AIR T INC
Form 10-K/A
October 13, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark one)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____to _____

Commission File Number 001-35476

Air T, Inc.

(Exact name of registrant as specified in its charter)

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

5930 Balsom Ridge Road, Denver, North Carolina 28037

(Address of principal executive offices, including zip code)

(828) 464 –8741

(Registrant's telephone number, including area code)

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

Title of Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.25 per share	The NASDAQ Stock Market
Preferred Stock Purchase Rights	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if smaller reporting company)	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

The aggregate market value of voting stock held by non-affiliates of the registrant based upon the closing price of the common stock on September 30, 2015 was approximately $29,370,000. As of May 31, 2016, 2,372,527 shares of common stock were outstanding.

Documents Incorporated By Reference

Portions of the Company’s definitive proxy statement for its 2016 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

Air T, Inc. (the "Company," "Air T," "we" or "us") is filing this amended Form 10-K/A ("Form 10-K/A") to amend its Annual Report on Form 10-K for the fiscal year ended March 31, 2016, originally filed with the Securities and Exchange Commission (the "SEC") on June 29, 2016 ("Original Filing"), to restate our audited consolidated financial statements and related footnote disclosures at March 31, 2016 and for the fiscal year ended March 31, 2016. The previously filed consolidated financial statements for those periods should no longer be relied upon. This Form 10-K/A also amends certain other items in the Original Filing, as listed in "Items Amended in this Form 10-K/A" below.

Restatement Background

As disclosed in the Original Filing, pursuant to a Securities Purchase Agreement dated as of October 2, 2015 (the "Securities Purchase Agreement") among the Company, Delphax Technologies Inc. ("Delphax") and its subsidiary, Delphax Technologies Canada Limited ("Delphax Canada"), on November 24, 2015 (the "Closing Date"), the Company purchased (i) at face value a $2,500,000 principal amount Five-Year Senior Subordinated Promissory Note (the "Senior Subordinated Note") issued by Delphax Canada for a combination of cash and the outstanding principal of $500,000 and accrued and unpaid interest under a 90-Day Senior Subordinated Note purchased at face value by the Company from Delphax Canada on October 2, 2015 pursuant to the Securities Purchase Agreement and (ii) for $1,050,000 in cash a total of 43,000 shares of Delphax's Series B Preferred Stock (the "Series B Preferred Stock") and a Stock Purchase Warrant (the "Warrant") to acquire an additional 95,600 shares of Series B Preferred Stock at a price of $33.4728 per share (subject to adjustment for specified dilutive events). As further disclosed in the Original Filing, each share of Series B Preferred Stock is convertible into 100 shares of common stock of Delphax, subject to anti-dilution adjustments, and has no liquidation preference over shares of common stock of Delphax. No dividends are required to be paid with respect to the shares of Series B Preferred Stock, except that ratable dividends (on an as-converted basis) are to be paid in the event that dividends are paid on the common stock of Delphax. Based on the number of shares of Delphax common stock outstanding at the Closing Date, the number of shares of common stock underlying the Series B Preferred Stock purchased by the Company represented approximately 38% of the shares of Delphax common stock that would be outstanding assuming conversion of Series B Preferred Stock held by the Company. Holders of the Series B Preferred Stock, voting as a separate class, were initially entitled to elect (and exercise rights of removal and replacement with respect to) three-sevenths of the board of directors of Delphax, and after June 1, 2016 the holders of the Series B Preferred Stock, voting as a separate class, were entitled to elect (and to exercise rights of removal and replacement with respect to) four-sevenths of the members of the board of directors of Delphax. The Warrant expires on November 24, 2021 and provides that in the event that dividends are paid on the common stock of Delphax, the holder of the Warrant is entitled to participate in such dividends on a ratable basis as if the Warrant had been fully exercised and the shares of Series B Preferred Stock acquired upon such exercise had been converted into shares of Delphax common stock.

The consolidated financial statements included in the Original Filing reflect the consolidation of Delphax with the Company and its subsidiaries from the Closing Date. Such consolidated financial statements also reflected an attribution of 62% of Delphax's loss for periods commencing as of the Closing Date to non-controlling interests in the determination of consolidated net income attributable to Air T, Inc. stockholders. Such attribution was based on the Company's ownership of the Series B Preferred Stock, which represented approximately 38% of the shares of Delphax common stock that would be outstanding assuming conversion of Series B Preferred Stock held by the Company.

We have concluded that it was not appropriate to base attribution solely on our ownership of the Series B Preferred Stock and that our attribution methodology should be based on consideration of all of Air T's investments in Delphax and Delphax Canada. As disclosed above, the Warrant provides that in the event that dividends are paid on the common stock of Delphax, the holder of the Warrant is entitled to participate in such dividends on a ratable basis as if the Warrant had been fully exercised and the shares of Series B Preferred Stock acquired upon such exercise had been converted into shares of Delphax common stock. This provision would have entitled Air T, Inc. to approximately 67% of any Delphax dividends paid, with the remaining 33% paid to the non-controlling interests. We concluded that this was a substantive distribution right which should be considered in the attribution of Delphax net income or loss to non-controlling interests. We furthermore concluded that our investment in the debt of Delphax should be considered in attribution. Specifically, Delphax's net losses are attributed first to our Series B Preferred Stock and Warrant investments and to the non-controlling interest (67% /33%) until such amounts are reduced to zero. Additional losses are then fully attributed to our debt investments until they too are reduced to zero. This sequencing reflects the relative priority of debt to equity. Any further losses are then attributed to Air T and the non-controlling interests based on the initial 67% / 33% share. Delphax net income is attributed using a backwards-tracing approach with respect to previous losses. The effect of interest expense arising under the Senior Subordinated Note and of other intercompany transactions are reflected in the attribution of Delphax net income or losses to non-controlling interests because Delphax is a variable interest entity.

As a result of the application of such methodology, for the fiscal year ended March 31, 2016 the attribution of Delphax losses to non-controlling interests should have been 33%.

In addition, we are also correcting an otherwise immaterial error associated with our elimination of intercompany interest charged by Air T, Inc. to Delphax Canada under the Senior Subordinated Note. We are also correcting an inadvertent transposition of the entries for the fiscal year ended March 31, 2016 for “proceeds from sale of property and equipment” and “capital expenditures” in the presentation of cash flows from investing activities on our Consolidated Statements of Cash Flows (which correction does not affect the reported amount of net cash used in investing activities for that period).

This Form 10-K/A is being filed to restate our audited consolidated financial statements at March 31, 2016 and for the fiscal year ended March 31, 2016 to so correct the treatment of Air T’s interests in Delphax with respect to the attribution of Delphax losses and the elimination of intercompany interest, to correct the transposition of entries on the Consolidated Statements of Cash Flow described above and to correct and expand related disclosures.

Restatement of Other Financial Statements

We are concurrently filing (i) an amendment to our Quarterly Report on Form 10-Q for the period ended December 31, 2015 (the “Q3 2016 Form 10-Q/A”) to similarly restate our unaudited condensed consolidated financial statements and related financial information at and for the three and nine months ended December 31, 2015 and to amend certain other items within that report, (ii) an amendment to our Quarterly Report on Form 10-Q for the period ended June 30, 2016 (the “Q1 2017 Form 10-Q/A”) to similarly restate our unaudited condensed consolidated financial statements and related financial information at June 30, 2016 and March 31, 2016 and for the three months ended June 30, 2016 and to amend certain other items within that report, (iii) an amendment to our Quarterly Report on Form 10-Q for the period ended September 30, 2016 (the “Q2 2017 Form 10-Q/A”) to similarly restate our unaudited condensed consolidated financial statements and related financial information at September 30, 2016 and March 31, 2016 and for the three and six months ended September 30, 2016 and to amend certain other items within that report, and (iv) an amendment to our Quarterly Report on Form 10-Q for the period ended December 31, 2016 (the “Q3 2017 Form 10-Q/A”) to similarly restate our unaudited condensed consolidated financial statements and related financial information at December 31, 2016 and March 31, 2016 and for the three and nine months ended December 31, 2016 and 2015 and to amend certain other items within that report.

Internal Control and Disclosure Controls Considerations

Our Chief Executive Officer and Chief Financial Officer have determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at March 31, 2016, with respect to procedures for the determination of the appropriate attribution of Delphax losses to non-controlling interests and with respect to our analysis of the applicable accounting guidance applicable to recognition of our investments in Delphax. Accordingly, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting and disclosure controls and procedures, as defined by SEC regulations, were not effective at March 31, 2016, as discussed in Part II, Item 9A of this Form 10-K/A.

Items Amended in this Form 10-K/A

For the convenience of the reader, this Form 10-K/A sets forth the Original Filing, in its entirety, as modified and superseded as necessary to reflect the restatement described above. The following items in the Original Filing have been amended as a result of, and to reflect, the restatement:

A. Part I, Item 1A. Risk Factors
B. Part II, Item 6. Selected Financial Data
C. Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
D. Part II, Item 8. Financial Statements and Supplementary Data
E. Part II, Item 9A. Controls and Procedures
F. Part IV, Item 15 Exhibits and Financial Statement Schedules

In accordance with applicable SEC rules, this Form 10-K/A includes new certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, from our Chief Executive Officer and Chief Financial Officer dated as of the filing date of this Form 10-K/A. In addition, Part III, Item 10 Directors, Executive Officers and Corporate Governance was updated to reflect that our proxy statement for our 2016 annual meeting of stockholders has been filed and the Exhibit Index has been appropriately updated.

AIR T, INC. AND SUBSIDIARIES

2016 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business* .

Air T, Inc. (the "Company," "Air T," "we" or "us") is a decentralized holding company with ownership interests in a broad set of operating and financial assets that are designed to expand, strengthen and diversify our cash earnings power. Our goal is to build on Air T's core businesses, to expand into adjacent industries, and when appropriate, to acquire companies that we believe fit into the Air T family.

We currently operate wholly owned subsidiaries in three core industry segments:

- overnight air cargo, comprised of our Mountain Air Cargo, Inc. ("MAC") and CSA Air, Inc. ("CSA") subsidiaries, which operates in the air express delivery services industry;
- ground equipment sales, comprised of our Global Ground Support, LLC ("GGS") subsidiary, which manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the military and industrial customers; and
- ground support services, comprised of our Global Aviation Services, LLC ("GAS") subsidiary, which provides ground support equipment maintenance and facilities maintenance services to domestic airlines and aviation service providers.

