODM. Further, asset information is not included in the information regularly provided to the CODM as they are not a key determining factor in the performance of the Company's reportable segments.

The Company also has a "Corporate and Other" category which includes unallocated Air T holding company costs that are not directly attributable to the ongoing operating activities of our reportable segments in addition to revenues and expenses for non-reportable operating segments.

Segment data is summarized in the following tables (in thousands):

	Year ended March 31, 2025				
	Overnight Air Cargo	Commercial Aircraft, Engines and Parts	Ground Support Equipment	Digital Solutions	Total
Revenue from external customers	$ 124,031	$ 118,215	$ 38,940	$ 7,268	$ 288,454
Intersegment revenue	880	1,197	—	—	2,077
	124,911	119,412	38,940	7,268	290,531
Reconciliation of revenue					
Other revenue[1]					3,570
Elimination of intersegment revenue[2]					(2,251)
Total consolidated revenue					$ 291,850
Cost of sales:					
Cost of sales from external sources	$ 104,760	$ 84,896	$ 33,994	$ 2,462	
Intersegment cost of sales	911	1,323	—	—	
	105,671	86,219	33,994	2,462	
Less:[3]					
General and administrative	$ 12,531	$ 24,113	$ 5,888	$ 5,078	
Other segment items[4]	489	2,583	268	792	
Segment profit (loss)	6,220	6,497	(1,210)	(1,064)	$ 10,443
Reconciliation of profit (loss)					
Other revenue[1]					3,570
Other cost of sales[1]					(1,191)
Other expenses[1]					(3,930)
Interest expense					(8,387)
Income from equity method investments					1,700
Other non-operating expense					(209)
Other corporate expenses[5]					(7,878)
Elimination of intersegment profits					894
Loss before income taxes					$ (4,988)

[1] Revenue, cost of sales, and expenses from segments below the quantitative thresholds or that do not constitute a business segment are attributable to an investment advisory business, a laser printer manufacturer, and a commercial property owned by the Company.

[2] Elimination of intersegment revenue includes eliminations related to Other revenue in the tables above totaling $174 thousand for the fiscal year ended March 31, 2025. After eliminations, Other revenue from third parties is $3,396 thousand for the fiscal year ended March 31, 2025.

[3] The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker. Intersegment expenses are included within the amounts shown.

[4] Other segment items consist of depreciation and amortization and remeasurement of the earnout liability.

[5] Other corporate expenses consist of unallocated expenses that are related to the activities of Corporate and other in support of the overall business. Unallocated expenses include, but are not limited to: shared services that are not allocated, costs associated with the corporate headquarters and, expenses related to identifying and pursuing new corporate business initiatives.

	Year ended March 31, 2024				
	Overnight Air Cargo	Commercial Aircraft, Engines and Parts	Ground Support Equipment	Digital Solutions	Total
Revenue from external customers	$ 115,546	$ 125,535	$ 37,168	$ 5,783	$ 284,032
Intersegment revenue	126	2,150	—	—	2,276
	115,672	127,685	37,168	5,783	286,308
Reconciliation of revenue					
Other revenue[1]					3,957
Elimination of intersegment revenue[2]					(3,431)
Total consolidated revenue					$ 286,834
Cost of sales:					
Cost of sales from external sources	$ 97,690	$ 99,222	$ 31,834	$ 1,710	
Intersegment cost of sales	137	2,025	—	1	
	97,827	101,247	31,834	1,711	
Less:[3]					
General and administrative	$ 10,734	$ 21,792	$ 6,743	$ 3,929	
Other segment items[4]	366	756	144	804	
Segment profit (loss)	6,745	3,890	(1,553)	(661)	$ 8,421
Reconciliation of profit (loss)					
Other revenue[1]					3,957
Other cost of sales[1]					(1,202)
Other expenses[1]					(4,214)
Interest expense					(6,916)
Income from equity method investments					1,689
Other non-operating expense					8
Other corporate expenses[5]					(6,162)
Elimination of intersegment profits					464
Loss before income taxes					$ (3,955)

[1] Revenue, cost of sales, and expenses from segments below the quantitative thresholds or that do not constitute a business segment are attributable to an investment advisory business, a laser printer manufacturer, and a commercial property owned by the Company.

[2] Elimination of intersegment revenue includes eliminations related to Other revenue in the tables above totaling $1,155 thousand for the fiscal year ended March 31, 2024. After eliminations, Other revenue from third parties is $2,802 thousand for the fiscal year ended March 31, 2024.

[3] The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker. Intersegment expenses are included within the amounts shown.

[4] Other segment items consist of depreciation and amortization and remeasurement of the earnout liability.

[5] Other corporate expenses consist of unallocated expenses that are related to the activities of Corporate and other in support of the overall business. Unallocated expenses include, but are not limited to: shared services that are not allocated, costs associated with the corporate headquarters and, expenses related to identifying and pursuing new corporate business initiatives.

