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DELTA REPORT

10-Q

AIRT - AIR T INC

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	742
CHANGES	262
DELETIONS	248
ADDITIONS	232

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2023 December 31, 2023

☐ 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 Global Market
Alpha Income Preferred Securities (also referred to as 8% Cumulative Capital Securities) ("AIP")	AIRTP	NASDAQ Global Market

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 x 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 x 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No x

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 October 31, 2023 January 31, 2024	2,821,504

AIR T, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
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Item 1. Financial Statements

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

(in thousands, except per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022

(In thousands, except per share data)		(In thousands, except per share data)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023		2023	2022	2023	2022

Operating Revenues:	Operating Revenues:								
Overnight air cargo									
Overnight air cargo									
Overnight air cargo	Overnight air cargo	$28,197	$22,069	$55,925	$42,633				
Ground equipment sales	Ground equipment sales	12,246	18,019	24,033	23,834				
Commercial jet engines and parts	Commercial jet engines and parts	36,478	18,986	66,324	41,841				
Corporate and other	Corporate and other	2,045	1,614	4,115	3,242				
		78,966	60,688	150,397	111,550				
	63,756					63,756	61,396	214,154	172,946
Operating Expenses:	Operating Expenses:								
Operating Expenses:									
Operating Expenses:									
Overnight air cargo									
Overnight air cargo									
Overnight air cargo	Overnight air cargo	23,625	19,451	47,337	37,522				
Ground equipment sales	Ground equipment sales	10,553	14,438	20,891	18,870				
Commercial jet engines and parts	Commercial jet engines and parts	29,962	13,443	53,240	28,328				
General and administrative	General and administrative	13,362	10,663	26,113	22,394				
Depreciation and amortization	Depreciation and amortization	700	1,026	1,389	1,888				
Inventory write-down	Inventory write-down	3	1,003	5	1,020				
Asset impairment	Asset impairment	—	485	—	516				
	65,364								
		78,205	60,509	148,975	110,538				
Operating Income		761	179	1,422	1,012				
Operating (Loss) Income									
Operating (Loss) Income									
Operating (Loss) Income									
Non-operating (Expense) Income:	Non-operating (Expense) Income:								
Non-operating (Expense) Income:									
Non-operating (Expense) Income:									
Interest expense									
Interest expense									

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Interest expense	Interest expense	(1,853)	(1,996)	(3,662)	(3,818)
Income from equity method investments	Income from equity method investments	748	266	1,439	798
Other	Other	(777)	(357)	(136)	(509)
	(348)				
		(1,882)	(2,087)	(2,359)	(3,529)
Loss before income taxes					
Loss before income taxes					
Loss before income taxes	Loss before income taxes	(1,121)	(1,908)	(937)	(2,517)
Income Taxes Expense (Benefit)	Income Taxes Expense (Benefit)	487	(572)	698	(380)
Income Taxes Expense (Benefit)					
Income Taxes Expense (Benefit)					
Net Loss		(1,608)	(1,336)	(1,635)	(2,137)
Net (Loss) Income					
Net (Loss) Income					
Net (Loss) Income					
Net (Income) Loss Attributable to Non-controlling Interests		(1)	104	(505)	(528)
Net Income Attributable to Non-controlling Interests					
Net Income Attributable to Non-controlling Interests					
Net Income Attributable to Non-controlling Interests					
Net Loss Attributable to Air T, Inc. Stockholders					
Net Loss Attributable to Air T, Inc. Stockholders					
Net Loss Attributable to Air T, Inc. Stockholders	Net Loss Attributable to Air T, Inc. Stockholders	$ (1,609)	$ (1,232)	$ (2,140)	$ (2,665)
Loss per share (Note 6)	Loss per share (Note 6)				
Loss per share (Note 6)					
Loss per share (Note 6)					
Basic					
Basic					
Basic	Basic	$ (0.57)	$ (0.43)	$ (0.76)	$ (0.93)
Diluted	Diluted	$ (0.57)	$ (0.43)	$ (0.76)	$ (0.93)
Weighted Average Shares Outstanding:	Weighted Average Shares Outstanding:				
Weighted Average Shares Outstanding:					
Weighted Average Shares Outstanding:					
Basic					
Basic					

Basic	Basic	2,820	2,865	2,820	2,866
Diluted	Diluted	2,820	2,865	2,820	2,866

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
(In Thousands)	2023	2022	2023	2022
Net Loss	$ (1,608)	$ (1,336)	$ (1,635)	$ (2,137)
Foreign currency translation loss	(170)	(606)	(235)	(1,135)
Unrealized gain on interest rate swaps	16	957	40	1,432
Reclassification of interest rate swaps into earnings	(188)	17	(380)	34
Total Other Comprehensive (Loss) Income	(342)	368	(575)	331
Total Comprehensive Loss	(1,950)	(968)	(2,210)	(1,806)
Comprehensive (Income) Loss Attributable to Non-controlling Interests	(1)	104	(505)	(528)
Comprehensive Loss Attributable to Air T, Inc. Stockholders	$ (1,951)	$ (864)	$ (2,715)	$ (2,334)

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In Thousands)	2023	2022	2023	2022
Net (Loss) Income	$ (2,109)	$ 108	$ (3,744)	$ (2,029)
Foreign currency translation gain (loss)	216	775	(19)	(360)
Unrealized (loss) gain on interest rate swaps	(38)	(61)	2	1,371
Reclassification of interest rate swaps into earnings	(188)	18	(568)	52
Total Other Comprehensive (Loss) Income	(10)	732	(585)	1,063
Total Comprehensive (Loss) Income	(2,119)	840	(4,329)	(966)
Comprehensive Income Attributable to Non-controlling Interests	(870)	(698)	(1,375)	(1,226)
Comprehensive (Loss) Income Attributable to Air T, Inc. Stockholders	$ (2,989)	$ 142	$ (5,704)	$ (2,192)

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	(In thousands, except share amounts)	September 30, 2023	March 31, 2023	(In thousands, except share amounts)	December 31, 2023	March 31, 2023
ASSETS	ASSETS					
Current Assets:	Current Assets:					
Current Assets:						
Current Assets:						
Cash and cash equivalents	Cash and cash equivalents	$ 4,999	$ 5,806			
Cash and cash equivalents						
Cash and cash equivalents						
Marketable securities						
Restricted cash	Restricted cash	924	1,284			

Restricted investments	Restricted investments	1,253	2,161
Accounts receivable, net of allowance for doubtful accounts of $1,156 and $1,160		26,585	27,218
Accounts receivable, net of allowance for doubtful accounts of $1,371 and $1,160			
Income tax receivable	Income tax receivable	285	536
Inventories, net	Inventories, net	54,456	71,125
Employee retention credit receivable	Employee retention credit receivable	—	940
Other current assets	Other current assets	9,769	7,487
Total Current Assets	Total Current Assets	98,271	116,557
Property and equipment, net of accumulated depreciation of $7,150 and $6,624		21,151	21,439
Intangible assets, net of accumulated amortization of $4,776 and $4,191		11,360	12,103
Property and equipment, net of accumulated depreciation of $7,520 and $6,624			
Property and equipment, net of accumulated depreciation of $7,520 and $6,624			
Property and equipment, net of accumulated depreciation of $7,520 and $6,624			
Intangible assets, net of accumulated amortization of $5,141 and $4,191			
Right-of-use ("ROU") assets	Right-of-use ("ROU") assets	12,071	11,666
Equity method investments	Equity method investments	14,179	13,230
Goodwill	Goodwill	10,464	10,563
Other assets	Other assets	4,277	4,004
Total Assets	Total Assets	171,773	189,562
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:	Current Liabilities:		
Current Liabilities:			
Current Liabilities:			
Accounts payable			
Accounts payable			

Accounts payable	Accounts payable	12,443	10,449
Income tax payable	Income tax payable	214	304
Accrued expenses and other (Note 4)	Accrued expenses and other (Note 4)	12,303	13,133
Current portion of long-term debt	Current portion of long-term debt	23,904	38,736
Short-term lease liability	Short-term lease liability	1,893	1,664
Total Current Liabilities	Total Current Liabilities	50,757	64,286
Long-term debt	Long-term debt	84,154	86,349
Long-term debt			
Long-term debt			
Deferred income tax liabilities, net	Deferred income tax liabilities, net	2,581	2,417
Long-term lease liability	Long-term lease liability	11,024	10,771
Other non-current liabilities	Other non-current liabilities	—	47
Total Liabilities	Total Liabilities	148,516	163,870
Redeemable non-controlling interest		12,303	12,710
Redeemable non-controlling interests			
Redeemable non-controlling interests			
Redeemable non-controlling interests			
Commitments and contingencies (Note 15)			
Commitments and contingencies (Note 15)			
Commitments and contingencies (Note 15)	Commitments and contingencies (Note 15)		
Equity:	Equity:		
Equity:			
Equity:			
Air T, Inc. Stockholders' Equity:	Air T, Inc. Stockholders' Equity:		
Air T, Inc. Stockholders' Equity:			
Air T, Inc. Stockholders' Equity:			
Preferred stock, $1.00 par value, 2,000,000 shares authorized			
Preferred stock, $1.00 par value, 2,000,000 shares authorized			
Preferred stock, $1.00 par value, 2,000,000 shares authorized	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 3,026,495 shares issued, 2,821,504 and 2,818,374 shares outstanding	Common stock, $0.25 par value; 4,000,000 shares authorized, 3,030,245 and 3,026,495 shares issued, 2,821,504 and 2,818,374 shares outstanding	758	757
Treasury stock, 208,741 shares at $19.63 and 208,121 shares at $19.62	Treasury stock, 208,741 shares at $19.63 and 208,121 shares at $19.62	(4,098)	(4,083)
Additional paid-in capital	Additional paid-in capital	911	728
Retained earnings	Retained earnings	12,092	13,686
Accumulated other comprehensive income	Accumulated other comprehensive income	241	816
Total Air T, Inc. Stockholders' Equity	Total Air T, Inc. Stockholders' Equity	9,904	11,904
Non-controlling Interests	Non-controlling Interests	1,050	1,078
Total Equity	Total Equity	10,954	12,982
Total Liabilities and Equity	Total Liabilities and Equity	$ 171,773	$189,562

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In Thousands)	(In Thousands)	Six Months Ended September 30,		(In Thousands)	Nine Months Ended December 31,	
		2023	2022			
	2023				2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:	CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Loss	Net Loss	$(1,635)	$(2,137)			
Net Loss						
Net Loss						
Adjustments to reconcile Net Loss to net cash provided by (used in) operating activities:	Adjustments to reconcile Net Loss to net cash provided by (used in) operating activities:					
Depreciation and amortization						

Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	1,389	1,888
Inventory write-down	Inventory write-down	5	1,020
Asset impairment	Asset impairment	—	516
Income from equity method of investments	Income from equity method of investments	(1,439)	(798)
Other	Other	1,341	608
Change in operating assets and liabilities:	Change in operating assets and liabilities:		
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	637	(2,848)
Inventories	Inventories	16,699	(14,246)
Accounts payable	Accounts payable	1,994	3,852
Accrued expenses	Accrued expenses	(1,059)	84
Employee retention credit receivable	Employee retention credit receivable	940	1,449
Other	Other	(2,975)	(3,334)
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	15,897	(13,946)
CASH FLOWS FROM INVESTING ACTIVITIES:	CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in unconsolidated entities	Investment in unconsolidated entities	(995)	(1,187)
Investment in unconsolidated entities			
Investment in unconsolidated entities			
Capital expenditures related to property & equipment	Capital expenditures related to property & equipment	(557)	(763)

Capital expenditures related to assets on lease or held for lease	Capital expenditures related to assets on lease or held for lease	—	(28)
Other	Other	1,708	202
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	156	(1,776)
CASH FLOWS FROM FINANCING ACTIVITIES:	CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	Proceeds from lines of credit	65,708	68,532
Proceeds from lines of credit			
Proceeds from lines of credit			
Payments on lines of credit	Payments on lines of credit	(67,274)	(55,322)
Proceeds from term loan	Proceeds from term loan	—	8,177
Payments on term loan	Payments on term loan	(15,438)	(4,112)
Proceeds from issuance of Trust Preferred Securities ("TruPs")			
Other	Other	(225)	(518)
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	(17,229)	16,757
Effect of foreign currency exchange rates on cash and cash equivalents	Effect of foreign currency exchange rates on cash and cash equivalents	9	62
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		(1,167)	1,097
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH			

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	7,090	8,368
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 5,923	$ 9,465

See notes to condensed consolidated financial statements.