We recently added two other businesses, which are reported in separate segments. In October 2015, we formed a wholly owned equipment leasing subsidiary, Air T Global Leasing, LLC ("ATGL"), which comprises our leasing segment, and in November 2015 we acquired a minority interest in Delphax Technologies, Inc. ("Delphax"), a printing equipment manufacturer and maintenance provider, which comprises our printing equipment and maintenance segment.

For the fiscal year ended March 31, 2016, the overnight air cargo segment accounted for 46% of our consolidated revenues, the ground equipment sales segment accounted for 34% of our consolidated revenues, the ground support services segment accounted for 17% of consolidated revenues, while the leasing segment and printing equipment and maintenance segment accounted for less than 1% and 3%, respectively, of our consolidated revenues. Certain financial data with respect to the Company's segments and geographic areas are set forth in Notes 20 and 21 of Notes to Consolidated Financial Statements included under Part II, Item 8 of this report.

Air T was incorporated under the laws of the State of Delaware in 1980. The principal place of business of Air T, MAC and ATGL is 3524 Airport Road, Maiden, North Carolina; the principal place of business of CSA is Iron Mountain, Michigan, the principal place of business for GGS is Olathe, Kansas, the principal place of business for GAS is Eagan, Minnesota and the principal place of business of Delphax is Minneapolis, Minnesota. We maintain an Internet website at http://www.airt.net and our SEC filings may be accessed through links on our website.

Overnight Air Cargo.

MAC and CSA are two of seven companies in the U.S. that have North American feeder airlines under contract with FedEx. With a relationship with FedEx spanning over 35 years, MAC and CSA operate and maintain Cessna Caravan, ATR-42 and ATR-72 aircraft that fly daily small-package cargo routes throughout the eastern United States, upper Midwest and the Caribbean. MAC and CSA’s revenues are derived principally pursuant to “dry-lease” service contracts with FedEx. On June 1, 2015, MAC and CSA entered into new dry-lease agreements with FedEx which together cover all of the revenue aircraft operated by MAC and CSA and replace all prior dry-lease service contracts. These dry-lease agreements provide for the lease of specified aircraft by MAC and CSA in return for the payment of monthly rent with respect to each aircraft leased, which monthly rent was increased from the prior dry-lease service contracts to reflect an estimate of a fair market rental rate. These new dry-lease agreements provide that FedEx determines the type of aircraft and schedule of routes to be flown by MAC and CSA, with all other operational decisions made by MAC and CSA, respectively. The new dry-lease agreements provide for the reimbursement by FedEx of MAC and CSA’s costs, without mark up, incurred in connection with the operation of the leased aircraft for the following: fuel, landing fees, third-party maintenance, parts and certain other direct operating costs. Unlike prior dry-lease contracts, under the new dry-lease agreements, certain operational costs incurred by MAC and CSA in operating the aircraft are not reimbursed by FedEx at cost, and such operational costs are borne solely by MAC and CSA. Under the new dry-lease agreements, MAC and CSA are required to perform maintenance of the leased aircraft in return for a maintenance fee based upon an hourly maintenance labor rate, which has been increased from the rate in place under the prior dry-lease service contracts. Under prior dry-lease service contracts, the hourly maintenance labor rate had not been adjusted since 2008. The new dry-lease agreements provide for the payment by FedEx to MAC and CSA of a monthly administrative fee based on the number and type of aircraft leased and routes operated. The amount of the monthly administrative fee under the new dry-lease agreements is greater than under the prior dry-lease service contracts with FedEx, in part to reflect the greater monthly lease payment per aircraft and the fact that certain operational costs borne by MAC and CSA are not reimbursed. The amount of the administrative fee is subject to adjustment based on the number of aircraft operated, routes flown and whether aircraft are considered to be soft-parked.

The new dry-lease agreements would expire, unless renewed, on May 31, 2020. The new dry-lease agreements may be terminated by FedEx or MAC and CSA, respectively, at any time upon 90 days' written notice and FedEx may at any time terminate the lease of any particular aircraft thereunder upon 10 days' written notice. In addition, each of the dry-lease agreements provides that FedEx may terminate the agreement upon written notice if 60% or more of MAC or CSA's revenue (excluding revenues arising from reimbursement payments under the dry-lease agreement) is derived from the services performed by it pursuant to the respective dry-lease agreement, FedEx becomes MAC or CSA's only customer, or MAC or CSA employs less than six employees. As of the date of this report, FedEx would have been permitted to terminate each of the dry-lease agreements under this provision. The Company believes that the short-term nature of its agreements with FedEx is standard within the airfreight contract delivery service industry, where performance is measured on a daily basis.

Under the dry-lease service contracts in place during the fiscal years ended March 31, 2015 and 2014 and the first two months of the fiscal year ended March 31, 2016, FedEx leased its aircraft to MAC and CSA for a nominal amount and paid a monthly administrative fee to MAC and CSA to operate the aircraft. Under these contracts, all direct costs related to the operation of the aircraft (including fuel, outside maintenance, landing fees and pilot costs) were passed through to FedEx without markup.

As of March 31, 2016, MAC and CSA had an aggregate of 78 aircraft under the dry-lease agreements with FedEx. Included within the 78 aircraft are 3 Cessna Caravan aircraft that are considered soft-parked. Soft-parked aircraft remain covered under MAC and CSA's agreements with FedEx although at a reduced administrative fee compared to aircraft that are in operation. MAC and CSA continue to perform maintenance on soft-parked aircraft, but they are not crewed and MAC and CSA do not operate soft-parked aircraft on scheduled routes.

Revenues from MAC and CSA's contracts with FedEx accounted for approximately 46% and 45% of the Company's consolidated revenue for the fiscal years ended March 31, 2016 and 2015, respectively. The loss of FedEx as a customer would have a material adverse effect on the Company. FedEx has been a customer of the Company since 1980. MAC and CSA are not contractually precluded from providing services to other parties and MAC occasionally provides third-party maintenance services to other airline customers and the U.S. military.

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

MAC and CSA, together, operated the following FedEx-owned cargo aircraft as of March 31, 2016:

Type of Aircraft	Model Year	Form of Ownership	Number of Aircraft
Cessna Caravan 208B (single turbo prop)	1985-2012	Dry lease	61
ATR-42 (twin turbo prop)	1992	Dry lease	9
ATR-72 (twin turbo prop)	1992	Dry lease	8
			78

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

The ATR-42 and ATR-72 aircraft are maintained under a FAA Part 121 maintenance program. The program consists of A and C service checks as well as calendar checks ranging from weekly to 12 years in duration. The engine overhaul period is “on condition”.

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

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

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

Ground Equipment Sales.

GGS is located in Olathe, Kansas and manufactures, sells and services aircraft deicers and other specialized equipment sold to domestic and international passenger and cargo airlines, ground handling companies, the United States Air Force (“USAF”), airports and industrial customers. GGS’s product line includes aircraft deicers, scissor-type lifts, military and civilian decontamination units, flight-line tow tractors, glycol recovery vehicles and other specialized equipment. In the fiscal year ended March 31, 2016, sales of deicing equipment accounted for approximately 82% of GGS’s revenues, compared to 72% in the prior fiscal year.

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

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

GGS competes primarily on the basis of the quality and reliability of its products, prompt delivery, service and price. The market for aviation ground service equipment is highly competitive and directly related to the financial health of the aviation industry, weather patterns and changes in technology.

GGS’s mobile deicing equipment business has historically been seasonal, with revenues typically being lower in the fourth and first fiscal quarters as commercial deicers are typically delivered prior to the winter season. The Company has continued its efforts to reduce GGS's seasonal fluctuation in revenues and earnings by broadening its international and domestic customer base and its product line. In July 2009, GGS was awarded a new contract to supply deicing trucks to the USAF, which expired in July 2014. On May 15, 2014, GGS was awarded a new contract to supply deicing trucks to the USAF. The initial contract award is for two years through July 13, 2016 with four additional one-year extension options that may be exercised by the USAF. The value of the contract, as well as the number of units to be delivered, depends upon annual requirements and available funding to the USAF.

Although GGS has retained the USAF deicer contract, GGS sold no deicer units to the USAF under this contract during fiscal year ended March 31, 2016. As a result, GGS revenues and operating income have resumed their seasonal pattern. At March 31, 2016, GGS had received an order for the pre-production unit for the GL1800 model deicer under this contract, and that unit is included in backlog with completion scheduled during the first quarter of fiscal 2017. Delivery and acceptance of the pre-production unit is typically required by the USAF before further orders are submitted.

In September 2010, GGS was awarded a contract to supply flight-line tow tractors to the USAF. The contract award was for one year commencing September 28, 2010 with four additional one-year extension options that may be exercised by the USAF. All option periods under the contract have been exercised and the contract expired in September 2015. For the year ended March 31, 2016, GGS revenues included $708,000 of flight-line tow tractor sales to the USAF under this contract ($2,883,000 for the year ended March 31, 2015).

Because the USAF is not obligated to purchase a set or minimum number of units under these contracts, the value of these contracts, as well as the number of units to be delivered, depends upon the USAF's requirements and available funding. GGS's revenue from sales to the USAF, including under these contracts and for parts for units sold under prior contracts, accounted for approximately 3% and 14% of the segment's consolidated revenue for the fiscal years ended March 31, 2016 and 2015, respectively.

Ground Support Services.

GAS, which was started by the Company in September 2007, provides aircraft ground support equipment, fleet, and facility maintenance services. At March 31, 2016, GAS was providing ground support equipment, fleet, and facility maintenance services to more than 75 customers at 67 North American airports.

Approximately 33% and 36%, respectively, of GAS's revenues in the fiscal years ended March 31, 2016 and 2015, were derived from services under contract with LSG SkyChefs. The LSG SkyChefs contract extends to August 31, 2018, and includes a 30-day termination clause for either party. In addition, approximately 15% of GAS's revenues in each of the fiscal years ended March 31, 2016 and 2015, were derived from services under contract with Delta Airlines.

GAS competes primarily on the basis of the quality, reliability and pricing of its services. The market for ground support equipment and airport facility maintenance services is highly competitive and directly related to the financial health of the aviation industry. GAS's maintenance service business is not materially seasonal.

