

**NORTH  
CENTRAL  
AIRLINES**

**1957**  
annual  
report

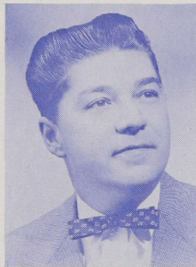


# NORTH CENTRAL AIRLINES, INC.

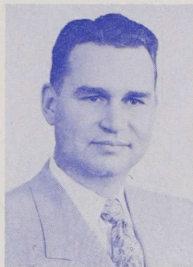
GENERAL OFFICES: 6201 Thirty-Fourth Avenue South, Wold-Chamberlain Field, Minneapolis 50, Minnesota



H. N. CARR



WERNER L. CHRISTENSEN



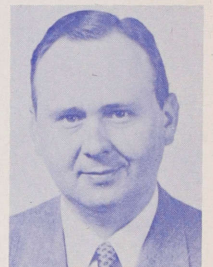
G. F. DeCOURSIN



ROBERT F. GROVER



ARTHUR E. A. MUELLER



A. L. WHEELER



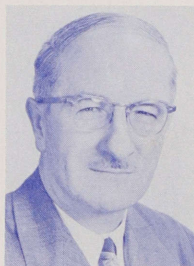
K. B. WILLETT



FRANK N. BUTTOMER



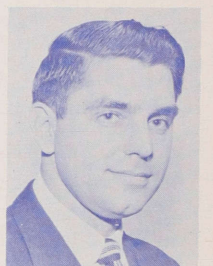
R. H. BENDIO, SR



ALVIN D. NIEMEYER



ARTHUR E. SCHWANDT



BERNARD SWEET

## DIRECTORS:

H. N. CARR\*  
WERNER L. CHRISTENSEN

G. F. DeCOURSIN\*  
ROBERT F. GROVER  
ARTHUR E. A. MUELLER\*

A. L. WHEELER  
K. B. WILLETT

\*Executive Committee

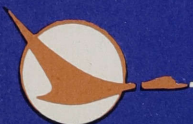
## OFFICERS:

ARTHUR E. A. MUELLER.....Chairman of the Board  
H. N. CARR.....President and General Manager  
FRANK N. BUTTOMER.....Vice President, Traffic and Sales  
R. H. BENDIO, SR.....Vice President, Maintenance and Engineering  
ALVIN D. NIEMEYER.....Vice President, Operations  
ARTHUR E. SCHWANDT.....Vice President, Industrial Relations  
A. L. WHEELER.....Vice President and Counsel  
BERNARD SWEET.....Secretary-Treasurer

## REGISTRAR AND STOCK TRANSFER AGENT

NORTHWESTERN NATIONAL BANK OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA

OUR 10th YEAR OF SERVICE





**NORTH CENTRAL AIRLINES, INC.**

6201-34th AVENUE SOUTH  
Wold-Chamberlain Field

MINNEAPOLIS 50, MINNESOTA

March 14, 1958

To Our Stockholders,  
Employees and Friends:

Throughout the following pages, you will read the chronicle of North Central Airlines — the story of a decade of public service.

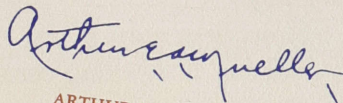
The year 1957 was the greatest in 10 years of scheduled operations. It was a year which saw our service to the north central states increased by 20% over 1956. Your company again established new passenger, air express and air mail records and maintained its top position among the nation's 13 local service airlines. Twenty-four per cent more passengers flew the "Route of the Northliners" this year than during 1956. North Central also set new records in plane miles, passenger miles and commercial revenues.

In 1957, the company inaugurated new service on one important segment and daily nonstop service on another. Flight schedules were intensified and operational efficiency improved. Northliners flew 9,500,000 miles during the year, offering more service to the traveling public than ever before.

Applications now on file with the Civil Aeronautics Board would, if approved, increase North Central's present system by over 11,000 route miles, and would result in an even stronger company and improved service to air travelers.