AIR T, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

(In Thousands)	(In Thousands)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity	(In Thousands)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retair Earnir
	Shares														
Balance, March 31, 2022															
Balance, March 31, 2022															
Balance, March 31, 2022	Balance, March 31, 2022	3,023	$ 756	156	$(3,002)	$ 393	$ 26,729	$ (263)	$ 1,104	$25,717					
Net loss*	Net loss*	—	—	—	—	—	(1,433)	—	(6)	(1,439)					
Net loss*															
Net loss*															
Stock compensation expense															
Stock compensation expense															
Stock compensation expense	Stock compensation expense	—	—	—	—	79	—	—	—	79					
Foreign currency translation loss	Foreign currency translation loss	—	—	—	—	—	—	(529)	—	(529)					
Foreign currency translation loss															
Foreign currency translation loss															
Adjustment to fair value of redeemable non-controlling interest															
Adjustment to fair value of redeemable non-controlling interest															
Adjustment to fair value of redeemable non-controlling interest	Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	—	926	—	—	926					

Unrealized gain on interest rate swaps, net of tax	Unrealized gain on interest rate swaps, net of tax	—	—	—	—	—	—	475	—	475
Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax										
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings	Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	17	—	17
Balance, June 30, 2022	Balance, June 30, 2022	3,023	$ 756	156	$(3,002)	$ 472	$ 26,222	$ (300)	$ 1,098	$25,246
Balance, June 30, 2022										
Balance, June 30, 2022										
Net loss*										
Net loss*										
Net loss*	Net loss*	—	—	—	—	—	(1,232)	—	(4)	(1,236)
Repurchase of common stock	Repurchase of common stock	—	—	19	(351)	—	—	—	—	(351)
Repurchase of common stock										
Repurchase of common stock										
Exercise of stock options										
Exercise of stock options										
Exercise of stock options	Exercise of stock options	3	1	—	—	20	—	—	—	21
Stock compensation expense	Stock compensation expense	—	—	—	—	79	—	—	—	79
Stock compensation expense										
Stock compensation expense										
Foreign currency translation loss										
Foreign currency translation loss										
Foreign currency translation loss	Foreign currency translation loss	—	—	—	—	—	—	(606)	—	(606)
Adjustment to fair value of redeemable non-controlling interest	Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	—	(188)	—	—	(188)
Adjustment to fair value of redeemable non-controlling interest										
Adjustment to fair value of redeemable non-controlling interest										
Unrealized gain on interest rate swaps, net of tax										

Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax	Unrealized gain on interest rate swaps, net of tax	—	—	—	—	—	—	957	—	957
Reclassification of interest rate swaps into earnings	Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	17	—	17
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										
Balance, September 30, 2022	Balance, September 30, 2022	3,026	$ 757	175	$(3,353)	$ 571	$ 24,802	$ 68	$ 1,094	$23,939
Balance, September 30, 2022										
Balance, September 30, 2022										
Net loss*										
Net loss*										
Net loss*										
Repurchase of common stock										
Repurchase of common stock										
Repurchase of common stock										
Stock compensation expense										
Stock compensation expense										
Stock compensation expense										
Foreign currency translation gain										
Foreign currency translation gain										
Foreign currency translation gain										
Adjustment to fair value of redeemable non-controlling interest										
Adjustment to fair value of redeemable non-controlling interest										
Adjustment to fair value of redeemable non-controlling interest										
Unrealized loss on interest rate swaps, net of tax										
Unrealized loss on interest rate swaps, net of tax										
Unrealized loss on interest rate swaps, net of tax										
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										

Balance, December 31, 2022

Balance, December 31, 2022
Balance, December 31, 2022

(In Thousands)	(In Thousands)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
	Shares									
Balance, March 31, 2023										
Balance, March 31, 2023										
Balance, March 31, 2023	Balance, March 31, 2023	3,027	$ 757	208	$(4,083)	$ 728	$ 13,686	$ 816	$ 1,078	$12,982
Net loss*	Net loss*	—	—	—	—	—	(531)	—	(9)	(540)
Net loss*										
Net loss*										
Repurchase of common stock										
Repurchase of common stock										
Repurchase of common stock	Repurchase of common stock	—	—	1	(15)	—	—	—	—	-15
Stock compensation expense	Stock compensation expense	—	—	—	—	79	—	—	—	79
Stock compensation expense										
Stock compensation expense										
Foreign currency translation loss										
Foreign currency translation loss										
Foreign currency translation loss	Foreign currency translation loss	—	—	—	—	—	—	(65)	—	(65)
Adjustment to fair value of redeemable non-controlling interest	Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	—	134	—	—	134
Adjustment to fair value of redeemable non-controlling interest										
Adjustment to fair value of redeemable non-controlling interest										
Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax	Unrealized gain on interest rate swaps, net of tax	—	—	—	—	—	—	24	—	24
Reclassification of interest rate swaps into earnings	Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	(192)	—	(192)

(In Thousands)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retair Earnir

Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										
Balance, June 30, 2023										
Balance, June 30, 2023										
Balance, June 30, 2023	Balance, June 30, 2023	3,027	$ 757	209	$(4,098)	$ 807	$ 13,289	$ 583	$ 1,069	$12,407
Net loss*	Net loss*	—	—	—	—	—	(1,609)	—	(19)	(1,628)
Net loss*										
Net loss*										
Repurchase of common stock		—	—	—	—	—	—	—	—	—
Exercise of stock options										
Exercise of stock options										
Exercise of stock options	Exercise of stock options	3	1	—	—	25	—	—	—	26
Stock compensation expense	Stock compensation expense	—	—	—	—	79	—	—	—	79
Stock compensation expense										
Stock compensation expense										
Foreign currency translation loss										
Foreign currency translation loss										
Foreign currency translation loss	Foreign currency translation loss	—	—	—	—	—	—	(170)	—	(170)
Adjustment to fair value of redeemable non-controlling interest	Adjustment to fair value of redeemable non-controlling interest	—	—	—	—	—	412	—	—	412
Adjustment to fair value of redeemable non-controlling interest										
Adjustment to fair value of redeemable non-controlling interest										
Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax										
Unrealized gain on interest rate swaps, net of tax	Unrealized gain on interest rate swaps, net of tax	—	—	—	—	—	—	16	—	16
Reclassification of interest rate swaps into earnings	Reclassification of interest rate swaps into earnings	—	—	—	—	—	—	(188)	—	(188)
Reclassification of interest rate swaps into earnings										
Reclassification of interest rate swaps into earnings										

Balance, September 30, 2023	Balance, September 30, 2023	3,030	$	758	209	$(4,098)	$	911	$ 12,092	$	241	$	1,050	$10,954
Balance, September 30, 2023														
Balance, September 30, 2023														
Net (loss) income*														
Net (loss) income*														
Net (loss) income*														
Stock compensation expense														
Stock compensation expense														
Stock compensation expense														
Foreign currency translation gain														
Foreign currency translation gain														
Foreign currency translation gain														
Adjustment to fair value of redeemable non-controlling interest														
Adjustment to fair value of redeemable non-controlling interest														
Adjustment to fair value of redeemable non-controlling interest														
Unrealized loss on interest rate swaps, net of tax														
Unrealized loss on interest rate swaps, net of tax														
Unrealized loss on interest rate swaps, net of tax														
Reclassification of interest rate swaps into earnings														
Reclassification of interest rate swaps into earnings														
Reclassification of interest rate swaps into earnings														
Balance, December 31, 2023														
Balance, December 31, 2023														
Balance, December 31, 2023														

*Excludes amount attributable to redeemable non-controlling interests in Contrail Aviation Support, LLC ("Contrail") and Shanwick B.V. ("Shanwick")
See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Financial Statement Presentation

The condensed consolidated financial statements of Air T, Inc. (“Air T”, the “Company”, “we”, “us” or “our”) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the following disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results for the periods presented have been made.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2023. The results of operations for the period ended September 30, 2023 December 31, 2023 are not necessarily indicative of the operating results for the full year.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Liquidity

The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

The revolving line of credit at Air T with MBT ("Revolver - MBT") with $16.4 million outstanding as of As previously reported in the Company's September 30, 2023 matures on August 31, 2024. The Company does not have sufficient cash on hand or available liquidity to repay the outstanding debt which is due within one year after the date Form 10-Q, a condition existed that the financial statements are issued. This condition raises raised substantial doubt about the Company's its ability to continue as a going concern.

In response to concern, for which management's plans alleviated such condition. As of the issuance of this condition, report, management has executed their plans to alleviate and such condition no longer exists. As described in Note 12, the substantial doubt. We are currently seeking to refinance the Revolver - MBT prior to its maturity date; however, there is no assurance that we will be able to execute this refinancing or, if we are able to refinance this obligation, that the terms Company successfully raised $7.3 million of such refinancing would be as favorable as the terms of our existing credit facility. Other plans include raising additional funds via sales of our trust preferred securities ("TruPs") through the Company's at-the-market offering that commenced on October 18, 2023 or and through a various private placement offering including possible incremental sales to existing shareholders, implementing placements. In addition, the Company also implemented cost reduction measures reevaluating future investments in selected startups, and considering liquidation or sale of liquidated select investments in addition to the reduction of as well as reduced capital expenditures.

As a result of these plans, management The Company believes it is probable that the they have sufficient cash on hand and current financings, net cash provided by operations from operating segments will be sufficient available liquidity, to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued. Management has concluded that the plans are probable of being achieved to alleviate substantial doubt about the Company's ability to continue as a going concern.

Recently Adopted Accounting Pronouncements

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

Recently Issued 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 is currently evaluating the impact of this amendment on its condensed consolidated financial statements and disclosures.

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.

2. Acquisitions

Worldwide Aviation Services, Inc.

On January 31, 2023, the Company acquired Worldwide Aircraft Services, Inc. ("WASI"), a Kansas corporation that services the aircraft industry across the United States and internationally through the operation of a repair station which is located in Springfield, Missouri at the Branson National Airport. The acquisition was funded with cash and the loans described in Note 12 of this report. WASI is included within the Overnight air cargo segment.

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

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

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

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

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

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

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

3. Revenue Recognition

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:

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, 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 and short-term repair services to its customers. Additionally, the Company operates certain aircraft routes on behalf of FedEx. A performance obligation is created when the Company agrees to provide a particular service to a customer. For each service, the Company recognizes revenues over time as the customer simultaneously receives the benefits provided by the Company's performance. This revenue recognition can vary from when the Company has a right to invoice to the output or input method depending on the structure of the contract and management's analysis. For repair-type services, the Company records revenue over-time based on an input method of costs incurred to total estimated costs. The Company believes this is appropriate as the Company is performing labor hours and installing parts to enhance an asset that the customer controls. The vast majority of repair-services are short term in nature and are typically billed upon completion of the service. Some of the Company's contracts contain a promise to stand ready as the Company is obligated to perform certain maintenance or administrative services. For most of these contracts, the Company applies the 'as invoiced' practical expedient as the Company has a right to consideration from the customer in an amount that corresponds directly with the value of the entity's performance completed to date. A small number of contracts are accounted for as a series and recognized equal to the amount of consideration the Company is entitled to less an estimate of variable consideration (typically rebates). These services are typically ongoing and are generally billed on a monthly basis.