Printing Equipment and Maintenance.

On November 24, 2015, the Company purchased (i) at face value a $2,500,000 principal amount Five-Year Senior Subordinated Promissory Note (the "Senior Subordinated Note") issued by Delphax's Canadian subsidiary for a combination of cash and the surrender of outstanding principal of $500,000 and accrued and unpaid interest thereunder, and cancellation of, a 90-Day Senior Subordinated Note purchased at face value by the Company from that Delphax subsidiary on October 2, 2015 and (ii) for $1,050,000 in cash a total of 43,000 shares (the "Shares") of Delphax's Series B Preferred Stock (the "Series B Preferred Stock") and a Stock Purchase Warrant (the "Warrant") to acquire an additional 95,600 shares of Series B Preferred Stock at a price of $33.4728 per share (subject to adjustment for specified dilutive events). Each share of Series B Preferred Stock is convertible into 100 shares of common stock of Delphax, subject to anti-dilution adjustments. Based on the number of shares of Delphax common stock outstanding and reserved for issuance under Delphax's employee stock option plans, at March 31, 2016 the number of shares of common stock underlying the Shares represent approximately 38% of the shares of Delphax common stock that would be outstanding assuming conversion of the Shares and approximately 31% of the outstanding shares assuming conversion of the Shares and the issuance of all the shares of Delphax common stock reserved for issuance under Delphax's employee stock option plans. Under the agreement that provided for the Company's purchase of these interests, on November 24, 2015 three designees of the Company (including Nick Swenson, the Company's President, Chief Executive Officer and Chairman, and Michael Moore, the President of our GGS subsidiary) were elected to the board of directors of Delphax, which had a total of seven members following their election. Pursuant to the terms of the Series B Preferred Stock, for so long as amounts are owed to Air T under the Senior Subordinated Note or we continue to hold a specified number of the Shares and interests in the Warrant holders of the Series B Preferred Stock, voting as a separate class, the Company would be entitled to elect, after June 1, 2016, four-sevenths of the members of the board of directors of Delphax and, without the written consent or waiver of the Company, Delphax may not enter into specified corporate transactions. As a result of these transactions, we determined that, even though Delphax was not a subsidiary of the Company, we had obtained control over Delphax in conjunction with the acquisition of the interests described above, and we have consolidated the relevant financial information of Delphax in Air T's consolidated financial statements beginning on November 24, 2015. Delphax's revenues from the date of our investments through March 31, 2016 were approximately $3,955,000.

Delphax designs, manufactures and sells advanced digital print production equipment (including high-speed, high-volume cut-sheet and continuous roll-fed printers), maintenance contracts, spare parts, supplies and consumable items for these systems. The equipment is sold through Delphax and its subsidiaries located in Canada, the United Kingdom and France. A significant portion of Delphax's net sales has historically been related to service and support provided after the sale, including the sale of consumable items for installed printing systems. Historically, Delphax has had a significant presence in the check production marketplace in North America, Europe, Latin America, Asia and the Middle East. Delphax's primary manufacturing facility, operated by its Canadian subsidiary, is located in Mississauga, Ontario. Delphax's common stock is traded on the over-the-counter market under the symbol "DLPX."

Our investments in Delphax were intended to support the commercial rollout and manufacturing costs of the new Delphax elan™ 500 digital color print system, which combines advances in inkjet and paper-handling technologies in a production class sheet-fed system offering full CMYK color and 1600 dpi print quality at speeds of up to 500 letter impressions per minute. Delphax's legacy consumables production business was expected to generate cash flow while Delphax rolled-out its next generation élan commercial inkjet printer. In April 2016, Delphax received notice from its largest (approximately 50% of legacy revenues) customer that it planned to reduce its order volume by approximately 90%; and phase out its use of the legacy Delphax printers within eighteen months. Accordingly, Delphax is reviewing its fiscal year 2016 operating plan and has engaged an experienced turn-around consultant — the Platinum Group — to assist it in developing a go-forward plan. The decline in order volumes from its largest customer is expected to significantly impact Delphax's results for the quarter ending June 30, 2016.

On April 4, 2016, ATGL purchased two elan™ 500 printers from Delphax for $650,000 for lease to a third party. One of those acquired printers was subject to an existing lease to a third party which has been assigned to ATGL.

Leasing .

We organized ATGL on October 6, 2015. ATGL provides funding for equipment leasing transactions, which may include transactions for the leasing of equipment manufactured by GGS and Delphax and transactions initiated by third parties unrelated to equipment manufactured by us. For the fiscal year ended March 31, 2016, ATGL contributed $20,000 to our consolidated revenues.

Backlog.

GGS's backlog consists of "firm" orders supported by customer purchase orders for the equipment sold by GGS. At March 31, 2016, GGS's backlog of orders was $10.0 million, all of which GGS expects to be filled in the fiscal year ending March 31, 2017. At March 31, 2015, GGS's backlog of orders was $2.8 million. In addition, at March 31, 2016, Delphax's backlog of "firm" orders supported by customer purchase orders for the equipment, goods and services that it sells was $0.8 million, all of which it expects to fill by March 31, 2017.

Governmental Regulation.

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

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

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

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

In September 2010, the FAA proposed rules that would significantly reduce the maximum number of hours on duty and increase the minimum amount of rest time for our pilots, and thus require us to hire additional pilots and modify certain of our aircraft. When the FAA issued final regulations in December 2011, all-cargo carriers, including MAC and CSA, were exempt from these new pilot fatigue requirements, and instead were required to continue complying with previously enacted flight and duty time rules. In December 2012, the FAA reaffirmed the exclusion of all cargo carriers from the new rule. It is reasonably possible, however, that future security or flight safety requirements could impose material costs on us.

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

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

Maintenance and Insurance.

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

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

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

In March 2014, the Company formed Space Age Insurance Company ("SAIC"), a captive insurance company licensed in Utah. SAIC insures risks of the Company and its subsidiaries that were not previously insured by the various Company insurance programs (including the risk of loss of key customers and contacts, administrative actions and regulatory changes); and underwrites third-party risk through certain reinsurance arrangements. The activities of SAIC are included within the corporate results in the accompanying consolidated financial statements.

Employees.

At March 31, 2016, the Company and its subsidiaries had approximately 600 full-time and full-time-equivalent employees. This does not include employees of Delphax, which is not a subsidiary of the Company. None of the employees of the Company or any of its subsidiaries are represented by labor unions. The Company believes its relations with its employees are good.

Item 1A. *Risk Factors. (As Amended)*

The following risk factors, as well as other information included in this Annual Report on Form 10-K, should be considered by investors in connection with any investment in the Company's common stock. As used in this Item, the terms "we," "us" and "our" refer to the Company and its subsidiaries.

Risks Related to Our Dependence on Significant Customers

We are significantly dependent on our contractual relationship with FedEx Corporation, the loss of which would have a material adverse effect on our business, results of operations and financial position.

In the fiscal year ended March 31, 2016, 46% of our consolidated operating revenues, and 100% of the operating revenues for our overnight air cargo segment, arose from services we provided to FedEx. Our current agreements may be terminated by FedEx upon 90 days' written notice and FedEx may at any time terminate the lease of any particular aircraft thereunder upon 10 days' written notice. In addition, FedEx may terminate the dry-lease agreement with MAC or CSA upon written notice if 60% or more of MAC or CSA's revenue (excluding revenues arising from reimbursement payments under the dry-lease agreement) is derived from the services performed by it pursuant to the respective dry-lease agreement, FedEx becomes its only customer, or it employs less than six employees. As of the date of this report, FedEx would have been permitted to terminate each of the new dry-lease agreements under this provision. FedEx has been a customer of the Company since 1980. The loss of these contracts with FedEx would have a material adverse effect on our business, results of operations and financial position.

Recent changes in our agreements with FedEx subject us to greater operating risks.

On June 1, 2015, MAC and CSA entered into new dry-lease agreements with FedEx with terms different from our prior dry-lease service contracts. The new dry-lease agreements provide for the lease of specified aircraft by us in return for the payment of monthly rent with respect to each aircraft leased, which monthly rent was increased from the prior dry-lease service contracts to reflect an estimate of a fair market rental rate. The new dry-lease agreements provide for the reimbursement by FedEx of our costs, without mark up, incurred in connection with the operation of the leased aircraft for the following: fuel, landing fees, third-party maintenance, parts and certain other direct operating costs. Unlike the prior dry-lease contracts, under the new dry-lease agreements, certain operational costs incurred by us in operating the aircraft are not reimbursed by FedEx at cost, and such operational costs are to be borne solely by us. The new dry-lease agreements provide for the payment by FedEx to us of a monthly administrative fee based on the number and type of aircraft leased and routes operated. The amount of the monthly administrative fee under the new dry-lease agreements is greater than under the prior dry-lease service contracts with FedEx, in part to reflect the greater monthly lease payment per aircraft and that certain operational costs are to be borne by MAC and CSA and not reimbursed. Accordingly, as a result in the change in our arrangements with FedEx as reflected in the new dry-lease agreements, we are subject to the risk of rising operational costs that are no longer reimbursed to us at cost and may be in excess of the allocable portion of the increased administrative fee, which could adversely affect results of operations.

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

Because of our dependence on FedEx, we are subject to the risks that may affect FedEx's operations. These risks are discussed in "Management's Discussion and Analysis of Results of Operations and Financial Condition—Risk Factors" in FedEx Corporation's Annual Report on Form 10-K for the fiscal year ended May 31, 2015. These risks include but are not limited to the following:

Economic conditions in the global markets in which it operates;

Dependence on its strong reputation and value of its brand;

Potential disruption to the Internet and FedEx's technology infrastructure, including customer websites;

The price and availability of fuel;

Its ability to manage its assets, including aircraft, to match shifting and future shipping volumes;

Intense competition from other providers of transportation and business services;

Its ability to make prudent strategic acquisitions and realize the expected benefits;

Its ability to maintain good relationships with its employees and prevent attempts by labor organizations to organize groups of its employees;

The continued classification of owner-operators in its ground delivery business as independent contractors rather than as employees;

Its ability to execute on its business realignment program to improve profitability;

The impact of terrorist activities including the imposition of stricter governmental security requirements;

Regulatory actions affecting global aviation rights or a failure to obtain or maintain aviation rights in important international markets;

Global climate change or legal, regulatory or market responses to such change;

Localized natural or man-made disasters in key locations, including its Memphis, Tennessee super-hub;

Disruptions or modifications in service by the United States Postal Service, a significant customer and vendor of FedEx; and

Widespread outbreak of an illness or other communicable disease or any other public health crisis.

