

July 5, 2022

Many crosscurrents and unusual events are causing turbulence within our globally networked world. Do you remember a time that combined globalism with a hot war in Europe, inflation with commodity shortages, and a system-wide loss of confidence with policymakers' extreme overconfidence? The question we ask ourselves is: How do we deal with this situation and work our way through it as a company? We're thankful to be a small and nimble organization, because that means we can adjust quickly. We're thankful that the businesses in which we operate have a good reason to exist, and provide concrete benefits to our customers. We also rely on a corporate structure that pushes decision making and business judgement to the lowest logical zone of competence. And we try to over-communicate with our colleagues to share collective knowledge, which helps us navigate through these challenging times.

If the current time turns out to be much like average times in retrospect, well, then we will have executed a business plan similar to a plan anticipating that the world is as boring as Zurich. But if now is truly different, we strive to have liquidity at hand and the courage to buy something when the time is right.

First - as always, but with more emphasis than ever - Air T is steadily working to improve its base businesses. This includes our processes, our people and/or our tech; or a combination of all three. For example, in the past year we have: started to operate the new Cessna 408 SkyCourier at MAC; launched the Remote Autonomous De-icing system (RAD) at Global; deployed over \$100 million of investor-partners' equity through our aviation asset management business; added capabilities and large customers at Jet Yard; launched the AHT Vista-Suite software product; launched a new envelope printing platform at DSI; stood-up Crestone Air Partners as a spin-out from Contrail; increased our ownership of Cadillac Castings Inc.; represented our interests at Insignia by settling a substantial lawsuit against a large competitor; expanded our African footprint and fund; acquired an aviation data company; and –importantly—achieved significant performance in a post-covid rebound at Worthington, AirCo and Contrail. These are examples of results and opportunities coming from the steady application of hard work and good judgement by our business management teams.

We list the steady achievements above, knowing full well that none of them would be possible without our dynamic managers and their teams. They strive for excellence as they learn from experience. They apply talent, and their hard work, to the things that make pragmatic sense to them. They know the autonomy that comes from running their own businesses—subject to GAAP-compliant reporting to our CFO! We feel most thankful for their continued dedication to their colleagues and businesses.

Here's what we envision for Air T's future: In the near-term, we anticipate that our balance sheet will become more liquid as we collect cash flows from tax refunds, the Employee Retention Credit, 'just in case' inventory reductions, and expected dividends and asset sales. Our teams are primed to make the right kind of investments into current businesses and/or to acquire something new. The Air T team has made many distressed investments in the past, and something may turn up again if these macro trends continue. Our Idea Factory – including our business development team and our marketable securities team at BCCM, and the 'real options' that come from owning businesses— sets us up to have more investment "looks" than most.

Remember, we are incurring costs to maintain a public-allocator-operator-with-idea-factory platform, in addition to funding approximately \$3M in investments annually in historically cash flow negative “startup businesses”. We expect that steady and intelligent growth, along with disciplined allocator-co spending, will allow us to absorb these platform costs. Furthermore, we anticipate the startups will begin to stand on their own. Imagine the Air T flywheel spinning with greater momentum, where we continuously identify good ideas → match to capital partners → secure and empower dynamic management → generate attractive returns → build and investor network and brand...and repeat.

For reasons having to do with our beliefs, experiences and reading, we pay a lot of attention to the borders of our dynamic business. In sum, we work hard to MAKE SPACE FOR DYNAMOS. In the past year we have read the great Albert-Laszlo Barabasi’s book The Formula. This book is consistent with our make space values system. He makes a critical distinction between performance (bounded, not always measurable) and success (unbounded with divergent metrics). Barabasi reminds us that preferential attachment leads to Price’s Law: half the productivity of a business is completed by the square root of the number of people in the business. Importantly, in domains in which performance cannot be easily measured (for example: the art market) as opposed to those that can be concretely measured (the long jump), a gap opens between performance and success. How are you feeling about the performance of our best and brightest leaders in the present? Do we see a gap between Ray Dalio’s success and performance? It’s our duty as Air T leadership to work humbly to fit competent teams into domains in which they can be highly productive contributors. This often means happier people and less dead weight; doing more with less. Drawing the boundaries of our businesses and making space for dynamos is an evergreen challenge.