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

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

		Three Months Ended September 30,		Six Months Ended September 30,					
		2023	2022	2023	2022				
	Three Months Ended December 31,					Three Months Ended December 31,		Nine Months Ended December 31,	
	2023					2023	2022	2023	2022
Product Sales	**Product Sales**								
Air Cargo									
Air Cargo									
Air Cargo	Air Cargo	$ 9,207	$ 7,533	$ 18,378	$ 13,887				
Ground equipment sales	Ground equipment sales	11,901	17,639	23,476	23,216				
Commercial jet engines and parts	Commercial jet engines and parts	33,395	15,720	60,154	36,030				
Corporate and other	Corporate and other	286	19	621	135				
Support Services	**Support Services**								
Air Cargo									

Air Cargo					
Air Cargo	Air Cargo	18,899	14,520	37,449	28,580
Ground equipment sales	Ground equipment sales	159	159	252	300
Commercial jet engines and parts	Commercial jet engines and parts	2,914	2,555	5,860	4,529
Corporate and other	Corporate and other	1,233	974	2,489	1,998
Leasing Revenue	**Leasing Revenue**				
Ground equipment sales	Ground equipment sales	10	29	34	73
Ground equipment sales					
Ground equipment sales					
Commercial jet engines and parts	Commercial jet engines and parts	12	669	23	1,210
Corporate and other	Corporate and other	425	483	812	870
Other	**Other**				
Air Cargo					
Air Cargo					
Air Cargo	Air Cargo	91	16	98	166
Ground equipment sales	Ground equipment sales	176	192	271	245
Commercial jet engines and parts	Commercial jet engines and parts	157	42	287	72
Corporate and other	Corporate and other	101	138	193	239
Total	**Total**	$78,966	$60,688	$150,397	$111,550
Total					
Total					

See Note 13 13 for the Company's disaggregated revenues by geographic region and Note 14 14 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, 2023 and September 30, 2023 December 31, 2023 and the amount of contract liabilities as of April 1, 2023 that were recognized as revenue during the six-month nine-month period ended September 30, 2023 December 31, 2023 (in thousands):

		Outstanding contract liabilities		Outstanding contract liabilities as of April 1, 2023 Recognized as Revenue
As of September 30, 2023 December 31, 2023	$	3,629 3,389		
As of April 1, 2023	$	5,000		
For the six nine months ended September 30, 2023 December 31, 2023			$	4,368 4,433

4. Accrued Expenses and Other

(in thousands)		September 30, 2023	March 31, 2023
(In thousands)	(In thousands)	December 31, 2023	March 31, 2023
Salaries, wages and related items			
Salaries, wages and related items			
Salaries, wages and related items	Salaries, wages and related items	$ 5,605	$ 4,748
Profit sharing and bonus	Profit sharing and bonus	1,146	1,672
Other Deposits	Other Deposits	1,122	2,560
Other	Other	4,430	4,153
Total	Total	$ 12,303	$13,133

5. Income Taxes

During the three-month period ended September 30, 2023 December 31, 2023, the Company recorded $0.5 million $0.2 million in income tax expense at an effective rate ("ETR") of (43.4) (7.8)%. The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding loss jurisdictions with no tax benefit and the application of discrete items, if any, for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the three-month period ended September 30, 2023 December 31, 2023 were the valuation allowance related to the Company's U.S. consolidated group, Delphax Solutions, Inc. and Delphax Technologies, Inc. (collectively known as "Delphax" ("DTI") and Landing Gear Support Services PTE LTD (known as "LGSS" ("LGSS"), Delphax Solutions, Inc. ("DSI") and BCCM Advisors (Kenya) Limited ("BCCM Kenya"), and the foreign rate differentials for Air T's operations located in the Netherlands and Puerto Rico.

During the three-month period ended September 30, 2022 December 31, 2022, the Company recorded income tax benefit of $0.6 million $0.2 million at an ETR of 30.0% 325.0%. The Company records income taxes using an estimated tax rate for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the three-month period ended September 30, 2022 December 31, 2022 were the change in valuation allowance related to the Company's subsidiaries in the corporate and other segment, Delphax, DSI and DTI, and other capital losses, the estimated benefit for the exclusion of income for SAIC the Company's captive insurance company subsidiary ("SAIC") under Section 831(b), the foreign rate differentials between the federal and foreign tax rates for Air T's ownership of foreign operations in Puerto Rico, the Netherlands, and Singapore, and the exclusion from the tax provision of the minority owned portion of the pretax income of Contrail.

During the six-month nine-month period ended September 30, 2023 December 31, 2023, the Company recorded $0.7 million $0.9 million in income tax expense at an ETR of (74.5) (29.4)%. The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding loss jurisdictions with no tax benefit and the application of discrete items, if any, for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the six-month nine-month period ended September 30, 2023 December 31, 2023, were the valuation allowance related to the Company's U.S. consolidated group, Delphax DTI, LGSS, DSI and LGSS, BCCM Kenya, and the foreign rate differentials for Air T's operations located in the Netherlands and Puerto Rico.

During the six-month nine-month period ended September 30, 2022 December 31, 2022, the Company recorded income tax benefit of $0.4 million $0.5 million at an ETR of 15.1% 20.9%. The Company records income taxes using an estimated annual effective tax rate for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21% and the Company's effective tax rate for the six-month nine-month period ended September 30, 2022 December 31, 2022 were the change in valuation allowance related to Delphax, DSI and DTI and other capital losses, the estimated benefit for the exclusion of income for SAIC under Section 831(b), the foreign rate differentials between the federal and foreign tax rates for Air T's ownership of foreign operations in Puerto Rico, the Netherlands, and Singapore, and the exclusion from the tax provision of the minority owned portion of the pretax income of Contrail.

6. Net Earnings (Loss) Per Share

Basic earnings (loss) 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 (loss) 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.

During the three months ended September 30, 2023, 3,750 options were exercised under the Air T's 2012 Stock Option Plan at $7.04 per share, which was disclosed within our condensed consolidated statement of equity. Thus, as As of September 30, 2023, all stock options under the Air T's 2012 Stock Option Plan have either been exercised or expired. Further, no options under the Air T's 2020 Omnibus Stock and Incentive Plan were exercisable as of September 30, 2023 December 31, 2023.

The computation of basic and diluted earnings per common share is as follows (in thousands, except for per share figures):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$(1,608)	$(1,336)	$(1,635)	$(2,137)
Net (income) loss attributable to non-controlling interests	(1)	104	(505)	(528)

	Three Months Ended December 31,	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2023	2022	2023	2022
Net (loss) income					
Net income attributable to non-controlling interests					

Net loss attributable to Air T, Inc. Stockholders	Net loss attributable to Air T, Inc. Stockholders	$(1,609)	$(1,232)	$(2,140)	$(2,665)
Loss per share:	Loss per share:				
Basic					
Basic					
Basic	Basic	$ (0.57)	$ (0.43)	$ (0.76)	$ (0.93)
Diluted	Diluted	$ (0.57)	$ (0.43)	$ (0.76)	$ (0.93)
Antidilutive shares excluded from computation of loss per share	Antidilutive shares excluded from computation of loss per share	—	4	—	4
Weighted Average Shares Outstanding:	Weighted Average Shares Outstanding:				
Weighted Average Shares Outstanding:					
Weighted Average Shares Outstanding:					
Basic					
Basic					
Basic	Basic	2,820	2,865	2,820	2,866
Diluted	Diluted	2,820	2,865	2,820	2,866

7. Intangible Assets and Goodwill

Intangible assets as of September 30, 2023 December 31, 2023 and March 31, 2023 consisted of the following (in thousands):

	September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value

		December 31, 2023			December 31, 2023
		Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased software	Purchased software	$ 623		$ (464)	$ 159
Internally developed software	Internally developed software	3,608		(621)	2,987
In-place lease and other intangibles	In-place lease and other intangibles	1,094		(289)	805
Customer relationships	Customer relationships	7,871		(1,122)	6,749
Patents	Patents	1,112		(1,107)	5
Other	Other	1,768		(1,173)	595
		16,076		(4,776)	11,300
		16,470			
In-process software	In-process software	60		—	60
Intangible assets, total	Intangible assets, total	$16,136		$ (4,776)	$11,360

	March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased software	$ 544	$ (433)	$ 111
Internally developed software	3,672	(465)	3,207
In-place lease and other intangibles	1,094	(229)	865
Customer relationships	8,050	(851)	7,199
Patents	1,112	(1,105)	7
Other	1,782	(1,108)	674
	16,254	(4,191)	12,063
In-process software	40	—	40
Intangible assets, total	$ 16,294	$ (4,191)	$ 12,103

Based on the intangible assets recorded at September 30, 2023December 31, 2023 and assuming no subsequent additions to, or impairment of the underlying assets, the remaining estimated annual amortization expense is expected to be as follows:

(In thousands)	(In thousands)	
Year ending March 31,	Year ending March 31,	Amortization
2024 (excluding the six months ended September 30, 2023)		$ 609

Year ending March 31,

Year ending March 31,	Amortization
2024 (excluding the nine months ended December 31, 2023)	

2025	2025	1,172	2025	1,201
2026	2026	1,088	2026	1,118
2027	2027	1,015	2027	1,045
2028	2028	960	2028	990
2029	2029	952	2029	982
Thereafter	Thereafter	5,504		
		$ 11,300		
	$			

The carrying amount of goodwill as of September 30, 2023 December 31, 2023 and March 31, 2023 was $10.5 million and $10.6 million, respectively. million. There was no impairment on goodwill during the six nine months ended September 30, 2023 December 31, 2023.

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 (Air T Term Note A and Term Note D). To meet these objectives, the Company entered into interest rate swaps with notional amounts consistent with the outstanding debt to provide a fixed rate of 4.56% and 5.09%, respectively, on Term Notes A and D. The swaps mature in January 2028.

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

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

For the swaps related to Air T Term Note D, the effective portion of changes in the fair value on this instrument is recorded in other comprehensive income (loss) and is reclassified into the consolidated statement of income (loss) as interest expense in the same period in which the underlying hedged transaction affects earnings. During the three and six nine months ended September 30, 2023 December 31, 2023, the Company recorded a loss of approximately $38.0 thousand and a gain of approximately $16.0 thousand and $40.0 $2.0 thousand, net of tax, respectively. During the three and six nine months ended September 30, 2022 December 31, 2022, the Company recorded a gain loss of approximately $1.0 $0.1 million and a gain of $1.4 million, net of tax, respectively, with prior year's gain inclusive of Contrail - Term Note G due to its effective hedge designation at the time. These gains and losses are included in the condensed consolidated statement of comprehensive income (loss) for changes in the fair value of these instruments. The interest rate swaps are considered Level 2 fair value measurements. As of September 30, 2023 December 31, 2023 and March 31, 2023, the fair value of these interest-rate swap contracts was an asset of $2.7 million $1.8 million and $2.4 million, respectively, which is included within other assets in the condensed consolidated balance sheets.