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

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

Our ground support services segment has been dependent upon the revenues from two significant customers, the loss of which could materially impact the segment's results.

In the fiscal year ended March 31, 2016, approximately 48% of GAS's revenues were derived from services under contracts with two customers. The loss of these customers, or a major decline in business activity with these customers, could materially adversely impact the results of the segment.

Other Business Risks

Unless Delphax obtains access to adequate sources of liquidity, it may be unable to adequately fund its operations or pay its debts as they come due and we may be unable to fully recover our investments in Delphax.

As of March 31, 2016, Delphax maintained a debt facility consisting of a $7.0 million revolving senior secured credit facility, subject to a borrowing base of North American accounts receivable and inventory. Neither Air T nor any of its subsidiaries is a guarantor of Delphax's obligations under its senior credit facility. The Delphax senior credit facility is secured by substantially all of its North American assets, expires in November 2018, prohibits payment of cash dividends by Delphax and is subject to certain financial covenants. As of March 31, 2016, Delphax had aggregate borrowings of $1,833,000 outstanding under its senior credit facility, with a borrowing base that would have permitted additional borrowings of approximately $800,000. Delphax has advised that at March 31, 2016 it was not in compliance with financial covenants under the agreement governing its senior credit facility. Due to Delphax's non-compliance with financial covenants, the lender has the contractual right to cease permitting borrowings under the facility and to declare all amounts outstanding under the senior credit facility due and payable immediately. As of the date of this report the lender has neither made such declaration, nor waived its right to do so and Delphax has continued to make borrowings under the senior credit facility. As of the date of this report, Delphax has not regained compliance with these financial covenants. In the event that Delphax is denied access to additional borrowings under the senior credit facility, unless it obtains access to other adequate sources of liquidity, which may include cash from operations, Delphax may be unable to adequately fund its operations or pay its debts as they come due. Delphax has recently implemented cost-savings initiatives, including employee furloughs, to minimize ongoing cash needs.

In addition to the Shares of Delphax's Series B Preferred Stock and the Warrant to acquire additional shares of Series B Preferred Stock, our investments in Delphax include a $2,500,000 Senior Subordinated Note issued by Delphax's Canadian operating subsidiary and guaranteed by Delphax. An event of default will exist under the Senior Subordinated Note if Delphax's non-compliance with financial covenants under its senior credit facility is not waived by its senior lender. Under the terms of a subordination agreement with the senior lender under Delphax's revolving senior secured credit facility entered into at the time we made our investments in Delphax, our rights with respect to payment under and enforcement of the Senior Subordinated Note and enforcement of our related security interests are subordinated to the rights of the senior lender. Accordingly, in the event of a default under the Senior Subordinated Note, we may be limited in the actions we may take to enforce the Senior Subordinated Note or related security interests and we may be unable to collect in full on the Senior Subordinated Note or fully recover our other investments in Delphax.

Our revenues for aircraft maintenance services fluctuate based on the heavy maintenance check schedule, which is based on aircraft usage, for aircraft flown by our overnight air cargo operations.

The maintenance revenues of our overnight air cargo segment are affected based on the level of heavy maintenance checks performed on aircraft operated by our overnight air cargo operations which is affected by the level of usage of the aircraft. Accordingly, the maintenance revenues of our overnight air cargo segment fluctuate from period to period. In addition, if the number of aircraft operated for FedEx were to decrease, we would likely experience fewer maintenance hours and consequently, less maintenance revenue.

Incidents or accidents involving products and services that we sell may result in liability or otherwise adversely affect our operating results for a period.

Incidents or accidents may occur involving the products and services that we sell. While we maintain products liability and other insurance in amounts we believe are customary and appropriate, and may have rights to pursue subcontractors in the event that we have any liability in connection with accidents involving products that we sell, it is possible that in the event of multiple accidents the amount of our insurance coverage would not be adequate.

The suspension or revocation of FAA certifications could have a material adverse effect on our business, results of operations and financial condition.

Our overnight air cargo operations are subject to regulations of the FAA. The FAA can suspend or revoke the authority of air carriers or their licensed personnel for failure to comply with its regulations and can ground aircraft if questions arise concerning airworthiness. The FAA also has power to suspend or revoke for cause the certificates it issues and to institute proceedings for imposition and collection of fines for violation of federal aviation regulations. Our overnight air cargo subsidiaries, MAC and CSA, operate under separate FAA certifications. Although it is possible that, in the event that the certification of one of our subsidiaries was suspended or revoked, flights operated by that subsidiary could be transferred to the other subsidiary, we can offer no assurance that we would be able to transfer flight operations in that manner. Accordingly, the suspension or revocation of any one of these certifications could have a material adverse effect on our business, results of operations and financial position.

Sales of deicing equipment can be affected by weather conditions.

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

Our results of operations may be affected by the value of securities we hold for investment and we may be unable to liquidate our investments in a timely manner at full value.

We invest a significant portion of our capital not needed for operations in marketable securities, including equity securities of publicly traded companies. At March 31, 2016, the fair value of these marketable securities was approximately $9.7 million, of which $4.7 million represents the fair value of shares of common stock of Insignia Systems, Inc. Our results of operations may be affected by gains or losses recognized upon the sale of these investments or by losses recognized upon the determination that any such investment has become impaired or suffered an other than temporary impairment. At March 31, 2016, we had gross unrealized gains associated with marketable securities aggregating $422,000 and gross unrealized losses aggregating $557,000. In addition, from time to time we may hold positions in marketable securities that under then-current market conditions we may be unable to liquidate in a timely manner at full value. For example, at May 31, 2016, we held approximately 1.65 million shares of common stock of Insignia Systems, Inc., representing approximately 14.25% of the outstanding shares and approximately 225 times the average daily trading volume for such shares for the preceding three months. In the event that we are unable to liquidate an investment at full value our gain from the sale of that investment may be reduced or our loss from the sale of that investment may be increased.

Our business may be adversely affected by information technology disruptions.

Our business may be impacted by information technology disruptions, including information technology attacks. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). Although we have adopted certain measures to mitigate potential risks to our systems from information technology-related disruptions, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business could be materially adversely affected by numerous other risks, including rising healthcare costs, changes in environmental laws and other unforeseen business interruptions.

Our business may be negatively impacted by numerous other risks. For example, medical and healthcare costs may continue to increase. Initiatives to address these costs, such as consumer driven health plan packages, may not successfully reduce these expenses as needed. Failure to offer competitive employee benefits may result in our inability to recruit or maintain key employees. Additional risks to our business include global or local events which could significantly disrupt our operations. Terrorist attacks, natural disasters and electrical grid disruptions and outages are some of the unforeseen risks that could negatively affect our business, financial condition, results of operations and cash flows.

We have identified material weaknesses related to our internal controls and there can be no assurance that material weaknesses will not be identified in the future.

As described elsewhere in Part II, Item 9A of this report, we have identified material weaknesses with respect to our accounting for our investments in Delphax which existed at March 31, 2016. As a result of an error in the accounting for the attribution of net loss of Delphax attributable to non-controlling interests, we restated our consolidated financial statements at and for the fiscal year ended March 31, 2016, and the selected quarterly financial data for the final two quarters in the fiscal year then ended, as well as our condensed consolidated financial statements for the three and nine months ended December 31, 2015, the three months ended June 30, 2016, the three and six months ended September 30, 2016 and the three and nine months ended December 31, 2016 and selected consolidated balance sheet data at December 31, 2015, March 31, 2016, June 30, 2016, September 30, 2016 and December 31, 2016.

Risks Related to Ownership of Our Common Stock

Various provisions and laws could delay or prevent a change of control.

Certain provisions of our certificate of incorporation and bylaws, our stockholder rights plan and provisions of Delaware corporation law could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our certificate of incorporation and bylaws, among other things regulate how shareholders may present proposals or nominate directors for election at shareholders’ meetings and authorize our board of directors to issue preferred stock in one or more series, without shareholder approval. Our stockholder rights plan also makes an acquisition of a controlling interest in the Company in a transaction not approved by our board of directors more difficult.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

Since 1979 the Company has leased the Little Mountain Airport in Maiden, North Carolina from a corporation whose stock is owned in part by former officers and directors of the Company and an estate of which certain former directors are beneficiaries. The facility consists of approximately 68 acres with one 3,000 foot paved runway, approximately 20,000 square feet of hangar space and approximately 12,300 square feet of office space. The operations of Air T, MAC and ATGL are headquartered at this facility. The lease for this facility provides for monthly rent of $14,862 and expires on January 31, 2018, though the lease may be renewed by us for three additional two-year option periods through January 31, 2024. The lease agreement provides that the Company shall be responsible for maintenance of the leased facilities and for utilities, taxes and insurance.

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

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

GGS leases an 112,500 square foot production facility in Olathe, Kansas. The facility is leased from a third party under a lease agreement, which expires in August 2019.

As of March 31, 2016, the Company leased hangar, maintenance and office space from third parties at a variety of other locations, at prevailing market terms. The table of aircraft presented in Item 1 lists the aircraft operated by the Company's subsidiaries and the form of ownership.

Delphax's Canadian subsidiary leases a 76,734 square foot manufacturing facility in Mississauga, Ontario under a lease which expires on August 31, 2018.

Item 3. *Legal Proceedings.*

The Company and its subsidiaries are subject to legal proceedings and claims that arise in the ordinary course of their business.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II

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

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

As of March 31, 2016, the number of holders of record of the Company's Common Stock was 183. The range of high and low sales price per share for the Company's common stock on the NASDAQ Stock Market from April 1, 2015 through March 31, 2016 is as follows:

	Fiscal Year Ended March 31,			
	2016		2015	
	High	Low	High	Low
First Quarter	$24.93	$16.38	$13.30	$11.34
Second Quarter	28.00	17.21	13.22	10.68
Third Quarter	26.10	16.49	27.34	12.17
Fourth Quarter	26.62	18.70	26.14	16.91

The Company’s Board of Directors in May 2014 adopted a policy to discontinue the payment of a regularly scheduled annual cash dividend.