	Year ended March 31, 2025						
	Overnight Air Cargo	Commercial Aircraft, Engines and Parts	Ground Support Equipment	Digital Solutions	Total Reportable Segments	Corporate and other	Total Consolidated
Depreciation and amortization	$ 489	$ 2,148	$ 268	$ 792	$ 3,697	$ 659	$ 4,356
Capital Expenditures	418	14,911	217	36	15,582	97	15,679

	Year ended March 31, 2024						
	Overnight Air Cargo	Commercial Aircraft, Engines and Parts	Ground Support Equipment	Digital Solutions	Total Reportable Segments	Corporate and other	Total Consolidated
Depreciation and amortization	$ 366	$ 756	$ 144	$ 804	$ 2,070	$ 728	$ 2,798
Capital Expenditures	535	131	238	—	904	172	1,076

20. 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,	
	2025	2024
Net Loss	$ (5,411)	$ (4,684)
Net income attributable to non-controlling interests	(729)	(2,135)
Net loss attributable to Air T, Inc. Stockholders	$ (6,140)	(6,819)
Loss per share:		
Basic	$ (2.23)	$ (2.42)
Diluted	$ (2.23)	$ (2.42)
Antidilutive shares excluded from computation of loss per share	—	—
Weighted Average Shares Outstanding:		
Basic	2,750	2,816
Diluted	2,750	2,816

21. COMMITMENTS AND CONTINGENCIES

Put/Call Options and Earnout

Contrail entered into an Operating Agreement (the “Contrail 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 to require Contrail to purchase all of the Seller’s equity membership interests in Contrail, such options commencing on the fifth anniversary of the acquisition, which occurred on July 18, 2021. On May 30, 2024, Contrail entered into a Membership Interest Redemption and Earnout Agreement (the "Redemption Agreement") with the Seller. Pursuant to the Redemption Agreement, Contrail agreed to purchase and redeem from the Seller, 16% of its 21% interest in Contrail, with the earnout period being retroactive to April 1, 2024. The purchase price for the redeemed interest is $4.6 million in the form of a secured, subordinated promissory note, plus an earnout amount valued at $1.1 million. Under the Redemption Agreement, the

Seller is entitled to an annual earnout payment equal to 9.14% of Contrail's adjusted EBITDA over $7.0 million in each fiscal year beginning on March 31, 2025 and continuing through March 31, 2029. Pursuant to the Redemption Agreement, Contrail is required to calculate the earnout payments annually within 30 days following the completion of the annual audits of the Company and Contrail and payment of any amount due is required following satisfaction of a procedure to address any objections to the calculated amount. As of March 31, 2025 the earnout pursuant to the Redemption Agreement is a Level 3 fair value measurement that is valued at $1.5 million. As of March 31, 2025 $0.4 million and $1.1 million are classified as short-term and long-term liabilities, respectively. For the fiscal year ended March 31, 2025, a loss has been recorded due to an increase in fair value of $0.4 million as presented in operating expenses on the condensed consolidated statements of income (loss).

In connection with the Redemption Agreement, the parties agreed to certain technical amendments to the First Amended and Restated Operating Agreement of Contrail and entered into a new Put and Call Agreement with respect to the remaining 5% interest in Contrail held by the Seller. Pursuant to the new Put and Call Agreement, commencing April 1, 2026 and at any time thereafter, either Contrail or the Seller has the option to elect by written notice to purchase or sell all of the remaining 5% interest in Contrail held by the Seller. The purchase price for the 5% interest is equal to 5% of the Contrail Equity Value, which is defined as an amount equal to nine times the average Adjusted EBITDA of Contrail's most recent three completed fiscal years at the time an option notice is delivered. The purchase price for the 5% interest is to be paid in equal quarterly installments over a three-year period, together with interest at the then current ten-year Treasury bond yield plus 2.5% adjusted annually. The Company has presented this redeemable non-controlling interest in Contrail ("Contrail RNCI") between the liabilities and equity sections of the accompanying condensed consolidated balance sheets where the changes in its estimated redemption value are recorded on our consolidated statements of operations within non-controlling interests.

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 30.0% 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 30.0% 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 30.0% interest at the call option price that equals the average EBIT over the three Financial Years prior to the exercise of the Call Option multiplied by eight. In addition, the Shanwick Put/Call Option also grants the non-controlling interest owners an option to require the Company to purchase from them their respective ownership interests at the Put Option price, that is equal to the average EBIT over the three Financial Years prior to the exercise of the Put Option multiplied by seven and one-half. 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 ("Shanwick RNCI").