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. 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. During the three months ended September 30, 2023 December 31, 2023, the Company had a gross unrealized gain aggregating to $0.4 million $0.5 million and a no gross unrealized loss aggregating to $1.1 million. loss. During the six nine months ended September 30, 2023 December 31, 2023, the Company had a gross unrealized gain aggregating to $0.9 million $1.4 million and a gross unrealized loss aggregating to $1.8 million. During the three months ended September 30, 2022 December 31, 2022, the Company had a gross unrealized gain aggregating to $43.0 thousand $0.3 million and a gross unrealized loss aggregating to $0.2 million $0.5 million. During the six nine months ended September 30, 2022 December 31, 2022, the Company had a gross unrealized gain aggregating to $0.1 million $0.3 million and a gross unrealized loss aggregating to $0.3 million $0.8 million. These unrealized gains and losses are included in other income (loss) on the condensed consolidated statement of income (loss).

9. Equity Method Investments

The Company's investment in Lendway, Inc. - NASDAQ: LDWY ("Lendway"), formerly Insignia Systems, Inc. ("Insignia"), is accounted for under the equity method of accounting. The Company 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 non-bank lending. The Company elected a three-month lag upon adoption of the equity method. As of September 30, 2023 December 31, 2023, the Company owned 0.5 million Lendway shares, representing approximately 27.1% 27.8% of Lendway's outstanding shares. During the three and six nine months ended September 30, 2023 December 31, 2023, the Company's share of Lendway's net loss and income for the three and six nine months ended June 30, 2023 September 30, 2023 was $10.0 thousand $0.3 million and $0.4 $0.8 million, respectively. respectively, principally driven by the gain recognized on the aforementioned sale of Lendway's legacy business on August 4, 2023. The Company's net investment basis in Lendway is $2.1 million $2.4 million as of September 30, 2023 December 31, 2023.

The Company's 20.1% investment in Cadillac Casting, Inc. ("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 recorded income of $0.7 million $0.2 million and $1.4 million $1.5 million as its share of CCI's net income for the three and six nine months ended September 30, 2023 December 31, 2023, along with a basis difference adjustment of $12.0 thousand and $25.0 $37.0 thousand, respectively. The Company's net investment basis in CCI is $4.0 million $4.2 million as of September 30, 2023 December 31, 2023.

Summarized unaudited financial information for the Company's equity method investees for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 is as follows (in thousands):

		Three Months Ended		Six Months Ended					
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022				
	Three Months Ended September 30, 2023					Three Months Ended		Nine Months Ended	
						September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue	Revenue	$47,905	$38,388	$99,062	$73,989				
Gross Profit	Gross Profit	7,548	4,791	15,352	9,166				
Operating income		3,984	1,809	9,245	3,790				
Operating (loss) income									
Net income	Net income	3,295	1,055	8,410	2,805				
Net income attributable to Air T, Inc. stockholders	Net income attributable to Air T, Inc. stockholders	$ 646	$ 435	$ 1,776	$ 743				

10. Inventories

Inventories consisted of the following (in thousands):

		September 30, 2023	March 31, 2023		
	December 31, 2023			December 31, 2023	March 31, 2023
Overnight air cargo:	Overnight air cargo:				
Finished goods	Finished goods	$ 703	$ 546		
Finished goods					
Finished goods					
Ground equipment manufacturing:	Ground equipment manufacturing:				
Raw materials					
Raw materials					
Raw materials	Raw materials	5,885	4,589		
Work in process	Work in process	1,697	153		
Finished goods	Finished goods	3,641	6,976		
Corporate and other:	Corporate and other:				
Raw materials	Raw materials	917	794		

Raw materials			
Raw materials			
Finished goods	Finished goods	725	726
Commercial jet engines and parts:	Commercial jet engines and parts:		
Whole engines available for sale or tear-down			
Whole engines available for sale or tear-down			
Whole engines available for sale or tear-down	Whole engines available for sale or tear-down	—	10,141
Parts	Parts	44,527	50,813
Total inventories	Total inventories	58,095	74,738
Reserves	Reserves	(3,639)	(3,613)
Total inventories, net of reserves	Total inventories, net of reserves	$ 54,456	$71,125

11. <u>Leases</u>

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 three and six nine months ended September 30, 2023 December 31, 2023 and 2022 are as follows (in thousands):

		Three Months Ended September 30,		Six Months Ended September 30,	
		2023	2022	2023	2022
	Three Months Ended December 31,	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2023	2022	2023	2022
Operating lease cost	Operating lease cost	$ 742	$498	$1,424	$ 989

Short-term lease cost	Short-term lease cost	298	139	384	275
Variable lease cost	Variable lease cost	178	189	363	374
Total lease cost	Total lease cost	$1,218	$826	$2,171	$1,638

Amounts reported in the consolidated balance sheets for leases where we are the lessee as of September 30, 2023 December 31, 2023 and March 31, 2023 were as follows (in thousands):

		September 30, 2023	March 31, 2023		
December 31, 2023				December 31, 2023	March 31, 2023
Operating leases	**Operating leases**				
Operating lease ROU assets					
Operating lease ROU assets					
Operating lease ROU assets	Operating lease ROU assets	$ 12,071	$11,666		
Operating lease liabilities	Operating lease liabilities	$ 12,917	$12,435		
Weighted-average remaining lease term	**Weighted-average remaining lease term**				
Weighted-average remaining lease term					
Weighted-average remaining lease term					
Operating leases					
Operating leases					
Operating leases	Operating leases	12 years, 2 months	12 years, 10 months	12 years	12 years, 10 months
Weighted-average discount rate	**Weighted-average discount rate**				
Weighted-average discount rate					
Weighted-average discount rate					
Operating leases	Operating leases	5.04 %	4.95 %		
Operating leases					
Operating leases				5.08 %	4.95 %

Maturities of lease liabilities under non-cancellable leases where we are the lessee as of September 30, 2023 December 31, 2023 are as follows (in thousands):

		Operating Leases
	2024 (excluding the six months ended September 30, 2023)	$ 1,254
	Operating Leases	Operating Leases
2024 (excluding the nine months ended December 31, 2023)		
2025	2025	2,288
2026	2026	2,006
2027	2027	1,853
2028	2028	1,382
2029	2029	748
Thereafter	Thereafter	8,227
Total undiscounted lease payments	**Total undiscounted lease payments**	17,758
Interest	Interest	(3,946)
Discount	Discount	(895)
Total lease liabilities	**Total lease liabilities**	$ 12,917

12. Financing Arrangements

Borrowings of the Company and its subsidiaries are summarized below at September 30, 2023 December 31, 2023 and March 31, 2023, respectively.

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

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

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

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

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

On September 5, 2023, Contrail entered into the Sixth Amendment to Supplement #2 to Master Loan Agreement and the Fifth Amended and Restated Promissory Note with ONB. The principal purpose of the amended documents was to extend the maturity date of the revolving $25.0 million facility to November 24, 2025 or such earlier date on which the revolving note becomes due and payable pursuant to the supplement or the master loan agreement. The material terms of the revolving facility remain the same, including the payment terms and interest rate except that the change in control event of default provision was revised to provide as follows: "(h) Change in control of operations. If the CEO Joe Kuhn, or a CEO acceptable to ONB, in its reasonable discretion, has its employment with Contrail terminated for any reason, or ceases to oversee the day-to-day operations of Contrail."

The revolving line of credit at Air T with MBT ("Revolver - MBT") has $6.5 million outstanding as of December 31, 2023 and matures on August 31, 2024. We are currently seeking to refinance the Revolver - MBT prior to its maturity date; however, there is no assurance that we will be able to execute this refinancing or, if we are able to refinance this obligation, that the terms of such refinancing would be as favorable as the terms of our existing credit facility.

The following table provides certain information about the current financing arrangements of the Company and its subsidiaries as of September 30, 2023 December 31, 2023:

(In Thousands)	(In Thousands)	September 30, 2023	March 31, 2023	Maturity Date	Interest Rate	Unused commitments at September 30, 2023	(In Thousands)	December 31, 2023	March 31, 2023	Maturity Date	Interest Rate	Unused commitments at December 31, 2023
Air T Debt	**Air T Debt**											
Revolver - MBT	Revolver - MBT	$ 16,395	$ 8,742	8/31/2024	SOFR + range of 2.25% - 3.25%	$ 2,605						
Revolver - MBT												
Revolver - MBT												
Term Note A - MBT	Term Note A - MBT	7,363	7,762	8/31/2031	3.42%							
Term Note B - MBT	Term Note B - MBT	2,599	2,740	8/31/2031	3.42%							
Term Note B - MBT												
Term Note B - MBT												
Term Note D - MBT												
Term Note D - MBT												
Term Note D - MBT	Term Note D - MBT	1,304	1,338	1/1/2028	1-month LIBOR + 2.00%							
Term Note E - MBT	Term Note E - MBT	—	800	6/25/2025	Greater of LIBOR + 1.50% or 2.50%							
Term Note E - MBT												
Term Note E - MBT												
Term Note F - MBT												
Term Note F - MBT												
Term Note F - MBT	Term Note F - MBT	883	983	1/31/2028	Greater of 6.00% or Prime + 1.00%							
Debt - Trust Preferred Securities	Debt - Trust Preferred Securities	25,605	25,598	6/7/2049	8.00%							
Debt - Trust Preferred Securities												

Debt - Trust Preferred Securities							
Total							
Total							
Total	**Total**	54,149	47,963				
AirCo 1 Debt	**AirCo 1 Debt**						
AirCo 1 Debt							
AirCo 1 Debt							
Term Loan - PSB	Term Loan - PSB	6,393	6,393	12/11/2025	3-month SOFR + 3.26%		
Term Loan - PSB							
Term Loan - PSB							
Total							
Total							
Total	**Total**	6,393	6,393				
Jet Yard Debt	**Jet Yard Debt**						
Jet Yard Debt							
Jet Yard Debt							
Term Loan - MBT	Term Loan - MBT	1,801	1,844	8/31/2031	4.14%		
Term Loan - MBT							
Term Loan - MBT							
Total							
Total							
Total	**Total**	1,801	1,844				
Contrail Debt	**Contrail Debt**						
Contrail Debt							
Contrail Debt							
Revolver - ONB							
Revolver - ONB							
Revolver - ONB	Revolver - ONB	3,221	12,441	11/24/2025	1-month SOFR + 3.56%	$	21,779
Term Loan G - ONB	Term Loan G - ONB	24,918	38,180	11/24/2025	1-month SOFR + 3.11%		
Total	**Total**	28,139	50,621				
Total							
Total							
Delphax Solutions Debt							
Delphax Solutions Debt							
Delphax Solutions Debt	**Delphax Solutions Debt**						

Canadian Emergency Business Account Loan	Canadian Emergency Business Account Loan	29	30	12/31/2025	5.00%
Canadian Emergency Business Account Loan					
Canadian Emergency Business Account Loan					
Total					
Total					
Total	**Total**	29	30		
Wolfe Lake Debt	**Wolfe Lake Debt**				
Wolfe Lake Debt					
Wolfe Lake Debt					
Term Loan - Bridgewater	Term Loan - Bridgewater	9,459	9,586	12/2/2031	3.65%
Term Loan - Bridgewater					
Term Loan - Bridgewater					
Total					
Total					
Total	**Total**	9,459	9,586		
Air T Acquisition 22.1	**Air T Acquisition 22.1**				
Air T Acquisition 22.1					
Air T Acquisition 22.1					
Term Loan - Bridgewater					
Term Loan - Bridgewater					
Term Loan - Bridgewater	Term Loan - Bridgewater	4,500	4,500	2/8/2027	4.00%
Term Loan A - ING	Term Loan A - ING	2,225	2,610	2/1/2027	3.50%
Term Loan A - ING					
Term Loan A - ING					
Term Loan B - ING	Term Loan B - ING	1,059	1,088	5/1/2027	4.00%
Term Loan B - ING					
Term Loan B - ING					
Total					
Total					
Total	**Total**	7,784	8,198		
WASI Debt	**WASI Debt**				
WASI Debt					
WASI Debt					
Promissory Note - Seller's Note	Promissory Note - Seller's Note	1,065	1,279	1/1/2026	6.00%
Promissory Note - Seller's Note					
Promissory Note - Seller's Note					

Total			
Total			
Total	**Total**	1,065	1,279
Total Debt	Total Debt	108,819	125,914
Unamortized Debt Issuance Costs		(761)	(829)
Total Debt			
Total Debt			
Unamortized Premiums and Debt Issuance Costs			
Unamortized Premiums and Debt Issuance Costs			
Unamortized Premiums and Debt Issuance Costs			
Total Debt, net	**Total Debt, net**	$ 108,058	$125,085
Total Debt, net			
Total Debt, net			

At September 30, 2023 December 31, 2023, our contractual financing obligations, including payments due by period, are as follows (in thousands):

Due by	Amount
September 30, December 31, 2024	$ 23,904 17,367
September 30, December 31, 2025	10,902 26,335
September 30, December 31, 2026	26,038 3,075
September 30, December 31, 2027	6,292 7,219
September 30, December 31, 2028	2,825 1,755
Thereafter	38,858 45,480
	108,819 101,231
Unamortized Premiums and Debt Issuance Costs	(761) (445)
	$ 108,058 100,786

On October 17, 2023, the Company and Air T Funding (the "Trust") entered into an At-the-Market Offering Agreement (the "ATM Agreement") with Ascendiant Capital Markets, LLC (the "sales agent" or "Ascendiant"), pursuant to which the Trust may sell and issue its TruPs having an aggregate offering price of up to $6.5 million from time to time through Ascendiant, as the Trust's sales agent (the "ATM Offering").