On May 14, 2014, the Company announced that its Board of Directors had authorized a program to repurchase up to 750,000 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. No shares were purchased pursuant to this authorization during the fiscal year ended March 31, 2016.

Item 6. *Selected Financial Data. (As Restated)*

(In thousands, except per share amounts)

	Year Ended March 31,					
	2016 (As Restated)*	2015	2014	2013	2012	2011
Statements of Operations Data:						
Operating revenues	$148,212	$112,181	$100,772	$103,064	$89,382	$83,362
Net income[1]	4,414	2,484	1,467	1,670	1,350	2,138
Basic earnings per share[1]	1.86	1.05	0.61	0.68	0.55	0.88
Diluted earnings per share[1]	1.84	1.04	0.60	0.68	0.55	0.87
Dividend declared per share	-	-	0.30	0.25	0.25	0.33
Balance sheet data (at period end):						
Total assets	52,155	43,456	37,221	36,055	35,083	34,221
Long-term debt	5	5,000	-	-	-	8
Stockholders' equity[1]	34,231	29,795	27,360	28,124	27,053	26,241

[1] For 2016, amount disclosed is that amount attributable to Air T, Inc. stockholders.

* Selected financial data for 2016 has been restated to correct certain misstatements. See Note 1A of Notes to Consolidated Financial Statements, included in Part I, Item 8 of this Form 10-K/A, for information about the restatement.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations. (As restated)*

As discussed in the Explanatory Note in this Form 10-K/A and in Note 1A of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K/A, we are restating our consolidated financial statements and related disclosures at and for the fiscal year ended March 31, 2016. The following discussion and analysis of our financial condition and results of operations incorporates the restated amounts.

Overview

Air T, Inc. (the "Company," "Air T," "we" or "us") is a decentralized holding company with ownership interests in a broad set of operating and financial assets that are designed to expand, strengthen and diversify our cash earnings power. Our goal is to build on Air T's core businesses, to expand into adjacent industries, and when appropriate, to acquire companies that we believe fit into the Air T family.

We currently operate wholly owned subsidiaries in three core industry segments:

- overnight air cargo, comprised of our Mountain Air Cargo, Inc. ("MAC") and CSA Air, Inc. ("CSA") subsidiaries, which operates in the air express delivery services industry;
- ground equipment sales, comprised of our Global Ground Support, LLC ("GGS") subsidiary, which manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the military and industrial customers; and
- ground support services, comprised of our Global Aviation Services, LLC ("GAS") subsidiary, which provides ground support equipment maintenance and facilities maintenance services to domestic airlines and aviation service providers.

We recently added two other businesses, which are reported in separate segments. In October 2015, we formed a wholly owned equipment leasing subsidiary, Air T Global Leasing, LLC ("ATGL"), which comprises our leasing segment, and in November 2015 we acquired a minority interest in Delphax Technologies Inc. ("Delphax"), a printing equipment manufacturer and maintenance provider, which comprises our printing equipment and maintenance segment.

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.

Following is a table detailing revenues by segment and by major customer category:

(Dollars in thousands)

	Year Ended March 31,			
	2016		2015	
Overnight Air Cargo Segment:				
FedEx	$68,227	46 %	$49,865	45 %
Ground Equipment Sales Segment:				
Military	1,639	1 %	6,016	5 %
Commercial - Domestic	43,536	29 %	27,216	24 %
Commercial - International	6,000	4 %	8,538	8 %
	51,175	34 %	41,770	37 %
Ground Support Services Segment	24,835	17 %	20,546	18 %
Printing Equipment and Maintenance				
Domestic	2,753	2 %	-	0 %
International	1,202	1 %	-	0 %
	3,955	3 %	-	0 %
Leasing	20	0 %	-	0 %
	$148,212	100%	$112,181	100%

MAC and CSA are two of seven companies in the U.S. that have North American feeder airlines under contract with FedEx. With a relationship with FedEx spanning over 35 years, MAC and CSA operate and maintain Cessna Caravan, ATR-42 and ATR-72 aircraft that fly daily small-package cargo routes throughout the eastern United States, upper Midwest and the Caribbean. MAC and CSA's revenues are derived principally pursuant to "dry-lease" service contracts with FedEx.

On June 1, 2015, MAC and CSA entered into new dry-lease agreements with FedEx which together cover all of the revenue aircraft operated by MAC and CSA and replace all prior dry-lease service contracts. These dry-lease agreements provide for the lease of specified aircraft by MAC and CSA in return for the payment of monthly rent with respect to each aircraft leased, which monthly rent was increased from the prior dry-lease service contracts to reflect an estimate of a fair market rental rate. These new dry-lease agreements provide that FedEx determines the type of aircraft and schedule of routes to be flown by MAC and CSA, with all other operational decisions made by MAC and CSA, respectively. The new dry-lease agreements provide for the reimbursement by FedEx of MAC and CSA's costs, without mark up, incurred in connection with the operation of the leased aircraft for the following: fuel, landing fees, third-party maintenance, parts and certain other direct operating costs. Unlike prior dry-lease contracts, under the new dry-lease agreements, certain operational costs incurred by MAC and CSA in operating the aircraft under the new dry-lease agreements are not reimbursed by FedEx at cost, and such operational costs are borne solely by MAC and CSA. Under the new dry-lease agreements, MAC and CSA are required to perform maintenance of the leased aircraft in return for a maintenance fee based upon an hourly maintenance labor rate, which has been increased from the rate in place under the prior dry-lease service contracts. Under prior dry-lease service contracts, the hourly maintenance labor rate had not been adjusted since 2008. The new dry-lease agreements provide for the payment by FedEx to MAC and CSA of a monthly administrative fee based on the number and type of aircraft leased and routes operated. The amount of the monthly administrative fee under the new dry-lease agreements is greater than under the prior dry-lease service contracts with FedEx, in part to reflect the greater monthly lease payment per aircraft and that certain operational costs are borne by MAC and CSA and not reimbursed. The amount of the administrative fee is subject to adjustment based on the number of aircraft operated, routes flown and whether aircraft are considered to be soft-parked.

On June 1, 2016, the new dry-lease agreements were amended to extend the expiration date to May 31, 2020. The new dry-lease agreements may be terminated by FedEx or MAC and CSA, respectively, at any time upon 90 days' written notice and FedEx may at any time terminate the lease of any particular aircraft thereunder upon 10 days' written notice. In addition, each of the dry-lease agreements provides that FedEx may terminate the agreement upon written notice if 60% or more of MAC or CSA's revenue (excluding revenues arising from reimbursement payments under the dry-lease agreement) is derived from the services performed by it pursuant to the respective dry-lease agreement, FedEx becomes MAC or CSA's only customer, or MAC or CSA employs less than six employees. As of the date of this report, FedEx would have been permitted to terminate each of the dry-lease agreements under this provision. The Company believes that the short-term nature of its agreements with FedEx is standard within the airfreight contract delivery service industry, where performance is measured on a daily basis. FedEx has been a customer of the Company since 1980. Loss of its contracts with FedEx would have a material adverse effect on the Company.

Under the dry-lease service contracts in place during the fiscal years ended March 31, 2015 and 2014 and the first two months of the fiscal year ended March 31, 2016, FedEx leased its aircraft to MAC and CSA for a nominal amount and paid a monthly administrative fee to MAC and CSA to operate the aircraft. Under these contracts, all direct costs related to the operation of the aircraft (including fuel, outside maintenance, landing fees and pilot costs) were passed through to FedEx without markup. In connection with the June 1, 2016 amendment extending the term of the new dry-lease agreements to May 31, 2020, the weighted average administrative fee rate paid with respect to leased aircraft was reduced by over 2% from the fee rate in place prior to the amendment. Because a portion of the administrative fee funds the payment of certain operational costs incurred by MAC and CSA in operating the aircraft that are not reimbursed by FedEx and are expected to increase substantially from the levels incurred in the fiscal year ended March 31, 2016, the reduction in the administrative fee is anticipated to have a much more significant impact on the segment's operating income.

Pass-through costs under the dry-lease agreements with FedEx totaled $24,632,000 and $32,672,000 for the years ended March 31, 2016 and 2015, respectively.

As of March 31, 2016, MAC and CSA had an aggregate of 78 aircraft under its dry-lease agreements with FedEx. Included within the 78 aircraft are 3 Cessna Caravan aircraft that are considered soft-parked. Soft-parked aircraft remain covered under our agreements with FedEx although at a reduced administrative fee compared to aircraft that are in operation. MAC and CSA continue to perform maintenance on soft-parked aircraft, but they are not crewed and do not operate on scheduled routes.

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

In July 2009, GGS was awarded a new contract to supply deicing trucks to the USAF, which expired in July 2014. On May 15, 2014, GGS was awarded a new contract to supply deicing trucks to the USAF. The initial contract award is for two years through July 13, 2016 with four additional one-year extension options that may be exercised by the USAF.

In September 2010, GGS was awarded a contract to supply flight-line tow tractors to the USAF. The contract award was for one year commencing September 28, 2010 with four additional one-year extension options that may be exercised by the USAF. All option periods under the contract have been exercised and the contract expired in September 2015. Because the USAF is not obligated to purchase a set or minimum number of units under these contracts, the value of these contracts, as well as the number of units to be delivered, depends upon the USAF's requirements and available funding.

At March 31, 2016, GGS's backlog of orders was $10.0 million, compared to a backlog of $2.8 million at March 31, 2015.

GAS provides the aircraft ground support equipment, fleet, and facility maintenance services. At March 31, 2016, GAS was providing ground support equipment, fleet, and facility maintenance services to more than 75 customers at 67 North American airports.