The Company has presented the Shanwick RNCI 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 and Contrail RNCI are measured at the higher of their carrying value or redemption value. As of March 31, 2025, the balances were comprised of the following (in thousands):

	Shanwick RNCI	Contrail RNCI	Total
Beginning Balance as of April 1, 2024	$ 5,540	$ 7,436	$ 12,976
Contribution from non-controlling members	—	—	—
Distribution to non-controlling members	(323)	(180)	(503)
Net income attributable to non-controlling interests	229	521	750
Other comprehensive income attributable to the RNCI	(234)	—	(234)
Redemption value adjustments	(36)	—	(36)
Redemption of non-controlling interests	—	(5,899)	(5,899)
Ending Balance as of March 31, 2025	$ 5,176	$ 1,878	$ 7,054

Crestone Asset Management, LLC and CJVII, LLC
For CAM's Investment Function, as described in Note 9, CAM's initial commitment to CJVII was approximately $51.0 million. The Company and MRC have commitments to CAM in the respective amounts of $7.0 million and $44.0 million. These represent the investor interests of CAM, separate and distinct from the common interests. Any investment returns on CAM's investor interests are shared pro-rata between the Company and MRC for each individual investment at the CJVII Series. Per its Operating Agreement, CAM is comprised of only two Series: the Onshore and the Offshore Series. Participation in each is determined solely based on whether a potential investment at the CJVII Series is a domestic (Onshore) or international (Offshore) investment. As of March 31, 2025, for its Investment Function, the Company has contributed $17.6 million to CAM's Offshore Series and $1.0 million to CAM's Onshore Series. The Company fulfilled its Investment Function initial commitment to CAM in fiscal year 2023.

In connection with the formation of CAM, MRC had a fixed price put option of $1.0 million to sell its common equity in CAM to the Company at each of the first three (3) anniversary date. The fixed price put option expired on May 5, 2024. At the later of (a) five (5) years after execution of the agreement and (b) distributions to MRC per the waterfall equal to their capital contributions, Air T has a call option and MRC has a put option on the MRC common interests in CAM ("secondary put and call option"). If either party exercises the option, the exercise price will be fair market value if Air T pays in cash at closing or 112.5% of fair market value if Air T opts to pay in three (3) equal annual installments after exercise. With respect to the secondary put and call option, as it is priced at fair value, the Company determined that there is no potential loss or gain upon exercise that would need to be recognized.

22. GUARANTEES

Nonfinancial Guarantees
From time to time, we may issue guarantees or indemnifications to third parties assuring performance of lease agreements pertaining to aircraft assets owned by certain CJVII Series ("nonfinancial guarantees"). Air T's performance under these guarantees would be triggered by failure of the series to perform in accordance with the terms stated in the lease agreements.

Nonfinancial guarantees and indemnifications are recorded at fair value at their inception. We regularly review our performance risk under these arrangements, and in the event it becomes probable that we will be required to perform under a guarantee or indemnity, the amount of probable payment will be recorded.

The maximum potential payments for nonfinancial guarantees may vary over time given changing circumstances related to the underlying asset. The maximum potential payments for nonfinancial guarantees were $4.4 million and $10.1 million at March 31, 2025 and March 31, 2024, respectively. There were no recorded liabilities related to nonfinancial guarantees at March 31, 2025 and March 31, 2024.

23. 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 years ended March 31, 2025 and 2024, the Company repurchased 70,756 shares at an aggregate cost of $1.4 million, and 48,729 shares at an aggregate cost of $0.9 million, respectively, in which all were recorded as treasury shares. The Company has a total of 327,606 and 256,850 treasury shares as of March 31, 2025 and 2024, respectively.

24. SUBSEQUENT EVENTS

Royal Acquisition and Amendment No. 4 to Credit Agreement and Term Loan C with Alerus

On May 15, 2025, MAC purchased and acquired all the outstanding membership interests of Royal Aircraft Services, LLC ("Royal") for total estimated consideration of approximately $1.1 million, subject to customary adjustments. Royal provides aircraft painting, maintenance, repair, and overhaul services, together with parts sources and sales. The Royal operations will be included within the MAC division operations following the acquisition. As of the date of this filing, the initial accounting for the business combination is incomplete due to the timing of the transaction and the ongoing evaluation of the fair values of the assets acquired and liabilities assumed.

In connection with the acquisition, the Alerus Loan Parties under the Revolving Credit Agreement with Alerus and Royal and Air T entered into Amendment No. 4 to Credit Agreement and Consent and Term Loan C with Alerus in the amount of $1.1 million. The purpose of the Amendment and Term Note was to provide a term loan to finance the full purchase price of the acquisition, to add Royal as a part of the Alerus Loan Parties to the Alerus credit agreement, as amended and to memorialize Alerus' consent to the Royal acquisition. The new term loan matures May 15, 2030 and bears interest at the greater of five (5%) percent or the CME one-month term SOFR rate plus 2.25%. Monthly payments on Term Note C commence June 15, 2025 and are equal to $12,500 plus accrued interest. The term loan is secured by the terms of Security Agreement dated as of August 29, 2024.