During the three months ended December 31, 2023, the Trust issued 15,000 TruPs and received $0.3 million in gross proceeds from the sale of TruPs through a S-3 Registration Statement filed by the Company. The TruPs shares were offered and sold pursuant to the Company's and the Trust's shelf registration statement on Form S-3 (File Nos. 333-254110-01 and 333-254110) and a prospectus supplement relating to the ATM Offering filed with the Securities and Exchange Commission on October 18, 2023.

During the three months ended December 31, 2023, the Trust also issued 413,000 TruPs and received $7.0 million in gross proceeds from the sale of TruPs under various private placement offerings in reliance upon an exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Regulation D promulgated under the Securities Act. The TruPs were issued solely to "accredited investors" as defined in Rule 501(a) of Regulation D. The proceeds from the sale of the TruPs were used to purchase junior subordinated debentures which funds are available to the Company for general corporate purposes.

The amount outstanding on the Company's Debt - Trust Preferred Securities was $32.7 million as of December 31, 2023.

13. Geographical Information

Total tangible long-lived assets, which include property and equipment as well as assets on lease, net of accumulated depreciation, located in the United States, the Company's country of domicile, and held outside the United States, are summarized in the following table as of September 30, 2023 December 31, 2023 and March 31, 2023 (in thousands):

		September 30, 2023	March 31, 2023		
	December 31, 2023			December 31, 2023	March 31, 2023
United States	United States	$ 21,114	$21,433		
Foreign	Foreign	51	89		

Total tangible long-lived assets, net	Total tangible long-lived assets, net	$ 21,165	$21,522

The net book value of tangible long-lived assets located within each individual foreign country at September 30, 2023 December 31, 2023 and March 31, 2023 is listed below (in thousands):

		September 30, 2023	March 31, 2023
December 31, 2023		December 31, 2023	March 31, 2023
The Netherlands	The Netherlands	$ 43	$ 42
Other	Other	8	47
Total tangible long-lived assets, net	Total tangible long-lived assets, net	$ 51	$ 89

Total revenue, in and outside the United States, is summarized in the following table for the six nine months ended September 30, 2023 December 31, 2023 and September 30, 2022 December 31, 2022 (in thousands):

		September 30, 2023	September 30, 2022
December 31, 2023		December 31, 2023	December 31, 2022
United States	United States	$ 128,435	$ 91,323
Foreign	Foreign	21,962	20,227
Total revenue	Total revenue	$ 150,397	$ 111,550

14. Segment Information

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

(In Thousands)	(In Thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
(In Thousands)		Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2022
2023					
Operating Revenues by Segment:	Operating Revenues by Segment:				
Overnight Air Cargo	Overnight Air Cargo				
Overnight Air Cargo					
Overnight Air Cargo					
Domestic					
Domestic					
Domestic	Domestic	$28,099	$22,069	$55,236	$42,633
International	International	98	—	689	—

Total Overnight Air Cargo	Total Overnight Air Cargo	28,197	22,069	55,925	42,633
Ground Equipment Sales:	Ground Equipment Sales:				
Domestic	Domestic	8,833	14,913	20,532	18,821
Domestic					
Domestic					
International	International	3,413	3,106	3,501	5,013
Total Ground Equipment Sales	Total Ground Equipment Sales	12,246	18,019	24,033	23,834
Commercial Jet Engines and Parts:	Commercial Jet Engines and Parts:				
Domestic	Domestic	28,763	11,611	50,730	28,343
Domestic					
Domestic					
International	International	7,715	7,375	15,594	13,498
Total Commercial Jet Engines and Parts	Total Commercial Jet Engines and Parts	36,478	18,986	66,324	41,841
Corporate and Other:	Corporate and Other:				
Domestic					
Domestic					
Domestic	Domestic	1,019	778	1,937	1,526
International	International	1,026	836	2,178	1,716
Total Corporate and Other	Total Corporate and Other	2,045	1,614	4,115	3,242
Total	Total	78,966	60,688	150,397	111,550
Operating Income (Loss):	Operating Income (Loss):				
Operating Income (Loss):					
Operating Income (Loss):					
Overnight Air Cargo					
Overnight Air Cargo					
Overnight Air Cargo	Overnight Air Cargo	2,039	845	3,974	1,922
Ground Equipment Sales	Ground Equipment Sales	(12)	1,887	(97)	2,029
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	1,152	(204)	2,629	2,870
Corporate and Other	Corporate and Other	(2,418)	(2,349)	(5,084)	(5,809)
Total	Total	761	179	1,422	1,012
Capital Expenditures:	Capital Expenditures:				
Capital Expenditures:					

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Capital Expenditures:					
Overnight Air Cargo					
Overnight Air Cargo					
Overnight Air Cargo	Overnight Air Cargo	46	92	204	191
Ground Equipment Sales	Ground Equipment Sales	25	6	58	16
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	21	278	141	352
Corporate and Other	Corporate and Other	61	43	154	232
Total	Total	153	419	557	791
Depreciation and Amortization:	Depreciation and Amortization:				
Depreciation and Amortization:					
Depreciation and Amortization:					
Overnight Air Cargo					
Overnight Air Cargo					
Overnight Air Cargo	Overnight Air Cargo	90	23	175	42
Ground Equipment Sales	Ground Equipment Sales	35	46	70	95
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	189	563	380	996
Corporate and Other	Corporate and Other	386	394	764	755
Total	Total	$ 700	$ 1,026	$ 1,389	$ 1,888

The table below provides a reconciliation of operating income (loss) to Adjusted EBITDA for the six nine months ended September 30, 2023 December 31, 2023 and 2022 (in thousands):

		Six Nine Months Ended September 30, 2023 December 31, 2023
		Total
Operating income loss	$	1,422 (189)
Depreciation and amortization (excluding leased engines depreciation)		1,389 2,088
Asset impairment, restructuring or impairment charges		5 326
Gain on sale of property and equipment		(8) (7)
TruPs issuance expenses		93 277
Adjusted EBITDA	$	2,901 2,495

	Six Nine Months Ended September 30, 2022 December 31, 2022	
	Total	
Operating income	$	1,012 1,147
Depreciation and amortization (excluding leased engines depreciation)		1,252 1,810
Asset impairment, restructuring or impairment charges		1,536 2,174
Gain on sale of property and equipment		(2)
TruPs issuance expenses		34 38
Adjusted EBITDA	$	3,832 5,167

15. Commitments and Contingencies

Contrail Put/Call Option

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 commencing on the fifth anniversary of the acquisition, which occurred on July 18, 2021. 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. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. The Contrail RNCI is a Level 3 fair value measurement that is valued at $7.7 million $7.6 million as of September 30, 2023 December 31, 2023. The change in the redemption value compared to March 31, 2023 is a decrease of $0.3 million $0.4 million, which was driven by the decrease in fair value of $0.6 million $0.5 million and distributions to non-controlling interest of $0.2 million, partially offset by net income attributable to non-controlling interest of $0.5 million $0.3 million. As of the date of this filing, neither the Seller nor the Company has indicated an intent to exercise the put and call options. If either side were to exercise the option, the Company anticipates that the price would approximate the fair value of the Contrail RNCI, as determined on the transaction date. The Company currently expects that it would fund any required payment from cash provided by operations.

Contrail Asset Management, LLC and CJVII, LLC

On May 5, 2021, the Company formed an aircraft asset management business called Contrail Asset Management, LLC ("CAM"), and an aircraft capital joint venture called Contrail JV II LLC ("CJVII"). The new venture focus 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.

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

Per its Operating Agreement, CAM is comprised of only two Series: the Onshore and the Offshore Series. Participation in each is determined solely based on whether a potential investment at the CJVII Series is a domestic (Onshore) or international (Offshore) investment. As of September 30, 2023 December 31, 2023, for its Investment Function, the Company has contributed $1.0 million to CAM's Onshore Series and $6.9 $7.0 million to CAM's Offshore Series.

The Company determined that CAM is a variable interest entity and that the Company is not the primary beneficiary. This is primarily the result of the Company's conclusion that it does not control CAM's Board of Directors, which has the power to direct the activities that most significantly impact the economic performance of CAM. Accordingly, the Company does not consolidate CAM and has determined to account for this investment using equity method accounting. As of September 30, 2023 December 31, 2023, the Company's net investment basis in CAM is $4.5 $4.9 million.

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

Shanwick Put/Call Option

In February 2022, in connection with the Company's acquisition of GdW, a consolidated subsidiary of Shanwick, the Company entered into a shareholder agreement with the 30.0% 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 to the average EBIT over the 3 Financial Years prior to the exercise of the Call Option multiplied by 8. In addition, the Shanwick Put/Call Option also grants the non-controlling interest owners an option to require the Company to purchase from them their respective ownership interests at the Put Option price, that is equal to the average EBIT over the 3 Financial Years prior to the exercise of the Put Option multiplied by 7.5. The Call Option and the Put Option may be exercised at any time from the fifth anniversary of the shareholder agreement and then only at the end of each fiscal year of Air T ("Shanwick RNCI").

The Company has presented this redeemable non-controlling interest in Shanwick between the liabilities and equity sections of the accompanying condensed consolidated balance sheets. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the estimated redemption value at the end of each reporting period. As the Shanwick RNCI will be redeemed at established multiples of EBIT, it is considered redeemable at other than fair value. Changes in its estimated redemption value are recorded on our consolidated statements of operations within non-controlling interests. The Shanwick RNCI's estimated redemption value is $4.6 $5.5 million as of September 30, 2023 December 31, 2023, which was comprised of the following (in thousands):

		Shanwick RNCI
Beginning Balance as of April 1, 2023	$	4,738
Contribution from non-controlling members		—
Distribution to non-controlling members		(166) (326)
Net income attributable to non-controlling interests		182 326
Redemption value adjustments		(116) 782
Ending Balance as of September 30, 2023 December 31, 2023	$	4,638 5,520

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. Among other instruments, the Plan permits the Company to grant stock option awards. As of September 30, 2023 December 31, 2023, options to purchase up to 260,670 261,000 shares are outstanding under the Plan. Vesting of options is based on the grantee meeting specified service conditions. Furthermore, the number of vested options that a grantee is able to exercise, if any, is based on the Company's stock price as of the vesting dates specified in the respective option grant agreements. For the three and six nine months ended September 30, 2023 December 31, 2023, total compensation cost recognized under the Plan was $0.1 million $79.0 thousand and $0.2 million, respectively. No options were exercisable as of December 31, 2023

16. Guarantees

Financial Guarantees

Our financial guarantees consist of debt obligations of certain CJVII Series. Expiration dates vary through 2028, and guarantees will terminate on payment and/or cancellation of the underlying obligation. A payment by us would be triggered by failure of the series to fulfill its obligation covered by the guarantee. We are entitled to recover from amounts paid by us under the guarantee by other unrelated institutional investment partners ("CJVII Series investors"), up to their pro rata ownership of the CJVII Series. The maximum potential payments for financial guarantees were $12.8 $12.4 million and $13.6 million as of September 30, 2023 December 31, 2023 and March 31, 2023, respectively.