On November 24, 2015, the Company purchased (i) at face value a $2,500,000 principal amount Five-Year Senior Subordinated Promissory Note (the "Senior Subordinated Note") issued by Delphax's Canadian operating subsidiary for a combination of cash and the surrender of outstanding principal of $500,000 and accrued and unpaid interest thereunder, and cancellation of, a 90-Day Senior Subordinated Note purchased at face value by the Company from that Delphax subsidiary on October 2, 2015 and (ii) for $1,050,000 in cash a total of 43,000 shares (the "Shares") of Delphax's Series B Preferred Stock (the "Series B Preferred Stock") and a Stock Purchase Warrant (the "Warrant") to acquire an additional 95,600 shares of Series B Preferred Stock at a price of $33.4728 per share (subject to adjustment for specified dilutive events). Each share of Series B Preferred Stock is convertible into 100 shares of common stock of Delphax, subject to anti-dilution adjustments. Based on the number of shares of Delphax common stock outstanding and reserved for issuance under Delphax's employee stock option plans, at March 31, 2016 the number of shares of common stock underlying the Shares represent approximately 38% of the shares of Delphax common stock that would be outstanding assuming conversion of the Shares and approximately 31% of the outstanding shares assuming conversion of the Shares and the issuance of all the shares of Delphax common stock reserved for issuance under Delphax's employee stock option plans. Under the agreement that provided for the Company's purchase of these interests, on November 24, 2015 three designees of the Company (including Nick Swenson, the Company's President, Chief Executive Officer and Chairman, and Michael Moore, the President of our GGS subsidiary) were elected to the board of directors of Delphax, which had a total of seven members following their election. Pursuant to the terms of the Series B Preferred Stock, for so long as amounts are owed to Air T under the Senior Subordinated Note or we continue to hold a specified number of the Shares and interests in the Warrant holders of the Series B Preferred Stock, voting as a separate class, the Company would be entitled to elect, after June 1, 2016, four-sevenths of the members of the board of directors of Delphax and, without the written consent or waiver of the Company, Delphax may not enter into specified corporate transactions. As a result of these transactions, we determined that, even though Delphax was not a subsidiary of the Company, we had obtained control over Delphax in conjunction with the acquisition of the interests described above, and we have consolidated Delphax in Air T's consolidated financial statements beginning on November 24, 2015. The operating loss attributable to Delphax in our consolidated financial statements for the year ended March 31, 2016 was approximately $1,967,000. This operating loss is included in our consolidated net income for that period.

Delphax designs, manufactures and sells advanced digital print production equipment (including high-speed, high-volume cut-sheet and continuous roll-fed printers), maintenance contracts, spare parts, supplies and consumable items for these systems. The equipment is sold through Delphax and its subsidiaries located in Canada, the United Kingdom and France. A significant portion of Delphax's net sales has historically been related to service and support provided after the sale, including the sale of consumable items for installed printing systems. Our investments in Delphax were intended to support the commercial rollout and manufacturing costs of the new Delphax elan™500 digital color print system, which combines advances in inkjet and paper-handling technologies in a production class sheet-fed system offering full CMYK color and 1600 dpi print quality at speed of up to 500 letter impression per minute. Delphax's legacy consumables production business was expected to generate cash flow while Delphax rolled-out its next generation élan commercial inkjet printer. In April 2016, Delphax received notice from its largest (approximately 50% of legacy revenues) customer that it planned to reduce its order volume by approximately 90%; and phase out its use of the legacy Delphax printers within eighteen months. Accordingly, Delphax is reviewing its fiscal year 2016 operating plan and has engaged an experienced turn-around consultant — the Platinum Group — to assist it in developing a go-forward plan. The decline in order volumes from its largest customer is expected to significantly impact Delphax's results for the quarter ending June 30, 2016.

On April 4, 2016, ATGL purchased two elan™ 500 printers from Delphax for $650,000 for lease to a third party. One of those acquired printers was subject to an existing lease to a third party which has been assigned to ATGL.

We organized ATGL on October 6, 2015. ATGL provides funding for equipment leasing transactions, which may include transactions for the leasing of equipment manufactured by GGS and Delphax and transactions initiated by third parties unrelated to equipment manufactured by us.

In March 2014, the Company formed Space Age Insurance Company ("SAIC"), a captive insurance company licensed in Utah, and initially capitalized with $250,000. SAIC insures risks of the Company and its subsidiaries that were not previously insured by the Company's insurance programs; and underwrites third-party risk through certain reinsurance arrangements. The activities of SAIC are included within the corporate results in the accompanying consolidated financial statements.

Fiscal 2016 Summary

Revenues for our overnight air cargo segment totaled $68,227,000 for the year ended March 31, 2016, representing an $18,362,000 (37%) increase over the prior year. The segment's administrative fee revenues increased by $13,264,000, reflecting the greater administrative fee amount paid under the new dry-lease agreements which became effective on June 1, 2015. In addition, the segment's maintenance revenues increased as a result of higher hourly maintenance labor rates during fiscal 2016. The June 2015 agreement effected the first hourly maintenance labor rate increase in eight years. The segment's operating income increased by $3,264,000 in fiscal 2016. Increased administrative fees were partially offset by the increase in the monthly rental rate for leased aircraft under the June 2015 agreement, which increased monthly rental rates to reflect an estimate of a fair market value rental rate. Operating income for the overnight air cargo segment for the prior fiscal year 2015 included a $374,000 gain from the sale of the Company owned aircraft primarily used to support the overnight air cargo segment's operations. The segment's operating income for the prior fiscal year was also adversely affected by a $107,000 regulatory penalty assessed for the prior year and $94,000 incurred for the mandated regulatory rewrite of applicable manuals that began in fiscal 2015.

Revenues for GGS totaled $51,176,000 for the year ended March 31, 2016, an increase of $9,405,000 (23%) from the prior year, while operating income increased by $2,716,000 or 74%. The increase in GGS revenues is attributable to a $14.4 million increase in sales of commercial deicers and $954,000 increase in sales of catering trucks. Operating margins improved approximately 1.6 percentage points in the segment compared to the prior year as a result of the continued cost controls in administration and continued gains in production efficiencies, principally in connection with assembly of similar units under a significant order by a major airline company received in June 2015 and completed during the second and third fiscal quarters.

During the year ended March 31, 2016, revenues from our GAS subsidiary totaled $24,835,000, representing a $4,288,000 (21%) increase from the prior year. Segment operating loss increased by $943,000 in fiscal year 2016. Revenue increased with growth into new markets and services for both new and existing customers and strong parts sales. Operating loss increased from the prior year primarily due to costs incurred in fiscal year 2016 under fixed-price service contracts in place in certain markets that significantly exceeded the revenue associated with those contracts. Other increases in annual operating expenses included facility upgrades, administrative infrastructure and programs to help position GAS for growth.

Consolidated revenue also increased by $3,955,000 due to the inclusion of the printing equipment and maintenance segment in consolidated results due to the acquisition of interests in Delphax on November 24, 2015. Operating income was adversely affected by the $1,967,000 operating loss of the printing equipment and maintenance segment for the period in which Delphax's financial results are consolidated in the Company's financial statements.

Fiscal 2016 vs. 2015

Consolidated revenue increased $36,030,000 (32%) to $148,212,000 for the fiscal year ended March 31, 2016 compared to the prior fiscal year. The increase in 2016 revenue resulted from the significant increases in each of the Company’s legacy operations and the inclusion of revenue of the printing equipment and maintenance segment.

Revenues in the overnight air cargo segment increased $18,362,000 (37%) to $68,227,000 principally due to the greater administrative fee amount paid under the new dry-lease agreements as discussed above. In addition, the segment’s maintenance revenues increased to reflect the higher hourly maintenance labor rates in effect in the latter half of fiscal year 2016.

Revenues for GGS totaled $51,176,000 for the year ended March 31, 2016, an increase of $9,405,000 (23%) from the prior year. The increase in GGS revenues is attributable to a $14.4 million increase in sales of commercial deicers and $954,000 increase in the sales of catering trucks.

During the year ended March 31, 2016, revenues from our GAS subsidiary totaled $24,835,000, representing a $4,288,000 (21%) increase from the prior year. Revenue increased with growth into new markets and services for both new and existing customers and strong annual part sales.

Consolidated revenue also increased by $3,955,000 due to the inclusion of the printing equipment and maintenance segment in consolidated results due to the acquisition of interests in Delphax on November 24, 2015.

Operating expenses on a consolidated basis increased by $33,416,000 (31%) to $142,180,000 for fiscal year 2016 compared to fiscal year 2015. Operating expenses in the overnight air cargo segment increased $15,098,000 (30%) over the prior year principally due to an increase of $11,609,000 in monthly rent for leased aircraft as a result of the new rental rate under the new dry-lease agreements to reflect an estimate of a fair market rental rate as discussed above. Of the segment's $64,943,000 of operating costs in the current year, $24,632,000 were costs passed through to our air cargo customer without markup. Ground equipment sales operating costs increased $6,690,000 (18%) compared to the 23% increase in sales. Operating expenses in the ground support services segment increased by $5,232,000 (25%) driven principally by investments made in infrastructure to help position the segment for growth, including facility upgrades, leadership, marketing and data analysis roles, and training. General and administrative expense increased $3,917,000 (28%) to $18,140,000 in fiscal year 2016. General and administrative expense increased by $1,219,000 due to the inclusion of Delphax in consolidated results. General and administrative expense also increased by $598,000 for the increase in GGS compensation accruals and increased general and administrative expenses for the GAS segment as discussed above.

Operating income for the year ended March 31, 2016 was $6,032,000, a $2,615,000 (77%) increase from fiscal 2015. The overnight air cargo segment saw an increase in its operating income this year resulting from the greater administrative fee amount paid under the new dry-lease agreements, as well as maintenance revenue increases as a result of the higher hourly maintenance labor rate during fiscal year 2016. Operating income for the ground equipment sales segment increased by 74% over the prior year as a result of significantly increased volumes and margin improvements, principally as a result of production efficiencies obtained in connection with the assembly of similar units under a significant order by a major airline company received in June 2015 and completed in the second and third fiscal quarters. The ground support services segment saw an increase in its operating loss from fiscal year 2015 as costs incurred in the 2016 fiscal year under fixed-price service contracts in place in certain markets significantly exceeded the revenue associated with those contracts. Other increases in the ground support services segment's annual operating expenses include facility upgrades, administrative infrastructure and programs to help position the segment for growth. Consolidated operating income included a gain on sale of assets of $6,000 in the current fiscal year compared to $869,000 in the prior fiscal year. Gain on sale of assets for the prior year reflects a gain from the sale of the company-owned aircraft used in the air cargo segment and the sale of leased de-icing units to the respective leasing customers for the ground equipment sales segment.

Non-operating income, net for the year ended March 31, 2016 was $122,000, a $124,000 increase from fiscal year 2015. This increase was caused principally by increased gains on the sale of marketable securities, increased investment income on surplus cash, and by $112,000 due to the gross unrealized foreign exchange gain in the printing equipment and maintenance segment.