AAM 24-1 Third NPA with the Institutional Investors

On May 30, 2025, the Company, along with AAM 24-1 (the "Issuer"), entered into new transaction documents with the Institutional Investors that replaced the Second NPA transaction documents. Pursuant to the Third NPA with the Institutional Investors, the Issuer agreed to issue and sell a Multiple Advance Senior Secured Note in an aggregate principal amount of up to $100.0 million (the "Multiple Advance Note"). For purposes of clarity and the avoidance of doubt, as of the closing date, the Institutional Investors advanced an additional $10.0 million to the Issuer and have collectively advanced under the Multiple Advance Note to the Issuer the aggregate amount of $40.0 million. Provided no default or event of default of the Issuer exists, and subject to satisfaction of all requirements for any closing as set forth in the Third Note Purchase Agreement, the Investors are obligated to advance to the Issuer an additional aggregate $60.0 million in $10.0 million increments, each on or within fifteen days of the following dates:

September 30, 2025	$	10,000,000
January 30, 2026	$	10,000,000
May 30, 2026	$	10,000,000
September 30, 2026	$	10,000,000
January 30, 2027	$	10,000,000
May 30, 2027	$	10,000,000

The Multiple Advance Note bears annual interest at a rate of 8.5% which is computed on the basis of a 30/360-day year and actual days elapsed and is payable semi-annually in arrears, pursuant to the terms of the Multiple Advance Note. The maturity date of the Multiple Advance Note is May 31, 2035. The Multiple Advance Note contains standard and customary events of default including, but not limited to, failure to make payments when due under the Multiple Advance Note, failure to comply with certain covenants contained in the Multiple Advance Note, or bankruptcy or insolvency of, or certain monetary judgments against the Issuer or the Company. The prior notes were cancelled and replaced by the Multiple Advance Note. Funds advanced under the Multiple Advance Note may be reinvested for a period of six years from the date of closing.

The Issuer may prepay all or a portion of the outstanding principal and accrued but unpaid interest at any time, provided that (i) if the Issuer prepays all or any portion of the Multiple Advance Note within one year from the Issue Date, the Issuer is required to pay the Investors a prepayment premium equal to two percent (2.0%) of the amount being prepaid, and (ii) if the Issuer prepays all or any portion of the Multiple Advance Note after the first anniversary of the Issue Date but on or prior to the second anniversary of the Issue Date, the Issuer is required to pay the Investors a prepayment premium equal to one percent (1.0%) of the amount being prepaid. If the Issuer elects to prepay a portion of the outstanding principal and accrued but unpaid interest, then in no event can such prepayment be for an amount less than $1.0 million.

The various equity interests that were assigned by the Company to the Issuer on or about the closing date of the Original Financings continue to serve as collateral for the repayment of the Multiple Advance Note: all of the issued and outstanding capital stock of the Issuer owned by the Company, and the 320,000 Trust Preferred Securities, held by the Issuer.

CASP Sale of Airbus Models

On June 19, 2025, CASP, entered into two separate sale and purchase agreements, each agreement to sell an Airbus Model aircraft. The aggregate transaction value, assuming both transactions are completed, would exceed $25,000,000. Although closing of the transactions is currently anticipated to occur during the week of July 7, 2025, the agreements are subject to numerous closing conditions and other terms and conditions customary for such transactions and there is no assurance that such transactions will close on the dates anticipated or at all.

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, 2025. Our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2025, 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, 2025, 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, 2025 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, 2025.

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, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information.*

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non Rule10b5-1 trading arrangement during the Company's three months ended March 31, 2025, as such terms are defined under Item 408(a) of Regulation S-K.

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. We have adopted an Insider Trading Policy governing the purchase, sale and other dispositions of our securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations and any applicable listing standards. A copy of our policy is filed with this Annual Report on Form 10-K as Exhibit 19.1.

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, 2025. 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, 2025 for filing with the Securities and Exchange Commission.

June 27, 2025

AUDIT COMMITTEE

Travis Swenson, Chair
Peter McClung
Ray Cabillot
Jamie Thingelstad

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, 2025, 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	—	N/A	—
Air T 2020 Omnibus Stock Option Plan	226,000	N/A	71,950
Equity compensation plans not approved by security holders:	—	—	—
Total	226,000	N/A	71,950

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, 2025 and 2024.
      (iii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended March 31, 2025 and 2024.
      (iv) Consolidated Statements of Stockholders’ Equity for the years ended March 31, 2025 and 2024.
      (v) Consolidated Statements of Cash Flows for the years ended March 31, 2025 and 2024.
      (vi) Notes to Consolidated Financial Statements.