Financial guarantees and indemnifications are recorded at fair value at their inception. Subsequent to initial recognition, the guarantee liability is adjusted at each reporting period to reflect the current estimate of expected payments resulting from possible default events over the remaining life of the guarantee.

The financial guarantees were made only for the convenience of other CJVII Series investors in the process of obtaining third-party debt to fund acquisitions of aircraft assets. The guarantees did not provide any value to the debt and, as such, the Company did not record a liability related to these financial 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 were $4.5 million and $4.0 million at both September 30, 2023 December 31, 2023 and March 31, 2023. , respectively. The carrying value of recorded liabilities related to nonfinancial guarantees was $0 at both September 30, 2023 December 31, 2023 and March 31, 2023.

17. Subsequent Events

Management performs an evaluation of events that occur after the balance sheet date but before condensed consolidated financial statements are issued for potential recognition or disclosure of such events in its condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

This section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. The MD&A provides a narrative analysis explaining the reasons for material changes in the Company's (i) financial condition during the period from the most recent fiscal year-end, March 31, 2023, to and including September 30, 2023 December 31, 2023 and (ii) results of operations during the current fiscal period(s) as compared to the corresponding period(s) of the preceding fiscal year.

This Quarterly Report on Form 10-Q, including the MD&A, contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intend," "estimate," "forecast," "project," "should," "will," "continue" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Any and all forecasts and projections in this document are "forward looking statements" and are based on management's current expectations or beliefs. From time to time, we may also provide oral and written forward-looking statements in other materials we release to the public, such as press releases, presentations to securities analysts or investors, or other communications by us. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results. Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of us are subject to uncertainties and other factors that could cause actual results to differ materially from such 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 of issuance of debt or equity securities as a result of the existence of substantial doubt about our ability to continue as a going concern; securities;
- Economic and industry conditions in the Company's markets;
- The risk that contracts with FedEx could be terminated or adversely modified;
- The risk that the number of aircraft operated for FedEx will be reduced;
- The risk that GGS customers will defer or reduce significant orders for deicing equipment;
- The impact of any terrorist activities on United States soil or abroad;
- The Company's ability to manage its cost structure for operating expenses, or unanticipated capital requirements, and match them to shifting customer service requirements and production volume levels;
- The Company's ability to meet debt service covenants and to refinance existing debt obligations;
- The risk of injury or other damage arising from accidents involving the Company's overnight air cargo operations, equipment or parts sold and/or services provided;
- Market acceptance of the Company's commercial and military equipment and services;
- Competition from other providers of similar equipment and services;
- Changes in government regulation and technology;
- Changes in the value of marketable securities held as investments;
- Mild winter weather conditions reducing the demand for deicing equipment;
- Market acceptance and operational success of the Company's relatively new commercial jet engines and parts segment or its 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.

We also wish to caution investors that other factors might in the future prove to be important in affecting our results of operations. New factors emerge from time to time; it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 (including the information presented therein under Risk Factors), as well other publicly available information.

Overview

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

We currently operate in four industry segments:

- Overnight air cargo, which operates in the air express delivery services industry;

- Ground equipment sales, which manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the military and industrial customers;
- Commercial aircraft, engines and parts, which manages and leases aviation assets; supplies surplus and aftermarket commercial jet engine components; provides commercial aircraft disassembly/part-out services; commercial aircraft parts sales; procurement services and overhaul and repair services to airlines and,
- Corporate and other, which acts as the capital allocator and resource for other consolidated businesses. Further, Corporate and other also comprises insignificant businesses and business interests.

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

Results of Operations

Second Third Quarter Fiscal 2024 Compared to Second Third Quarter Fiscal 2023

Consolidated revenue for the three-month period ended September 30, 2023 December 31, 2023 increased by $18.3 million (30.1%$2.4 million (3.8%) compared to the same quarter in the prior fiscal year.

Following is a table detailing revenue by segment, net of intercompany during the three months ended September 30, 2023 December 31, 2023 compared to the same quarter in the prior fiscal year (in thousands):

	Three Months Ended September 30, 2023	2022	Change	
Overnight Air Cargo	$28,197	$22,069	$ 6,128	27.8 %
Ground Equipment Sales	12,246	18,019	(5,773)	(32.0)%
Commercial Jet Engines and Parts	36,478	18,986	17,492	92.1 %
Corporate and Other	2,045	1,614	431	26.7 %
	$78,966	$60,688	$18,278	30.1 %

	Three Months Ended December 31, 2023		Three Months Ended December 31,		Change		
Overnight Air Cargo	$ 29,018	$	$21,831	$	$7,187	32.9	32.9 %
Ground Equipment Sales	8,441	16,147	16,147	(7,706)	(7,706)	(47.7)	(47.7)%
Commercial Jet Engines and Parts	24,139	21,736	21,736	2,403	2,403	11.1	11.1 %
Corporate and Other	2,158	1,682	1,682	476	476	28.3	28.3 %
$	$63,756		$61,396		$ 2,360	3.8	%

Revenues from the air cargo segment for the three-month period ended September 30, 2023 December 31, 2023 increased by $6.1 million (27.8%$7.2 million (32.9%) compared to the second third quarter of the prior fiscal year. The increase was principally attributable to higher administrative fees due to increased fleet, higher pass-through revenues from FedEx, higher maintenance and outside customer revenue, and the WASI acquisition mentioned in Note 2 of the Notes to Condensed Consolidated Financial Statements of this report, which contributed $2.0 million of revenues for a full to the current year quarter in 2023 but was not part of the segment none in the prior year comparable quarter. period.

The ground equipment sales segment contributed approximately $12.2 million $8.4 million and $18.0 million $16.1 million to the Company's revenues for the three-month periods ended September 30, 2023 December 31, 2023 and 2022 respectively, representing a $5.8 million (32.0%$7.7 million (47.7%) decrease in the current quarter. The decrease was primarily driven by the lower number of deicing trucks sold in the current year quarter compared to prior year's comparable quarter. At September 30, 2023 December 31, 2023, the ground equipment sales segment's order backlog was $7.0 million $6.2 million compared to $21.1 million $12.5 million at September 30, 2022 December 31, 2022.

The commercial jet engines and parts segment contributed $36.5 million $24.1 million of revenues in the quarter ended September 30, 2023 December 31, 2023 compared to $19.0 million $21.7 million in the comparable prior year quarter, which is an increase of $17.5 million (92.1%$2.4 million (11.1%). The increase was primarily driven by engine sales at Contrail and higher component part sales across multiple companies within the segment in the current quarter compared to prior year comparable quarter. quarter was primarily driven by higher pass-through revenue at Worthington Aviation, LLC ("Worthington"), a wholly-owned subsidiary of the Company, in transactions that Worthington acted as the principal of the consignment agreements ("pass-through consignment revenue").

Revenues from the corporate and other segment for the three-month period ended September 30, 2023 December 31, 2023 increased by $0.4 million (26.7%$0.5 million (28.3%) compared to the second third quarter of the prior fiscal year. The increase was primarily attributable to increased software subscriptions at Shanwick.

Following is a table detailing operating income (loss) by segment during the three months ended September 30, 2023 December 31, 2023 compared to the same quarter in the prior fiscal year (in thousands):

		Three Months Ended September 30,		Change
		2023	2022	
	Three Months Ended December 31, 2023	Three Months Ended December 31,		Change
Overnight Air Cargo				
Overnight Air Cargo				
Overnight Air Cargo	Overnight Air Cargo	$2,039	$ 845	$ 1,194
Ground Equipment Sales	Ground Equipment Sales	(12)	1,887	(1,899)
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	1,152	(204)	1,356
Corporate and Other	Corporate and Other	(2,418)	(2,349)	(69)
		$ 761	$ 179	$ 582
	$			

Consolidated operating income loss for the quarter ended September 30, 2023 December 31, 2023 was $0.8 million $1.6 million, compared to an operating income of $0.2 million $0.1 million in the comparable quarter of the prior year.

The air cargo segment's operating income for the three-month period ended September 30, 2023 December 31, 2023 was $2.0 million $1.6 million compared to operating income of $0.8 million $1.0 million in the same quarter in the prior fiscal year. This increase was primarily attributable to the increased sales revenue noted in the segment revenue discussion above.

The ground equipment sales segment's operating loss for the quarter ended September 30, 2023 December 31, 2023 was $12.0 thousand $0.5 million compared to the prior year comparable quarter's operating income of $1.9 million $1.1 million. This decrease was primarily attributable to the decreased sales noted in the segment revenue discussion above.

The commercial jet engines and parts segment generated an operating income loss of $1.2 million $0.6 million in the current-year current year quarter compared to an operating loss income of $0.2 million $0.7 million in the prior-year prior year quarter. The change was primarily attributable to the increased lower component sales noted at Contrail in the segment current quarter, partially offset by higher revenue discussion above. In addition, this segment incurred an inventory write-down of $1.0 million in the prior-year comparable quarter driven by pass-through consignment revenue at Worthington compared to none in the current prior year comparable quarter.

The corporate and other segment's operating loss for the three-month period ended September 30, 2023 December 31, 2023 was relatively flat $2.1 million compared to the same quarter prior year comparable quarter's operating loss of $2.7 million. The decrease in operating loss was attributable to increased sales noted in the prior fiscal year. segment revenue discussion above in addition to lower general and administrative expenses.

Following is a table detailing non-operating income (expense) during the three months ended September 30, 2023 December 31, 2023 compared to the same quarter in the prior fiscal year (in thousands):

		Three Months Ended September 30,		Change
		2023	2022	
	Three Months Ended December 31, 2023	Three Months Ended December 31,		Change
Interest expense				
Interest expense				
Interest expense	Interest expense	$(1,853)	$(1,996)	$ 143

Income from equity method investments	Income from equity method investments	748	266	482
Other	Other	(777)	(357)	(420)
		$(1,882)	$(2,087)	$ 205
	$			

The Company had a net non-operating loss of $1.9 million $0.3 million during the quarter ended September 30, 2023 December 31, 2023, compared to net non-operating loss of $2.1 million $0.2 million in the prior-year prior year quarter. The decrease increase in non-operating loss was primarily driven by the increase decrease of net income allocated to the Company from equity method investments, and fluctuations in foreign currency exchange rates causing a partially offset by lower exchange loss of $0.2 million compared to the same quarter interest expense in the prior fiscal year. The decrease in non-operating loss is offset by a higher investment loss due to the fair value adjustments on marketable securities. current year quarter.

During the three-month period ended September 30, 2023 December 31, 2023, the Company recorded $0.5 million $0.2 million in income tax expense at an ETR of (43.4) (7.8)%. The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding loss jurisdictions with no tax benefit and the application of discrete items, if any, for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the three-month period ended September 30, 2023 December 31, 2023 were the valuation allowance related to the Company's U.S. consolidated group, Delphax and DTI, LGSS, DSI, BCCM Kenya, and the foreign rate differentials for Air T's operations located in the Netherlands and Puerto Rico.