During the year ended March 31, 2016, the Company recorded $2,395,000 in income tax expense, which resulted in an annual tax effective rate of 38.9%, compared to the rate of 27.3%, for the prior year. The effective income tax rates for both periods differ from the U. S. federal statutory rate of 34% partially due to the effect of state income taxes, the benefit of the federal domestic production activities deduction under Section 199 of the Internal Revenue Code (IRC), and the benefit for the exclusion of income for SAIC afforded under Internal Revenue Code (IRC) Section 831(b). SAIC has elected under Section 831(b) to be taxed solely on their net investment income. Section 831(b) is a special provision for certain insurance companies with net annual written premiums of $1,200,000 or less. The benefit of the

Section 831(b) election for the March 31, 2016 fiscal year end resulted in a decrease to tax expense of $316,000. This resulted in a decrease to the Company's overall effective tax rate of 5.1%. The reason for the increase in the Company's annual effective tax rate for the year ended March 31, 2016 compared to March 31, 2015 was the tax impact related to the inclusion of Delphax. Delphax contributed a $1,911,000 pre-tax loss, however given that Delphax is not included in the Air T, Inc.'s consolidated tax returns and has established a full deferred tax valuation allowance, there was no tax benefit recorded for Delphax's loss. This had the effect of increasing the Company's annual effective tax rate by 9.0%.

Net income attributable to Air T, Inc. stockholders for fiscal year 2016 was $4,414,000, or $1.84 per diluted share, compared to $2,484,000, or $1.04 per diluted share, for fiscal year 2015.

Liquidity and Capital Resources

As of March 31, 2016, the Company held approximately $6.2 million in cash and cash equivalents. Of this amount, $821,000 was restricted with $250,000 in cash held as statutory reserve of SAIC and the remaining $571,000 pledged to secure SAIC's participation in certain reinsurance pools, and $2,732,000 was invested in accounts not insured by the Federal Deposit Insurance Corporation ("FDIC").

As of March 31, 2016, the Company's working capital amounted to $23,225,000, a decrease of $7,200,000 compared to March 31, 2015.

As of March 31, 2016, the Company had a senior secured revolving credit facility of $20.0 million (the "Revolving Credit Facility"). The Revolving Credit Facility includes a sublimit for issuances of letters of credit of up to $500,000. Under the Revolving Credit Facility, each of the Company, MAC, CSA, GGS, GAS and ATGL may make borrowings. Initially, borrowings under the Revolving Credit Facility bear interest (payable monthly) at an annual rate of one-month LIBOR plus 1.50%, although the interest rates under the Revolving Credit Facility are subject to incremental increases based on a consolidated leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility at an annual rate of 0.15%. The Company includes commitment fee expense within the interest expense and other line item of the accompanying consolidated statements of income. Amounts applied to repay borrowings under the Revolving Credit Facility may be reborrowed, subject to the terms of the facility. The Revolving Credit Facility matures on April 1, 2017.

Borrowings under the Revolving Credit Facility, together with hedging obligations, if any, owing to the lender under the Revolving Credit Facility or any affiliate of such lender, are secured by a first-priority security interest in substantially all assets of the Company and the other borrowers (including, without limitation, accounts receivable, equipment, inventory and other goods, intellectual property, contract rights and other general intangibles, cash, deposit accounts, equity interests in subsidiaries and joint ventures, investment property, documents and instruments, and proceeds of the foregoing), but excluding interests in real property.

The agreement governing the Revolving Credit Facility contains affirmative and negative covenants, including covenants that restrict the ability of the Company and the other borrowers to, among other things, incur or guarantee indebtedness, incur liens, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, make changes in the nature of their business, enter into certain operating leases, and make certain capital expenditures. The Credit Agreement also contains financial covenants, including a minimum consolidated tangible net worth of $22.0 million, a minimum consolidated fixed charge coverage ratio of 1.35 to 1.0, a minimum consolidated asset coverage ratio of 1.75 to 1.0, and a maximum consolidated leverage ratio of 3.5 to 1.0. The agreement governing the Revolving Credit Facility contains events of default including, without limitation, nonpayment of principal, interest or other obligations, violation of covenants, misrepresentation, cross-default to other debt, bankruptcy and other insolvency events, judgments, certain ERISA events, certain changes of control of the Company, termination of, or modification to materially reduce the scope of the services required to be provided under, certain agreements with FedEx, and the occurrence of a material adverse effect upon the Company and the other borrowers as a whole.

The Company is exposed to changes in interest rates on its prior line of credit and its current revolving credit facility. If the LIBOR interest rate had been increased by one percentage point, based on the weighted average balance outstanding for the year, the change in annual interest expense would have been negligible.

As of March 31, 2016, Delphax maintained a debt facility consisting of a $7.0 million revolving senior secured credit facility, subject to a borrowing base of North American accounts receivable and inventory. Because Delphax’s senior credit facility prohibits the payment of cash dividends, it is not a source of liquidity to Air T, Inc. or any of its subsidiaries. Neither Air T nor any of its subsidiaries is a guarantor of Delphax’s obligations under its senior credit facility.

The Delphax senior credit facility is secured by substantially all of its North American assets, expires in November 2018, prohibits payment of cash dividends by Delphax and is subject to certain financial covenants. The Delphax senior credit facility provides for interest based upon the prime rate plus a margin (4.25% as of March 31, 2016). As of March 31, 2016, Delphax had aggregate borrowings of $1,833,000 outstanding under its senior credit facility, with a borrowing base that would have permitted additional borrowings of approximately $800,000. Delphax has advised that at March 31, 2016 it was not in compliance with financial covenants under the agreement governing its senior credit facility. Due to Delphax’s non-compliance with financial covenants, the lender has the contractual right to cease permitting borrowings under the facility and to declare all amounts outstanding under the senior credit facility due and payable immediately. As of the date of this report the lender has neither made such declaration, nor waived its right to do so and Delphax has continued to make borrowings under the senior credit facility. As of the date of this report, Delphax has not regained compliance with these financial covenants. In the event that Delphax is denied access to additional borrowings under the senior credit facility, unless it obtains access to other adequate sources of liquidity, which may include cash from operations, Delphax may be unable to adequately fund its operations or pay its debts as they come due. Delphax has recently implemented cost-savings initiatives, including employee furloughs, to minimize ongoing cash needs.

Following is a table of changes in cash flow for the respective years ended March 31, 2016 and 2015:

	Year Ended March 31,	
	2016	2015
Net Cash Provided by Operating Activities	$3,215,000	$6,840,000
Net Cash Used in Investing Activities	(5,266,000)	(1,980,000)
Net Cash (Used in) Provided by Financing Activities	(5,994,000)	5,020,000
Effect of foreign currency exchange rates on cash and cash equivalents	2,000	-
Net (Decrease) Increase in Cash and Cash Equivalents	$(8,043,000)	$9,880,000

Cash provided by operating activities was $3,625,000 less in fiscal 2016 compared to fiscal 2015 principally due to the change in inventory.

Cash used in investing activities was $3,286,000 more in fiscal 2016 primarily due the higher proceeds from the sale of the Company-owned aircraft, and leased deicers in the prior fiscal year.

Cash used in financing activities was $11,014,000 more in fiscal 2016 than in the corresponding prior year period due primarily to net repayments on Air T, Inc.'s line of credit in fiscal 2016, whereas there were net borrowings in fiscal 2015. Cash used in financing activities in 2016 was also affected by a net $1,213,000 repayment of Delphax's senior credit facility in fiscal 2016. As of March 31, 2016, no amounts were outstanding under Air T, Inc.'s Revolving Credit Facility. Delphax had outstanding borrowings of approximately $1,833,000 under its senior credit facility as of March 31, 2016.

In June 2016, the Company acquired land and entered into an agreement to construct a new corporate headquarters facility in Denver, North Carolina for an aggregate amount of approximately $1.9 million, with construction anticipated to be completed in fiscal year 2018. This facility will replace the Company's current headquarters which is leased from an entity owned by certain former officers and directors at an annual rental payment of approximately $178,000. There are currently no other commitments for significant capital expenditures.

In May 2014, the Company's Board of Directors adopted a policy to discontinue the payment of a regularly scheduled annual cash dividend.

Off-Balance Sheet Arrangements

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

Impact of Inflation

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

Seasonality

GGS's 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. The Company had worked to reduce GGS's seasonal fluctuation in revenues and earnings by increasing military and international sales and broadening its product line to increase revenues and earnings throughout the year. In July 2009, GGS was awarded a new contract to supply deicing trucks to the USAF, which expired in July 2014. On May 15, 2014, GGS was awarded a new contract to supply deicing trucks to the USAF. The initial contract award is for two years through July 13, 2016 with four additional one-year extension options that may be exercised by the USAF. The value of the contract, as well as the number of units to be delivered, depends upon annual requirements and available funding to the USAF. Although GGS has retained the USAF deicer contract, orders under the contract have not been sufficient to offset the seasonal trend for commercial sales. As a result, GGS revenues and operating income have resumed their seasonal nature. Our other reporting segments are not susceptible to seasonal trends.

Critical Accounting Policies and Estimates.

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

Allowance for Doubtful Accounts. An allowance for doubtful accounts receivable is established based on management's estimates of the collectability of accounts receivable. The required allowance is determined using information such as customer credit history, industry information, credit reports, customer financial condition and the collectability of outstanding receivables. The estimates can be affected by changes in the financial strength of the aviation industry, customer credit issues or general economic conditions.

Inventories. The Company’s inventories are valued at the lower of cost or market. Provisions for excess and obsolete inventories are based on assessment of the marketability of slow-moving and obsolete inventories. Historical parts usage, current period sales, estimated future demand and anticipated transactions between willing buyers and sellers provide the basis for estimates. Estimates are subject to volatility and can be affected by reduced equipment utilization, existing supplies of used inventory available for sale, the retirement of aircraft or ground equipment, changes in the financial strength of the aviation industry, and market developments impacting both legacy and next-generation products and services of our printing equipment and maintenance segment.