2. Exhibits

No.	Description
1.1	Form of Agreement as to Expenses (incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 8-K dated June 13, 2019 (Registration Number 001-35476)).
1.2	Amendment No. 1 to Agreement as to Expenses and Liabilities, incorporated by reference to Exhibit 1.2 to the Company's Registration Statement on Form S-1 filed August 23, 2023 (Commission File No. 001-35476).
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	Certificate of Amendment to Restated Certificate of Incorporation For Issuance of Preferred Stock (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K filed June 27,2022 (Commission File No. 001-35476)).
3.3	Certificate of Amendment to Restated Certificate of Incorporation as to Officer Exculpation (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on July 24, 2023 (Commission File No. 001-35476))
3.4	Second Amended and Restated By-Laws of Air T, Inc. approved March 21, 2024, incorporated by reference to Exhibit 3.1 to the Company's Current report on Form 8-K filed March 27, 2024 (Commission File No. 001-35476).
4.1	Interim Trust Agreement, incorporated by reference to Exhibit 4.11 of the Company's Registration Statement on Form S-1 filed November 20, 2018 (Registration Number 333-228485)
4.2	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)
4.3	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)
4.4	First Amendment to the Second Amended and Restated Trust Agreement of Air T Funding dated as of January 28, 2022, incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form S-1 filed August 23, 2023 (Commission File No. 001-35476).
4.5	Second Amendment to the Air T Funding Amended and Restated Trust Agreement dated as of March 3, 2021, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 5, 2021 (Commission File No. 001-35476)
4.6	Description of Registered Securities, incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended March 31, 2022
4.7	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)
4.8	Form of Capital Securities Certificate of Air T Funding, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)
4.9	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)

4.10	Common Securities Certificate of Air T Funding issued to Air T, Inc. dated as of June 10, 2019, incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)
4.11	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)
4.12	Indenture for the Debentures dated as of June 10, 2019, incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)
4.13	Supplemental Indenture dated as of March 3, 2021, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 5, 2021 (Commission File No. 001-35476)
4.14	Debenture dated as of June 10, 2019, incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed June 13, 2019 (Commission File No. 001-35476)
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. 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)*
10.4	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)*
10.5	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	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)
10.7	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)
10.8	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)
10.9	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)

10.10	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)
10.11	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)
10.12	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)
10.13	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)
10.14	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)
10.15	Amended and Restated Revolving Credit Note of Air T, Inc. to Minnesota Bank & Trust dated as of June 23, 2023.
10.16	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)
10.17	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)
10.18	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)
10.19	Form of Amended and Restated Credit Agreement between Air T, Inc. and Minnesota Bank & Trust dated March 28, 2019, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 4, 2019) (Commission File No. 001-35476)
10.20	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)
10.21	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)
10.22	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)
10.23	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)

10.24	Amendment No. 1 to Third Amended and Restated Credit Agreement by and between Air T, Inc, Jet Yard, LLC and Minnesota Bank & Trust dated June 9, 2022, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 14, 2022 (Commission file No. 001-35476).
10.25	Form of Amendment No. 2 to Third Amended and Restated Credit Agreement between Air T, Inc., Jet Yard, LLC and MBT dated as of January 31, 2023, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 31, 2023(Commission file No. 001-35476).
10.26	From of Amendment No. 3 to Third Amended and Restated Credit Agreement between Air T, Inc., Jet Yard, LLC and MBT dated as of June 23, 2023.
10.27	Form of Term Note F dated January 31, 2023, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 6, 2023 (Commission File No. 001-35476).
10.28	Form of Security Agreement, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated December 18, 2017 (Commission file No. 001-35476).
10.29	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)
10.30	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)
10.31	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)
10.32	Promissory Note and Business Loan Agreement executed as of March 7, 2018 between Contrail Aviation Support, LLC as Borrower, and Old National Bank as the Lender, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 8, 2018) (Commission File No. 001-35476)
10.33	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)
10.34	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)
10.35	Fourth Amended and Restated Promissory Note Revolving Note executed by Contrail Aviation Support, LLC in favor of Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.36	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)
10.37	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)

10.38	Guarantee Acknowledgment dated June 9, 2022, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated June 14, 2022 (Commission file No. 001-35476).
10.39	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)
10.40	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)
10.41	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)
10.42	Second Amendment to Master Loan Agreement, dated November 10,2022 between Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC and Old National Bank, incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2022 (Commission File No. 001-35476)
10.43	First Amendment to Second Amendment to Master Loan Agreement and Third Amendment to Master Loan Agreement, dated March 22, 2023 between Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC and Old National Bank. (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated March 22, 2023) (Commission File No. 001-35476)
10.44	Fourth Amendment to Master Loan Agreement by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.45	Fifth Amendment to Master Loan Agreement by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank dated September 12, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 18, 2024 (Commission File No. 001-35476).
10.46	Supplement #1 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and Old National Bank. incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)
10.47	Supplement #2 to Master Loan Agreement, dated June 24, 2019 by and between Contrail Aviation Support, LLC, and Old National Bank. incorporated by reference to Exhibit 10.5 to the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2019 (Commission File No. 001-35476)
10.48	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)
10.49	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)
10.50	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)