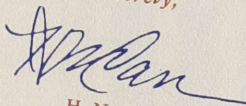
The remarkable development of North Central to first place in the local airline industry has been achieved through the loyalty and efforts of its 1,300 employees, the patronage and confidence of the traveling public, and the enthusiastic support of our stockholders and business and civic leaders over our system.

Even though North Central's record during its first 10 years of service has been one of outstanding progress, a look at the future promises even greater achievements for the company in the next decade. With your assistance and support, North Central will continue to grow and will maintain its position as America's leading local airline.



ARTHUR E. A. MUELLER  
Chairman of the Board

Sincerely,



H. N. CARR  
President





NORTH CENTRAL AIRLINES in 1957 maintained its position of leadership among the nation's 13 local airlines and again established new records in all categories of traffic.

Gross revenues for the year increased to \$10,801,995. Traffic generated resulted in record commercial revenues of \$7,876,350, an increase of 22% over 1956. Net earnings for the year, after tax credits, were \$80,791, compared to \$34,176 in 1956.

Operating profit in 1957 was \$81,678 after depreciation charges of \$452,993. The income tax credit of \$60,103 results from an adjustment in depreciation rates agreed upon by the Internal Revenue Service.

The company has, however, been operating under a temporary mail rate since November 23, 1956, and, as a result, the amount of air mail revenue reported is somewhat less than the company's claim with the United States Government. The permanent rate set by the Civil Aeronautics Board in 1954 did not adequately anticipate the vast expansion of the company's system, and a petition for a new permanent rate was necessary. When the final rate is established, it will be retroactive to November 23, 1956.

The Civil Aeronautics Board, at the request of the local service airline industry, has instituted an investigation to determine the adequacy

of the rate of return allowed these carriers in mail rate proceedings. The industry is seeking adequate compensation for its steadily expanding service and a more realistic return on investment. A decision is expected in 1958.

At a special meeting November 1, North Central shareholders voted overwhelming approval of a five-for-one stock split plan, increasing authorized common stock shares in the corporation from 750,000 to 3,750,000. As a result, four additional shares were issued for each share outstanding to all holders of record as of November 7, 1957.

### AGGRESSIVE ROUTE DEVELOPMENT

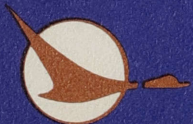
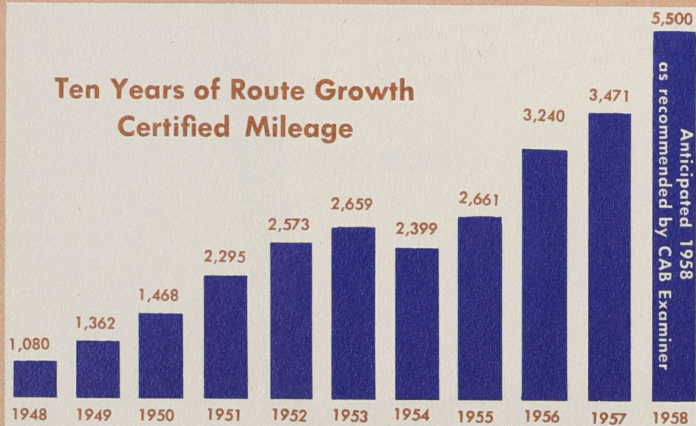
An extensive program of route development, begun in 1954, is being actively conducted by North Central Airlines. Current applications pending before the Civil Aeronautics Board totaling 11,386 miles would, if all approved, make North Central the nation's largest scheduled air carrier in terms of route miles. The present system of 53 cities in nine midwest states would be expanded to include 178 cities in 16 states and three Canadian provinces.

These applications would increase the company's system fourfold as shown on the system map included in this report. One hundred twenty-five new cities would be served on an enlarged Route of the Northliners. Included in these figures are North Central's applications for 1,072 miles of helicopter routes to 37 points in the metropolitan areas of the system.