Warranty Reserves. The Company warranties its ground equipment products for up to a three-year period from date of sale. Product warranty reserves are recorded at time of sale based on the historical average warranty cost and are adjusted as actual warranty cost becomes known. Delphax warranties its equipment for a period of 90 days commencing with installation, except in the European Union, where it is generally one year from product shipment date. Similarly, Delphax warranties spare parts and supplies for a period of 90 days from shipment date. These warranty reserves are reviewed quarterly and adjustments are made based on actual claims experience in order to properly estimate the amounts necessary to settle future and existing claims.

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

Revenue Recognition. Cargo revenue is recognized upon completion of contract terms. Revenues from maintenance and ground support services and services within our printing equipment and maintenance segment are recognized when the service has been performed. Revenue from product sales is recognized when contract terms are completed and ownership has passed to the customer.

Business Combinations. The Company accounts for business combinations in accordance with FASB Codification Section 805 (“ASC 805”) *Business Combinations* . Consistent with ASC 805, the Company accounts for each business combination by applying the acquisition method. Under the acquisition method, the Company records the identifiable assets acquired and liabilities assumed at their respective fair values on the acquisition date. Goodwill is recognized for the excess of the estimated fair value of the acquiree’s equity over the identifiable net assets acquired. For business combinations where non-controlling interests remain after the acquisition, assets (including goodwill) and liabilities of the acquired business are recorded at the full fair value and the portion of the acquisition date fair value attributable to non-controlling interests is recorded as a separate line item within the equity section of the Company’s consolidated balance sheet.

The acquisition method permits the Company a period of time after the acquisition date during which the Company may adjust the provisional amounts recognized in a business combination. This period of time is referred to as the "measurement period". The measurement period provides an acquirer with a reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. Under accounting standards in effect as of the Company's acquisition of interests in Delphax, the Company had two alternatives available to account for subsequent adjustments to the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Under the first method, which will no longer be an available option beginning with the Company's first fiscal 2017 quarter, the Company would retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained. Under the second method, which will be the only allowed method beginning with the Company's first fiscal 2017 quarter, the Company is required to recognize adjustments to the provisional amounts, with a corresponding adjustment to goodwill, in the reporting period in which the adjustments to the provisional amounts are determined. Thus, the Company would adjust its consolidated financial statements as needed, including recognizing in its current-period earnings the full effect of changes in depreciation, amortization, or other income effects, by line item, if any, as a result of the change to the provisional amounts calculated as if the accounting had been completed at the acquisition date. The Company has adopted the second of the two above-described methods.

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

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

Attribution of net income or loss of partially-owned consolidated entities: In the case of Delphax, we determined that the attribution of net income or loss should be based on consideration of all of Air T's investments in Delphax and Delphax Canada. Our investment in the Warrant provides that in the event that dividends are paid on the common stock of Delphax, the holder of the Warrant is entitled to participate in such dividends on a ratable basis as if the Warrant had been fully exercised and the shares of Series B Preferred Stock acquired upon such exercise had been converted into shares of Delphax common stock. This provision would have entitled Air T, Inc. to approximately 67% of any Delphax dividends paid, with the remaining 33% paid to the non-controlling interests. We concluded that this was a substantive distribution right which should be considered in the attribution of Delphax net income or loss to non-controlling interests. We furthermore concluded that our investment in the debt of Delphax should be considered in attribution. Specifically, Delphax's net losses are attributed first to our Series B Preferred Stock and Warrant investments and to the non-controlling interest (67% /33%) until such amounts are reduced to zero. Additional losses are then fully attributed to our debt investments until they too are reduced to zero. This sequencing reflects the relative priority of debt to equity. Any further losses are then attributed to Air T and the non-controlling interests based on the initial 67% / 33% share. Delphax net income is attributed using a backwards-tracing approach with respect to previous losses. The effect of interest expense arising under the Senior Subordinated Note and of other intercompany transactions are reflected in the attribution of Delphax net income or losses to non-controlling interests because Delphax is a variable interest entity.

The above-described attribution methodology applies only to our investments in Delphax. We establish the appropriate attribution methodology on an entity-specific basis.

Recent Accounting Pronouncements

In May 2014, a comprehensive new revenue recognition standard was issued that will supersede nearly all existing revenue recognition guidance. The new guidance introduces a five-step model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Management is currently evaluating the new guidance, including possible transition alternatives, to determine the impact it will have on the Company's consolidated financial statements.

In February 2015, a standard was issued that amends the guidance that reporting entities apply when evaluating whether certain legal entities should be consolidated. The Company will be required to adopt the standard as of the first quarter of its fiscal year ending March 31, 2017. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In April 2015, a standard was issued that amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company is evaluating the impact of adoption of the standard on its consolidated financial statements.

In July 2015, a standard was issued that amends existing guidance to simplify the measurement of inventory by requiring certain inventory to be measured at the lower of cost or net realizable value. It is effective for fiscal years beginning after December 15, 2016 and for interim periods therein. The Company is evaluating the impact of the adoption of the standard on its consolidated financial statements.

In September 2015, a standard was issued that simplifies the accounting for measurement period adjustments associated with a business combination by eliminating the requirement to restate prior period financial statements for measurement period adjustments when measurements were incomplete as of the end of the reporting period that includes the business combination. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. It is effective for interim and annual periods beginning after December 15, 2015. The Company will adopt this new standard beginning with the first quarter of fiscal 2017.

In January 2016, the Financial Accounting Standard Board (FASB) published Accounting Standards Update (ASU) 2016-01 *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* that amends the guidance on the classification and measurement of financial instruments. ASU 2016-01 becomes effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods therein. ASU 2016-01 removes equity securities from the scope of Accounting Standards Codification (ASC) Topic 320 and creates ASC Topic 321, Investments – Equity Securities. Under the new Topic, all equity securities with readily determinable fair values are measured at fair value on the statement of financial position, with changes in fair value recorded through earnings. The update eliminates the option to record changes in the fair value of equity securities through other comprehensive income. The Company is evaluating the impact of the adoption of the standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. Similarly, lessors will be required to classify leases as either sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is evaluating the impact of the adoption of the standard on its consolidated financial statements.

Forward Looking Statements

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

Economic conditions in the Company’s markets;

The risk that contracts with FedEx could be terminated or adversely modified in connection with any renewal;

The risk that the number of aircraft operated for FedEx will be further reduced;

The risk that the United States Air Force will continue to defer significant orders for deicing equipment under its contracts with GGS;

The risk that Delphax’s future operating performance will result in Air T, Inc. being unable to fully recover its investments in Delphax;

The risk that Delphax will not maintain access to sources of liquidity adequate to fund its operations and permit it to pay its debts as they come due;

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 risk of injury or other damage arising from accidents involving the Company's overnight air cargo operations, equipment sold by GGS or services provided by GAS;

Market acceptance of the Company's new 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; and

Mild winter weather conditions reducing the demand for deicing equipment.

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

Item 8. *Financial Statements and Supplementary Data. (As Restated)*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Air T, Inc. and Subsidiaries

Denver, North Carolina

We have audited the accompanying consolidated balance sheets of Air T, Inc. and subsidiaries (the "Company") as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Air T, Inc. and subsidiaries as of March 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1A to the consolidated financial statement, the accompanying financial statements at and for the year ended March 31, 2016 have been restated.

/s/ Dixon Hughes Goodman LLP

Charlotte, North Carolina

June 29, 2016, except for the effects of the restatement discussed in Note 1A, as to which the date is October 13, 2017.

AIR T, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (AS RESTATED)

	Year Ended March 31,	
	2016 (As Restated)*	2015
Operating Revenues:		
Overnight air cargo	$68,226,891	$49,864,547
Ground equipment sales	51,175,818	41,770,395
Ground support services	24,834,616	20,546,216
Printing equipment and maintenance	3,954,797	-
Leasing	19,816	-
	148,211,938	112,181,158
Operating Expenses:		
Flight-air cargo	35,990,031	22,219,794
Maintenance-air cargo	23,597,111	22,889,035
Ground equipment sales	38,060,345	31,949,363
Ground support services	20,752,753	17,495,471
Printing equipment and maintenance	3,611,024	-
Research and development	777,942	-
General and administrative	18,139,830	14,222,996
Depreciation, amortization and impairment	1,257,207	856,911
Gain on sale of property and equipment	(5,968)	(869,116)
	142,180,275	108,764,455
Operating Income	6,031,663	3,416,703
Non-operating Income:		
Gain on sale of marketable securities	49,720	8,487
Foreign currency gain, net	79,654	-
Other investment income (loss), net	73,115	(10,265)
Interest expense and other	(80,743)	-
	121,746	(1,778)
Income Before Income Taxes	6,153,409	3,414,926
Income Taxes	2,395,452	931,000
Net Income	3,757,957	2,483,926
Net Loss Attributable to Non-controlling Interests	655,953	-
Net Income Attributable to Air T, Inc. Stockholders	$4,413,910	$2,483,926

Earnings Per Share:		
Basic	$1.86	$1.05
Diluted	$1.84	$1.04
Weighted Average Shares Outstanding:		
Basic	2,372,527	2,359,610
Diluted	2,396,824	2,379,928

See notes to consolidated financial statements.

* The Consolidated Statement of Income for the year ended March 31, 2016 has been restated. See Note 1A.

AIR T, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (AS RESTATED)

	Twelve Months Ended March 31, 2016 (As Restated)*	2015
Net Income	$3,757,957	$2,483,926
Other comprehensive income (loss):		
Foreign currency translation loss	(78,004)	-
Unrealized gains (losses) on marketable securities	23,182	(209,215)
Tax effect of unrealized (gains) losses on marketable securities available for sale	(8,346)	76,566
Total unrealized gain (loss) on marketable securities, net of tax	14,836	(132,649)
Reclassification of gains on marketable securities included in net income	49,720	8,487
Tax effect of reclassification on marketable securities included in net income	(17,899)	(2,970)
Reclassification adjustment for realized gains, net of tax	31,821	5,517
Total Other Comprehensive Loss	(31,347)	(127,133)
Total Comprehensive Income	3,726,610	2,356,793
Comprehensive Loss Attributable to Non-controlling Interests	681,694	-
Comprehensive Income Attributable to Air T, Inc. Stockholders	$4,408,304	$2,356,793

See notes to consolidated financial statements.

* The Consolidated Statement of Comprehensive Income for the year ended March 31, 2016 has been restated. See Note 1A.

AIR T, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AS RESTATED)

	March 31, 2016 (As Restated)*	March 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents (Delphax $249,528)**	$5,345,455	