10.51	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)
10.52	Fifth Amendment to Supplement #2 to Master Loan Agreement between Contrail Aviation Support, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.53	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)
10.54	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)
10.55	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)
10.56	First Amendment to Supplement #8 to Master Loan Agreement between Contrail Aviation Support, LLC and Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.57	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)
10.58	Fifth Amendment and Restated Promissory Note executed by Contrail Aviation Support, LLC in favor of Old National Bank effective September 5, 2023, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 5, 2023 (Commission File No. 001-35476).
10.59	Sixth Amendment to Supplement #2 to Master Loan Agreement by and between Contrail Aviation Support, LLC and Old National Bank effective September 5, 2023, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 5, 2023 (Commission File No. 001-35476).
10.60	Supplement #10 to Master Loan Agreement dated June 24, 2019 by and between CAS and Old National Bank dated March 28, 2024, without exhibits, incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed April 2, 2024 (Commission File No. 001-35476).
10.61	Supplement #11 to Master Loan Agreement made and entered into by Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC, CASP Leasing I, LLC and Old National Bank dated September 12, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 18, 2024 (commission File No. 001-35476).*
10.62	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)
10.63	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)

10.64	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)
10.65	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)
10.66	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)
10.67	"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)
10.68	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)
10.69	"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)
10.70	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)
10.71	$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)
10.72	Amended and Restated Promissory Note Term Note G executed by Contrail Aviation Support, LLC and Contrail Aviation Leasing, LLC in favor of Old National Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.73	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)
10.74	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)
10.75	Amendment to Main Street Priority Loan Facility Term Loan Agreement by and between AirCo 1, LLC and Park State Bank dated May 26, 2023. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated June 2, 2023) (Commission File No. 001-35476)
10.76	$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)
10.77	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)

10.78	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)
10.79	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)*
10.8	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)
10.81	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)
10.82	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)
10.83	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)
10.84	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)
10.85	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)
10.86	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)
10.87	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)
10.88	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)
10.89	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)
10.90	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)

10.91	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)
10.92	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)
10.93	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)
10.94	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)
10.95	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)
10.96	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)
10.97	Form of Term Note F dated January 31, 2023, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 31, 2023 (Commission file No. 001-35476).
10.98	Securities Purchase Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 29, 2023 (Commission File No. 001-35476).
10.99	Press Release dated November 28, 2023, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed November 29, 2023 (Commission File No. 001-35476).
10.100	Note Purchase Agreement among Air T, Inc., AAM 24-1, LLC, Honeywell Common Investment Fund and Honeywell International Inc. Master Retirement Trust, dated February 22, 2024, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 26, 2024 (Commission file No. 001-35476).
10.101	Form of Senior Secured Promissory Note, dated February 22, 2024, incorporated in reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 26, 2024 (Commission file No. 001-35476).
10.102	Note Purchase Agreement among Air T, Inc., AAM 24-1, LLC, Honeywell Common Investment Fund and Honeywell International Inc. Master Retirement Trust, dated October 16, 2024, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 22, 2024 (Commission File No. 001-35476).
10.103	Form of Senior Secured Promissory Note, dated October 16, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 22, 2024 (Commission File No. 001-35476).
10.104	Form of Promissory Note Term Note I in the principal amount of $10,000,000 from CAS to Old National Bank dated March 28, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 2, 2024 (Commission file No. 001-35476).

10.105	Form of Security Agreement from CAS to Old National Bank dated March 28, 2024, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 2, 2024 (Commission file No. 001-35476).
10.106	Form of Membership Interest Redemption and Earnout Agreement by and between Contrail Aviation Support, LLC and OCAS, Inc. executed May 30, 2024, without schedules, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.107	Form of Secured Subordinated Promissory Note between Contrail Aviation Support, LLC and OCAS, Inc., executed May 30, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.108	Form of Subordinated Security Agreement between Contrail Aviation Support, LLC and OCAS, Inc. executed May 30, 2024, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.109	Form of Second Amendment to First Amended and Restated Operating Agreement of Contrail Aviation Support, LLC executed May 30, 2024, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.110	Subordination Agreement among Old National Bank, OCAS, Inc. and Contrail Aviation Support, LLC dated September 12, 2024, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 18, 2024 (Commission File No. 001-35476).
10.111	Form of Put and Call Option Agreement by and between Contrail Aviation Support, LLC, OCAS, Inc. and Air T, Inc. executed May 30, 2024, without schedules, incorporated by reference to Exhibit 10.5 to the Company's Current Report Form 8-K filed on May 31, 2024 (Commission file No. 001-35476).
10.112	Exhibit A to Put Option Agreement (Secured Subordinated Promissory Note), incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.113	Exhibit B to Put Option Agreement (Secured Subordinated Security Agreement), incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed May 31, 2024 (Commission file No. 001-35476).
10.114	Credit Agreement by and among AirCo, LLC, a North Carolina limited liability company, AirCo 2, LLC, a Kansas limited liability company, Air'Zona Aircraft Services, Inc., an Arizona corporation, AirCo Services, LLC, a North Carolina limited liability company, CSA Air, Inc., a North Carolina corporation, Global Ground Support, LLC, a North Carolina limited liability company, Jet Yard, LLC, an Arizona limited liability company, Jet Yard Solutions, LLC, an Arizona limited liability company, Mountain Air Cargo, Inc., a North Carolina corporation, Stratus Aero Partners LLC, a Delaware limited liability company, Worldwide Aircraft Services, Inc., a Kansas corporation, and Worthington Aviation, LLC, a North Carolina limited liability company, as Borrowers, Air T, Inc. as Loan Party Agent and Alerus Financial, National Association executed August 29, 2024, without schedules, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.115	Employment Agreement between Air T, Inc. and Tracy Kennedy, dated as of October 16, 2024, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 22, 2024 (Commission File No. 001-35476).