The company is devoting considerable time and effort and investing substantial amounts toward the successful development of its system. Within the next two years, the results of this program will be seen as the Civil Aeronautics Board renders final decisions on some of the major applications before it.

The most recent award in North Central's route development program came in September when the Board certificated the company to

Ten Years of Route Growth  
Certified Mileage





offer direct, nonstop service between Duluth-Superior and Chicago. Northliners began flying the 404-mile segment December 1.

As part of the same decision, the Board granted North Central authority to operate from Duluth-Superior to Sault Ste. Marie, Michigan, via Ironwood, Hancock-Houghton and Marquette, Michigan. The company will inaugurate this segment in April of 1958.

Service was inaugurated in June on the route from Grand Forks, North Dakota, to Omaha, Nebraska, which the Civil Aeronautics Board awarded North Central in March, 1957. Intermediate cities on this segment include Fargo, North Dakota; Watertown, Brookings and Sioux Falls, South Dakota; Sioux City, Iowa; and Norfolk, Nebraska. Service to Yankton, South Dakota, was begun February 1, 1958, when airport facilities were completed.

Civil Aeronautics Board action on several other route cases is pending, and the status of North Central's applications in those cases follows.

### **Seven States Area Investigation**

Civil Aeronautics Board Examiner Curtis C. Henderson recommended in December that North Central's system be expanded to include 2,026 more route miles and 14 more cities in Minnesota, Wisconsin, North Dakota and South Dakota. The recommendation would extend the company's present route between Minneapolis-St. Paul and Grand Forks west to Minot, North Dakota, and add a stop at Devils Lake, North Dakota.

Additional service was also recommended between the Dakotas and Minneapolis-St. Paul — from Minot, North Dakota, to the Twin Cities via Bismarck-Mandan, North Dakota, and Aberdeen, Huron, Brookings, South Dakota, and from Bismarck-Mandan to the Twin Cities via Jamestown, Fargo-Moorhead, Fergus Falls and Alexandria.

Examiner Henderson's recommendation also

included two routes between Sioux Falls, South Dakota, and the Twin Cities, one via Mitchell, Huron and Watertown, South Dakota, and another via Worthington and Mankato, Minnesota.

Service was recommended to several cities in Wisconsin. Ashland would be added as an intermediate point on the present route between Duluth-Superior and Ironwood, Michigan, and Marshfield and Appleton would be served on a segment from Minneapolis-St. Paul to Milwaukee via Eau Claire.

This recommendation is a preliminary decision and requires further procedural steps by the Board before becoming final. A Board ruling is expected by the middle of 1958.

### **Great Lakes Area Investigation**

Hearings in the Great Lakes case were held early in 1957 and were followed in December by a recommendation from Counsel James A. Thomlinson of the Civil Aeronautics Board's Bureau of Air Operations. This was the first step of a lengthy investigation into the need for additional airline service in the five Great Lakes states.