During the three-month period ended September 30, 2022 December 31, 2022, the Company recorded income tax benefit of $0.6 million $0.2 million at an effective ETR of 325.0%. The Company records income taxes using an estimated tax rate of 30.0%. for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21.0% and the Company's effective tax rate for the three-month period ended September 30, 2022 December 31, 2022 were the change in valuation allowance related to Delphax the Company's subsidiaries in the corporate and other segment, DSI and DTI, other capital losses, the estimated benefit for the exclusion of income for SAIC under Section 831(b), the foreign rate differentials between the federal tax rates for Air T's ownership of foreign operations in Puerto Rico, the Netherlands, and Singapore, and the exclusion from the tax provision of the minority owned portion of the pretax income of Contrail.

First Six Nine Months of Fiscal 2024 Compared to First Six Nine Months of Fiscal 2023

Following is a table detailing revenue by segment, net of intercompany during the six nine months ended September 30, 2023 December 31, 2023 compared to the same period in the prior fiscal year (in thousands):

		Six Months Ended September 30, 2023	2022	Change			Nine Months Ended December 31, 2023			Nine Months Ended December 31,			Cha	
Overnight Air Cargo														
Overnight Air Cargo														
Overnight Air Cargo	Overnight Air Cargo	$ 55,925	$ 42,633	$13,292	31.2 %		$ 84,944	$	$64,464	$	$20,480		31.8	31.8 %
Ground Equipment Sales	Ground Equipment Sales	24,033	23,834	199	0.8 %	Ground Equipment Sales	32,474	39,981	39,981	(7,507)		(7,507)	(18.8)	(18.8)%
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	66,324	41,841	24,483	58.5 %	Commercial Jet Engines and Parts	90,463	63,577	63,577	26,886		26,886	42.3	42.3 %
Corporate and Other	Corporate and Other	4,115	3,242	873	26.9 %	Corporate and Other	6,273	4,924	4,924	1,349		1,349	27.4	27.4 %
		$150,397	$111,550	$38,847	34.8 %									
	$							$214,154		$172,946		$ 41,208		23.8

Revenues from the air cargo segment for the six nine months ended September 30, 2023 December 31, 2023 increased by $13.3 million (31.2% $20.5 million (31.8%) compared to the six nine months ended September 30, 2022 December 31, 2022. The increase was principally attributable to higher administrative fees due to increased fleet, higher pass-through revenues from FedEx and outside customer revenue, and the WASI acquisition mentioned in Note 2 of the Notes to Condensed Consolidated Financial Statements of this report, which contributed $9.0 million of revenues for to the full six month current year nine-month period in 2023 but was not part of the segment none in the prior-year prior year comparable six-month nine-month period.

The ground equipment sales segment's revenue for the six-month nine-month period ended September 30, 2023 December 31, 2023 was relatively flat $32.5 million compared to $40.0 million in the same period in the prior fiscal year. The decrease was primarily driven by the lower number of deicing trucks sold in the current year compared to the prior year.

The commercial jet engines and parts segment contributed $66.3 million $90.5 million of revenues in the six nine months ended September 30, 2023 December 31, 2023 compared to $41.8 million $63.6 million in the comparable prior year six nine months period. The increase was primarily driven by Contrail's higher component part sales across multiple companies within in the segment first six months of the current fiscal year and engine Worthington's higher pass-through consignment revenue in the current year quarter. In addition, Contrail also sold three engines at zero profit margin in the current year as they had previously written these assets down to the sales at Contrail that did not occur price in the prior fiscal year's six month period. year.

Revenues from the corporate and other segment in the six nine months ended September 30, 2023 December 31, 2023 increased by $0.9 million (26.9% $1.3 million (27.4%) compared to the six nine months ended September 30, 2022 December 31, 2022. The increase was primarily attributable increased software subscriptions at Shanwick.

Following is a table detailing operating income (loss) by segment during the six nine months ended September 30, 2023 December 31, 2023 compared to the same six nine months in the prior fiscal year (in thousands):

		Six Months Ended September 30,		Change
		2023	2022	
	Nine Months Ended December 31,	Nine Months Ended December 31,		Change
	2023			
Overnight Air Cargo				
Overnight Air Cargo				
Overnight Air Cargo	Overnight Air Cargo	$3,974	$1,922	$ 2,052
Ground Equipment Sales	Ground Equipment Sales	$ (97)	$2,029	(2,126)
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	$2,629	$2,870	(241)
Corporate and Other	Corporate and Other	(5,084)	(5,809)	725
		$1,422	$1,012	$ 410
	$			

Consolidated operating income for the six nine months ended September 30, 2023 December 31, 2023 was $1.4 million $189.0 thousand compared to an operating income of $1.0 million $1.1 million for the comparable six nine months of the prior year.

The air cargo segment's operating income for the six nine months ended September 30, 2023 December 31, 2023 was $4.0 million $5.6 million compared to operating income of $1.9 million $2.9 million in the prior year comparable period primarily due to the revenue increase noted above.

The ground equipment sales segment's operating loss for the six nine months ended September 30, 2023 December 31, 2023 was $0.1 million $0.6 million compared to operating income of $2.0 million $3.1 million in the prior year comparable period was primarily attributable to the decline in revenue in the second fiscal quarter mentioned above as well as an increase in cost of parts due in part to the global supply chain disruption. sales noted above.

The commercial jet engines and parts segment generated operating income of $2.6 million $2.0 million in the current-year six-month current year nine-month period compared to operating income of $2.9 million $3.6 million in the prior year six-month nine-month period. The decrease was primarily attributable to Contrail's zero profit margin engine sales mentioned above, in addition to a lower profit margins margin on component sales at Contrail in the current nine-month period compared to the prior year comparable period.

The corporate and other segment's operating loss for the six-month nine-month period ended September 30, 2023 December 31, 2023 was $5.1 million $7.1 million compared to an operating loss of $5.8 million $8.5 million in the prior year comparable period. The decrease in operating loss was primarily driven by the revenue increase noted above. above in addition to lower general and administrative expenses.

Following is a table detailing non-operating income (expense) during the six nine months ended September 30, 2023 December 31, 2023 compared to the same six nine months in the prior fiscal year (in thousands):

		Six Months Ended September 30,		Change
		2023	2022	
	Nine Months Ended December 31,	Nine Months Ended December 31,		Change
	2023			

Interest expense				
Interest expense				
Interest expense	Interest expense	(3,662)	(3,818)	$ 156
Income from equity method investments	Income from equity method investments	1,439	798	641
Other	Other	(136)	(509)	373
		(2,359)	(3,529)	$ 1,170
	$			

The Company had a net non-operating loss of $2.4 $2.7 million for the six nine months ended September 30, 2023 December 31, 2023 compared to a net non-operating loss of $3.5 $3.7 million in the prior-year six-month prior year nine-month period. The decrease in non-operating loss was primarily driven by the increase of a $0.8 million decrease in interest expense and a $0.6 million fluctuation in foreign currency exchange rates, partially offset by a $0.4 million decrease in net income allocated to the Company from equity method investments and fluctuations in foreign currency exchange rates causing a lower exchange loss of $0.5 million compared to prior fiscal year. investments.

During the six-month nine-month period ended September 30, 2023 December 31, 2023, the Company recorded income tax expense of $0.7 million $0.9 million at an ETR of (74.5) (29.4)%. The Company has computed the provision for income taxes based on the estimated annual effective tax rate excluding loss jurisdictions with no tax benefit and the application of discrete items, if any, for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21% and the Company's effective tax rate for the six-month nine-month period ended September 30, 2023 December 31, 2023 were the valuation allowance related to the Company's U.S. consolidated group, Delphax DTI, LGSS, DSI and LGSS, BCCM Kenya, and the foreign rate differentials for Air T's operations located in the Netherlands and Puerto Rico.

During the six-month nine-month period ended September 30, 2022 December 31, 2022, the Company recorded income tax benefit of $0.4 million $0.5 million at an effective tax rate ETR of 15.1% 20.9%. The Company records income taxes using an estimated annual effective tax rate for interim reporting. The primary factors contributing to the difference between the federal statutory rate of 21% and the Company's effective tax rate for the six-month nine-month period ended September 30, 2022 December 31, 2022 were the change in valuation allowance related to Delphax and other capital losses, the estimated benefit for the exclusion of income for SAIC under Section 831(b), the foreign rate differentials between the federal and foreign tax rates for Air T's ownership of foreign operations in Puerto Rico, the Netherlands, and Singapore, and the exclusion from the tax provision of the minority owned portion of the pretax income of Contrail.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are fully described in Note 1 to the condensed consolidated financial statements and in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 2023. The preparation of the Company's condensed 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. There were no significant changes to the Company's critical accounting policies and estimates during the three-months ended September 30, 2023 December 31, 2023.

Seasonality

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

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 in the future, 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, Inflation, and Interest Rates

Future economic developments such as inflation and increased interest rates as well as further business issues present uncertainty and risk with respect to our financial condition and results of operations. Supply chain disruption caused an increase in material costs, which has directly impacted the performance of our ground equipment sales segment. We expect that issues caused by economic and business issues will continue beyond fiscal 2024. The fluidity of this situation precludes any prediction as to the ultimate adverse impact these issues on economic and market conditions and our businesses in particular, and, as a result, presents material uncertainty and risk with respect to us and our results of operations. The Company believes the estimates and assumptions underlying the Company's consolidated financial statements are reasonable and supportable based on the information available as of September 30, 2023 December 31, 2023.

Liquidity and Capital Resources

As of September 30, 2023 December 31, 2023, the Company held approximately $5.9 million $5.2 million in cash and cash equivalents and restricted cash. The Company also held $1.3 million $1.5 million in restricted investments held as statutory reserve of SAIC. The Company has an aggregate of approximately $24.4 $35.5 million in available funds under its lines of credit as of September 30, 2023 December 31, 2023.

As of September 30, 2023 December 31, 2023, the Company's working capital amounted to $47.5 million $44.5 million, a decrease of $4.8 million $7.7 million compared to March 31, 2023.

As mentioned in Note 12 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Report on Form 10-Q, on June 23, 2023, the Company and MBT entered into amendments to the MBT revolving credit agreement and related promissory note. The amendments extended the maturity date of the credit facility to August 31, 2024 and include the following changes:

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

As mentioned in Note 15 15 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Report on Form 10-Q, in 2016, Contrail entered into an Operating Agreement with the Seller providing for the put and call options with regard to the 21.0% non-controlling interest retained by the Seller. The Seller is the founder of Contrail and its current Chief Executive Officer. The Put/Call Option permits the Seller or the Company to require Contrail Aviation to purchase all of the Seller's equity membership interests in Contrail Aviation commencing on July 18, 2021. As of the date of this filing, neither the Seller nor the Company has indicated an intent to exercise the put and call options. If either side were to exercise the option, the Company anticipates that the price would approximate the fair value of the Contrail RNCI, as determined on the transaction date. The Company currently expects that it would fund any required payment from cash provided by operations.

As mentioned in Note 15 15 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this report, on May 5, 2021, the Company formed CAM and acquired its ownership interest in CAM. The operations of CAM are not consolidated

into the operations of the Company. For its Investment Function (as defined in Note 15 15 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report), 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. As of March 31, 2023, the Company has fulfilled its capital commitments to CAM.