10.116	Amendment No. 1 to Credit Agreement and Other Loan Documents dated as of January 21, 2025 by and among AirCo, LLC, a North Carolina limited liability company, AirCo 2, LLC, a Kansas limited liability company, Air'Zona Aircraft Services, Inc., an Arizona corporation, AirCo Services, LLC, a North Carolina limited liability company, CSA Air, Inc., a North Carolina corporation, Global Ground Support, LLC, a North Carolina limited liability company, Jet Yard, LLC, an Arizona limited liability company, Jet Yard Solutions, LLC, an Arizona limited liability company, Mountain Air Cargo, Inc., a North Carolina corporation, Stratus Aero Partners LLC, a Delaware limited liability company, Worldwide Aircraft Services, Inc., a Kansas corporation, and Worthington Aviation, LLC, a North Carolina limited liability company, as Borrowers, Air T, Inc. as Loan Party Agent and Alerus Financial, National Association, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 22, 2025 (Commission file No. 001-35476).
10.117	Form of Amendment No. 2 to Credit Agreement and Consent dated February 21, 2025 entered into by and among AirCo, LLC, a North Carolina limited liability company, AirCo 2, LLC, a Kansas limited liability company, Air'Zona Aircraft Services, Inc., an Arizona corporation, AirCo Services, LLC, a North Carolina limited liability company, CSA Air, Inc., a North Carolina corporation, Global Ground Support, LLC, a North Carolina limited liability company, Jet Yard, LLC, an Arizona limited liability company, Jet Yard Solutions, LLC, an Arizona limited liability company, Mountain Air Cargo, Inc., a North Carolina corporation, Stratus Aero Partners LLC, a Delaware limited liability company, Worldwide Aircraft Services, Inc., a Kansas corporation, and Worthington Aviation, LLC, a North Carolina limited liability company, as Borrowers, Air T, Inc. as Loan Party Agent and Alerus Financial, National Association, without exhibits or schedules, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 26, 2025 (Commission File No. 001-35476).
10.118	Amendment No. 3 to Credit Agreement by and among AirCo, LLC, AirCo 2, LLC, Air'Zona Aircraft Services, Inc., AirCo Services, LLC, CSA Air, Inc., Global Ground Support, LLC, Jet Yard, LLC, Jet Yard Solutions, LLC, Mountain Air Cargo, Inc., Stratus Aero Partners, LLC, Worldwide Aircraft Services, Inc., and Worthington Aviation, LLC and Alerus Financial, National Association effective March 31, 2025, incorporate by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 4, 2025 (Commission File No. 001-35476).
10.119	Form of Revolving Credit Note by the Borrowers executed August 29, 2024, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.120	$14,000,000 Amended and Restated Revolving Credit Note to Alerus Financial, National Association dated March 31, 2025, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed April 4, 2025 (Commission File No. 001-35476).
10.121	Form of Term Note A by the Borrowers executed August 29, 2024, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.122	Form of Term Note B by the Borrowers executed August 29, 2024, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.123	Form of Security Agreement by the Borrowers in favor of Alerus Financial executed August 29, 2024, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.124	Form of Pledge Agreement by Air T, Inc. in favor of Alerus Financial executed August 29, 2024, incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.125	Form of Guaranty of Air T, Inc. executed August 29, 2024, incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed August 30, 2024 (Commission File No. 001-35476).
10.126	Aircraft Sale and Purchase Agreement between CASP Leasing I, LLC and Aurick One Limited dated August 29, 2024 – Aircraft #1, incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K Filed September 5, 2025 (Commission File No. 001-35476).*
10.127	Aircraft Sale and Purchase Agreement between CASP Leasing I, LLC and Aurick One Limited dated August 29, 2024-Aircraft #2, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 5, 2024 (Commission File No. 001-35476).*