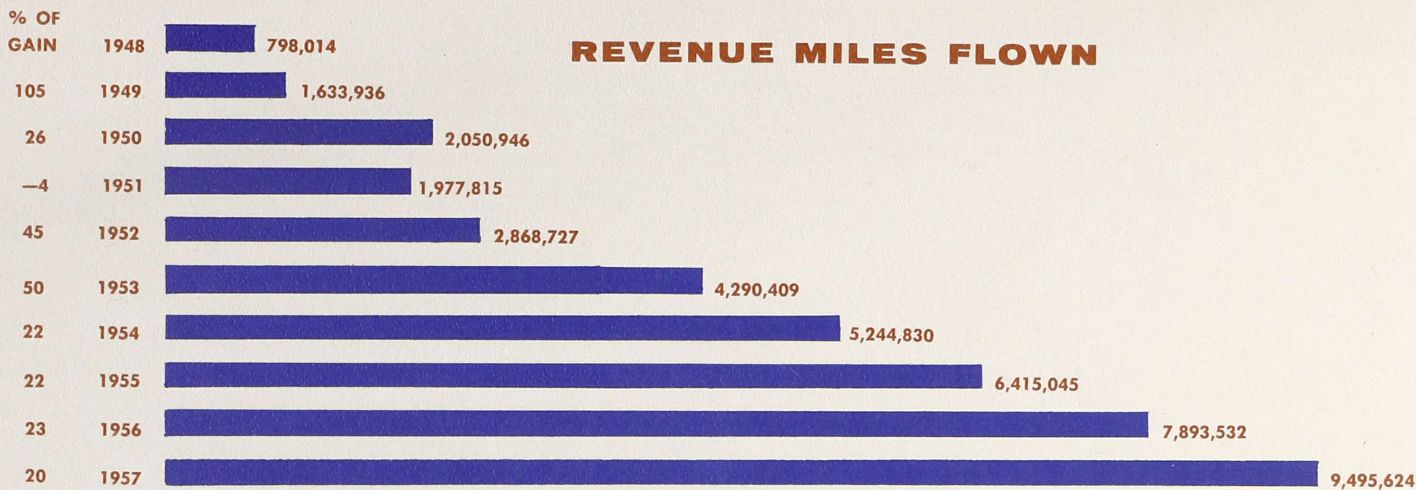
The recommendation urged that North Central be certificated to extend its system 1,067 miles to 10 additional cities in Michigan. This includes a route connecting Sault Ste. Marie, Michigan, with Chicago via Cheboygan, Traverse City, Manistee, Grand Rapids and Benton Harbor, Michigan. Another segment would be added between Sault Ste. Marie and Detroit by way of Cheboygan, Traverse City, Saginaw, Flint and Pontiac.

North Central would also be authorized to operate between Sault Ste. Marie and Detroit via Cheboygan, Alpena, Saginaw and Port Huron. It was further recommended that the airline be certificated for a route between Detroit and Milwaukee with stops at Lansing, Grand Rapids and Muskegon, Michigan.

It is anticipated that the final decision in this case will be issued early in 1959.







### Chicago-Milwaukee-Twin Cities Case

The company's application to operate nonstop flights between Minneapolis-St. Paul and Chicago, Twin Cities and Madison, Twin Cities and Milwaukee, and between Madison and Chicago was filed with the Civil Aeronautics Board in 1955. The case was heard by the Civil Aeronautics Board Examiner in September, 1957, but his recommendation has not yet been issued. This nonstop authority is now held exclusively by a trunk airline. Four other trunk lines also have applied for certification to operate between Chicago and the Twin Cities.

### Canadian Applications

Steps are being taken to re-open the Bilateral Treaty between the United States and Canada which is required for action on an application to extend North Central's service to Port Arthur-Fort William, Ontario, from Duluth-Superior and Hancock-Houghton, Michigan, and to link International Falls, Minnesota, with Winnipeg, Manitoba. These three segments would total 463 miles.

In addition, applications were filed February 19, 1958, with the Civil Aeronautics Board to allow North Central to serve three more routes in Canada, totaling 828 miles. North Central proposes to offer nonstop service between Minneapolis-St. Paul and Winnipeg, Manitoba;

Detroit and Toronto, Ontario; and Minot, North Dakota, and Regina, Saskatchewan.

These applications would add 1,291 route miles and five Canadian cities to the North Central system.

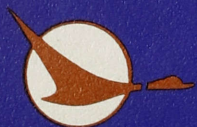
### Erie-Detroit Service Case

In 1956, North Central applied for this 173-mile route, but two other local service carriers were certificated for this mileage by the Civil Aeronautics Board. However, this route is again the subject of an investigation by the Board. To maintain its status as an applicant in the case, North Central has filed a petition to intervene. A decision is expected sometime in 1958.