On March 22, 2023, Contrail entered into the First Amendment to Second Amendment to Master Loan Agreement and Third Amendment to Master Loan Agreement ("the Amendment") with ONB whereby, among other things, in exchange for a $20 million principal prepayment of Term Note G, Contrail obtained a waiver of the debt service coverage ratio covenant. $6.7 million of the $20.0 million prepayment was paid on March 30, 2023 and the remaining $13.3 million payment was paid in September 2023.

As mentioned in Note 12 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Report on Form 10-Q, on September 5, 2023, Contrail entered into the Sixth Amendment to Supplement #2 to Master Loan Agreement and the Fifth Amended and Restated Promissory Note with ONB. The principal purpose of the amended documents was to extend the maturity date of the revolving $25.0 million facility to November 24, 2025 or such earlier date on which the revolving note becomes due and payable pursuant to the supplement or the master loan agreement.

The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity As mentioned in Note 12 of operations, realization Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of assets, and liquidation of liabilities in this Report on Form 10-Q, the normal course of business.

The revolving line of credit at Air T with Revolver - MBT with $16.4 million has $6.5 million outstanding as of September 30, 2023 December 31, 2023 and matures on August 31, 2024. The Company does not have sufficient cash on hand or available liquidity to repay the outstanding debt which is due within one year after the date that the financial statements are issued. This condition raises substantial doubt about the Company's ability to continue as a going concern.

In response to this condition, management has plans to alleviate the substantial doubt. We are currently seeking to refinance the Revolver - MBT prior to its maturity date; however, there is no assurance that we will be able to execute this refinancing or, if we are able to refinance this obligation, that the terms of such refinancing would be as favorable as the terms of our existing credit facility. Other

The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As previously reported in the Company's September 30, 2023 Form 10-Q, a condition existed that raised substantial doubt about its ability to continue as a going concern, for which management's plans include raising alleviated such condition. As of the issuance of this report, management has executed their plans and such condition no longer exists. As described in Note 12 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Report on Form 10-Q, the Company successfully raised $7.3 million of additional funds via sales of our TruPs through the Company's at-the-market offering that commenced on October 18, 2023 or and through a various private placement offering including possible incremental sales to existing shareholders, implementing placements. In addition, the Company also implemented cost reduction measures reevaluating future investments in selected startups, and considering liquidation or sale of liquidated select investments in addition to the reduction of as well as reduced capital expenditures.

As a result of these plans, management The Company believes it is probable that the they have sufficient cash on hand and current financings, net cash provided by operations from operating segments will be sufficient available liquidity, to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these financial statements are issued. Management has concluded that the plans are probable of being achieved to alleviate substantial doubt about the Company's ability to continue as a going concern.

Cash Flows

Following is a table of changes in cash flow for the six nine months ended September 30, 2023 December 31, 2023 and 2022 (in thousands):

		Six Months Ended September 30,			
		2023	2022		
	Nine Months Ended December 31,			Nine Months Ended December 31,	
	2023			2023	2022
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	$15,897	$(13,946)		
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	156	(1,776)		
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	(17,229)	16,757		
Effect of foreign currency exchange rates on cash and cash equivalents	Effect of foreign currency exchange rates on cash and cash equivalents	9	62		
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash		$ (1,167)	$ 1,097		
Net Decrease in Cash and Cash Equivalents and Restricted Cash					

Net cash provided by operating activities was $15.9 million $23.1 million for the six-month nine-month period ended September 30, 2023 December 31, 2023 compared to net cash used in operating activities of $13.9 million $3.8 million in the prior year six-month nine-month period. The change in operating cash flows was primarily driven by a net decrease change of $29.5 million in the inventory of balance, as inventory decreased by $17.0 million driven by increased sales in the current six month year due to increased sales, whereas inventory increased by $12.5 million in the prior year due to increased purchases. This was partially offset by a net change of $2.6 million in customer deposits in our ground equipment sales segment in the current year nine-month period compared to the prior year period's net increase of $14.2 million due to higher inventory purchases. period.

Net cash provided by investing activities for the six-month nine-month period ended September 30, 2023 December 31, 2023 was $0.2 million compared to net cash used in investing activities of $1.8 million $3.1 million in the prior-year prior year period. The cash provided by investing activities was primarily driven by higher having received $1.5 million less distributions received from equity method investments in the current prior year period compared to the current year period. In addition, the Company also made $1.5 million more investments in unconsolidated entities in the prior year six month period compared to the current year period.

Net cash used in financing activities for the six-month nine-month period ended September 30, 2023 December 31, 2023 was $17.2 million $25.2 million compared to net cash provided by financing activities of $16.8 million $4.9 million in the prior-year prior year period. The cash used in financing activities in the current year six month nine-month period was primarily driven by $25.5 million less proceeds and $12.4 million more payments on the Company's term loans and revolving lines of credit compared to the prior year six month nine-month period, partially offset by $7.3 million of proceeds from the sale of TruPs through ATM offerings and private placements that did not occur in the prior year nine-month period.

Non-GAAP Financial Measures

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

Adjusted EBITDA is defined as earnings before taxes, interest, and depreciation and amortization, adjusted for specified items. The Company calculates Adjusted EBITDA by removing the impact of specific items and adding back the amounts of interest expense and depreciation and amortization to earnings before income taxes. When calculating Adjusted EBITDA, the Company does not add back depreciation expense for aircraft engines that are on lease, as the Company believes this expense matches with the corresponding revenue earned on engine leases. Depreciation expense for leased engines totaled $0 and $0.4 million $0.5 million for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively.

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), the most directly comparable amounts reported under GAAP.

The tables below provide a reconciliation of operating income to Adjusted EBITDA for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022 (in thousands):

		Three months ended		Six months ended					
		9/30/2023	9/30/2022	9/30/2023	9/30/2022				
Operating income		$ 761	$ 179	$ 1,422	$ 1,012				
	Three months ended					Three months ended		Nine months ended	
	12/31/2023					12/31/2023	12/31/2022	12/31/2023	12/31/2022
Operating (loss) income									
Depreciation and amortization (excluding leased engines depreciation)	Depreciation and amortization (excluding leased engines depreciation)	700	645	1,389	1,252				
Asset impairment, restructuring or impairment charges	Asset impairment, restructuring or impairment charges	3	1,488	5	1,536				
Gain on sale of property and equipment		(2)	(1)	(8)	(2)				

Loss (gain) on sale of property and equipment					
TruPs issuance expenses	TruPs issuance expenses	47	19	93	34
Adjusted EBITDA	**Adjusted EBITDA**	$ 1,509	$ 2,330	$ 2,901	$ 3,832

The asset impairment, restructuring or impairment charges for the three months ended December 31, 2023 was attributable to a write-down of $0.3 million on the commercial jet engines and parts segment's inventory.

The table below provides Adjusted EBITDA by segment for the three and six nine months ended September 30, 2023 December 31, 2023 and 2022 (in thousands):

		Three months ended		**Six months ended**					
		9/30/2023	**9/30/2022**	**9/30/2023**	**9/30/2022**				
	Three months ended					**Three months ended**		**Nine months ended**	
	12/31/2023					**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Overnight Air Cargo	Overnight Air Cargo	$ 2,125	$ 1,204	$ 4,140	$ 2,300				
Ground Equipment Sales	Ground Equipment Sales	23	1,933	(28)	2,124				
Commercial Jet Engines and Parts	Commercial Jet Engines and Parts	1,339	979	3,009	4,248				
Corporate and Other	Corporate and Other	(1,978)	(1,786)	(4,220)	(4,840)				
Adjusted EBITDA	**Adjusted EBITDA**	$ 1,509	$ 2,330	$ 2,901	$ 3,832				

Issuer and guarantor subsidiary summarized information

Air T Funding (the "Trust") 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 of 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 condensed 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 the 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 Trust Preferred Securities are subject to mandatory redemption at any time on or after June 7, 2024. Upon the repayment or redemption at any time, in whole or in part, of any Junior Subordinated Debentures, the proceeds from such repayment or redemption would be applied to redeem a like amount of the Trust Preferred Securities, at the liquidation amount plus any accumulated and unpaid distributions. 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.

The Company also has an optional right to redeem the Junior Subordinated Debentures (i) 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.

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. 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 September 30, 2023 December 31, 2023, there are $25.6 million $32.7 million in Trust Preferred Securities outstanding.

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various risks, including interest rate risk. As interest rates have increased, are projected to may increase further and can be volatile, the Company has designated a risk management policy which permits the use of derivative instruments to provide protection against rising interest rates on variable rate debt. See Note 8 of Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Report on Form 10-Q for further discussion on the Company’s use of such derivative instruments.

Item 4. Controls and Procedures

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. 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 September 30, 2023 December 31, 2023. Based on that review and evaluation, which included inquiries made to certain other employees of the Company, the Certifying Officers have concluded that the Company’s current disclosure controls and procedures, as designed and implemented, are effective in ensuring 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. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions, regardless of how remote.

There has not been any change in the Company’s internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2023 December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

(a) (c) 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 in June 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. As of December 31, 2023, 871,093 shares may be repurchased pursuant to this program.

No shares were repurchased during the quarter ended September 30, 2023 December 31, 2023.

Item 5. Other information

(c) Insider Trading Arrangements

During the quarter ended September 30, 2023 December 31, 2023, none of our directors or officers (as defined in Section 16 of the Exchange Act), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

(a) Exhibits

No.	Description
10.1	F Securities Purchase ifth Amendm Aent 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 Form 8-K filed September 5, 2023 (Commission File No. 001-35476).
10.2	Sixth Amendment to Supplement #2 to Master Loan Agreement by and between Contrail Aviation Support, LLC and Old National Bank effective September 5, 2023 greement, incorporated by reference to Exhibit 10.2 10.1 to the Company's Current Company's Current Report on F Form 8-K o frm 8-K Filed September 5, 2023 (iled Commi November 28, 2023ssion (Commission File No. 001-25476) 001-25476).
10.322.1	At-the-Market-Offering Agreement, dated October 17, 2023, by List of Issuers and between Air T, Inc., Air T Funding and Ascendiant Capital Markets, LLC, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 18, 2023 (Commission File No. 001-35476). Guarantors
22.1	List of Issuers and Guarantors
31.1	Section 302 Certification of Chief Executive Officer and President
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 1350 Certifications
101	The following financial information from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 December 31, 2023, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Stockholders Equity, and (v) the Notes to the Condensed Consolidated Financial Statements.

* Portions of this exhibit have been omitted for confidential treatment.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIR T, INC.

Date: November 13, 2023 February 12, 2024

/s/ Nick Swenson

Nick Swenson, Chief Executive Officer and Director

/s/ Brian Ochocki

Brian Ochocki, Chief Financial Officer

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Exhibit 22.1

List of Issuers and Guarantors

The following consolidated subsidiaries of Air T, Inc. are issuer or guarantor of registered debentures trust preferred securities that bear interest at 8.00% percent and mature in 2049.

Entity	Role
Air T, Inc.	Guarantor
Air T Funding	Issuer

Exhibit 31.1
SECTION 302 CERTIFICATION

I, Nick Swenson, certify that:

1. I have reviewed this Form 10-Q of Air T, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (a) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: November 13, 2023 February 12, 2024

/s/ Nick Swenson

Nick Swenson
Chief Executive Officer

Exhibit 31.2
SECTION 302 CERTIFICATION

I, Brian Ochocki, certify that:

1. I have reviewed this Form 10-Q of Air T, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: November 13, 2023 February 12, 2024

/s/ Brian Ochocki

Brian Ochocki
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Air T, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2023 December 31, 2023 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), I, Nick Swenson, Chief Executive Officer, and Brian Ochocki, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 13, 2023 February 12, 2024

/s/ Nick Swenson
Nick Swenson, Chief Executive Officer
(Principal Executive Officer)

/s/ Brian Ochocki
Brian Ochocki, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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