10.128	Form of Aircraft Lease Agreement between CASP Leasing I, LLC and Electra Airways OOD – Aircraft #1, incorporate by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 5, 2024 (Commission File No. 001-35476).*
10.129	Form of Aircraft Lease Agreement between CASP Leasing I, LLC and Electra Airways OOD – Aircraft #2, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 5, 2024 (Commission File No. 001-35476).*
10.130	Term Note J by Contrail Aviation Support, LLC, Contrail Aviation Leasing, LLC and CASP Leasing I, LLC dated September 12, 2024, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 18, 2024 (Commission File No. 001-35476).
10.131	Credit Agreement by and among Mountain Air Cargo, Inc., a North Carolina corporation and Bank of America, N.A., executed August 29, 2024, without exhibits or schedules, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 26, 2025 (Commission File No. 001-35476).
10.132	Form of Acknowledgment and Agreement by Air T, Inc. to Alerus Financial, National Association executed February 21, 2025, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 26, 2025 (Commission File No. 001-35476).
10.133	$3,000,000 Overline Note to Alerus Financial, National Association dated March 31, 2025, incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 4, 2025 (Commission File No. 001-35476).
10.134	$1,050,000 Term Note C to Alerus Financial, National Association dated May 15, 2025, incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 21, 2025 (Commission File No. 001-35476).
10.135	Amendment No. 4 to Credit Agreement and Consent by and among Air'Zona Aircraft Services, Inc., CSA Air, Inc., Global Ground Support, LLC, Jet Yard, LLC, Jet Yard Solutions, LLC, Mountain Air Cargo, Inc., Worldwide Aircraft Services, Inc., Worthington Aviation, LLC, Royal Aircraft Services, LLC, Air T, Inc. and Alerus Financial, National Association effective May 15, 2025, without schedules, incorporate by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 21, 2025 (Commission File No. 01-35476).
10.136	Third Note Purchase Agreement among Air T, Inc., AAM 24-1, LLC, Honeywell Common Investment Fund and Honeywell International Inc. Master Retirement Trust, dated May 30, 2025, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 2, 2025 (Commission File No. 001-35476).
10.137	Form of Multiple Advance Senior Secured Note, dated May 30, 2025, incorporated by reference to Exhibit 10.2 on the Company's Current Report on Form 8-K filed June 2, 2025 (Commission File No. 001-35476).
10.138	Form of Amended and Restated Pledge Agreement dated May 30, 2025, incorporate by reference to Exhibit 10.3 on the Company's Current Report on Form 8-K filed June 2, 2025 (Commission File No. 001-35476).
10.139	Form of Sale and Purchase Agreement between CASP Leasing I, LLC and FTAI Aircraft Leasing Ireland (2025) DAC dated June 19, 2025 (Airbus Model A-320-214), incorporated by reference to Exhibit 10.1 on the Company's Current Report on Form 8-K filed June 25, 2025 (Commission File No. 001-35476)**
10.140	Form of Sale and Purchase Agreement between CASP Leasing I, LLC and FTAI Aircraft Leasing Ireland (2025) DAC dated June 19, 2025 (Airbus Model A-321-111), incorporated by reference to Exhibit 10.2 on the Company's Current Report on Form 8_ filed June 25, 2025 (Commission File No. 001-35476)**
19.1	Insider Trading Policy (filed herewith)
21.1	List of subsidiaries of the Company (filed herewith)

22.1	List of Issuers and Guarantors (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
24.1	Power of Attorney (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)
97.1	Policy Relating to Recovery of Erroneously Awarded Compensation (filed herewith)
101	The following financial information from the Annual Report on Form 10-K for the year ended March 31, 2025, 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.

** Pursuant to SEC rules, certain information has been omitted from this exhibit as private or confidential.

Item 16. Form 10-K Summary

None.

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.

Date: June 27, 2025 AIR T, INC.

By: /s/ Nick Swenson

Nick Swenson, Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)

POWER OF ATTORNEY

Each individual person whose signature appears below hereby appoints Nick Swenson and Tracy Kennedy as attorney-in-fact with full power of substitution, severally, to execute in the name and on behalf of each such person, individually and in each capacity stated below, one or more amendments to this annual report which amendments may make such changes in the report as the attorney-in-fact acting in, the premises deems appropriate, to file any such amendment to the report with the SEC, and to take all other actions either of them deem necessary or advisable to enable the Company to comply with the rules, regulations and requirements of the SEC.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Signature	Title	Date
By:	/s/ Nick Swenson Nick Swenson	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	June 27, 2025
By:	/s/ Tracy Kennedy Tracy Kennedy	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 27, 2025
By:	/s/ Raymond Cabillot Raymond Cabillot	Director	June 27, 2025
By:	/s/ William R. Foudray William R. Foudray	Director	June 27, 2025
By:	/s/ Gary S. Kohler Gary S. Kohler	Director	June 27, 2025
By:	/ s/ Peter McClung Peter McClung	Director	June 27, 2025
By:	/s/ Travis Swenson Travis Swenson	Director	June 27, 2025
By:	/s/ Jamie Thingelstad Jamie Thingelstad	Director	June 27, 2025