### Lake Central Acquisition

In October, 1952, North Central stockholders approved a contract for purchase of 96% of the outstanding stock of Lake Central Airlines, a local service carrier operating primarily in Michigan, Indiana, Ohio and western Pennsylvania. Public hearings were concluded in December, 1955. The following year the U. S. Circuit Court of Appeals in Chicago upheld North Central's contract for purchase of the stock, reversing a District Court judgment which declared that the contract had been breached.

In April, however, the Civil Aeronautics Board denied North Central's application for





the purchase of this stock. Subsequently, the company has appealed the Board's decision to the U. S. Circuit Court of Appeals and action is pending.

### **SERVICE INCREASED 20%**

In 1957, North Central again led the local airlines in service offered to the traveling public. The fleet of 27 DC-3 Northliners flew a total of 9,495,624 revenue miles — a 20% increase over 1956. In April, the company carried its two-millionth passenger.

Service on two new segments was inaugurated in 1957. In June, flights were begun on the route between Grand Forks, North Dakota, and Omaha, Nebraska, via intermediate cities. In December, North Central inaugurated non-stop service on the 404-mile Duluth-Superior to Chicago route. Two daily round trips carry passengers between the Twin Ports and Chicago in two hours, 30 minutes.

To further improve North Central service, flight frequency was increased on the following high-density segments: Chicago to Detroit, Twin Cities to Duluth-Superior, and Chicago to Milwaukee. During peak months, service was also increased to a number of intermediate cities.

### **IMPROVED FACILITIES**

Several refinements in direct public service were added to the Route of the Northliners. In October, the company opened a downtown ticket office in Minneapolis. In December, coinciding with inauguration of the Duluth-Superior to Chicago nonstop flights, a new city ticket office was opened in the Duluth Hotel. North Central's ticket counter and passenger lounge in the busy Chicago Midway terminal took on a new look in December. Completely enlarged and remodeled, it is now the most modern and comfortable airline ticket office at Midway Airport.

In January, the company, in an incentive program to improve service, presented its first

"Station of the Year" awards, honoring the stations recognized for the best all-around performance records. Specially-prepared bronze plaques were presented to both Green Bay and Chicago Reservations-Control.

A program to enhance the over-all appearance of North Central's stations and offices and improve efficiency was started in May. "Operation Sparkle" was a system-wide success and attracted national attention.

Enforcement by North Central and the entire airline industry of the "No-Show" control plan for reservations has produced excellent results. Previously, up to 14% of the total confirmed passengers failed to claim reserved space. An industry-wide survey in December showed that this figure has been cut in half, resulting in a more efficient reservations service to the traveling public on all commercial airlines.

Improvements in North Central's facilities and procedures have resulted in increased operational reliability and better passenger service. During the year the company attained a performance factor of over 96%, with more than 72% of the flights arriving and departing all cities on schedule. This operations record is especially significant because the region served by North Central presents some of the most difficult flying conditions in the country.

Many airport improvement programs were completed during 1957. These included lengthening runways and building new ones, constructing additional taxiways, installing instrument landing systems, building and improving passenger terminals, and acquiring additional land for further expansion.

### **TRAFFIC LEADERSHIP**

As previously mentioned, North Central during 1957 maintained its position of leadership among the nation's 13 local airlines in all categories of traffic.

A total of 680,930 passengers were en-





planned on Northliners last year for a 24% increase over the 1956 figure of 549,654. This was 49% above the second-ranking local service airline. While the amount of service (revenue plane miles) increased 20% in 1957, revenue passenger miles increased 25% to 106,723,000.

The company boarded 4,884,429 pounds of air express during 1957, a reduction of only 2%, despite a three months' Railway Express Agency strike. This was 85% greater than the second-place local carrier.

Air mail volume reached a record 2,666,408 pounds, a gain of 23% over last year and 85% above the second-place local airline. In addition, 672,178 pounds of surface mail were carried on selected flights throughout the year and over all routes during the Christmas mail rush.

North Central broke its previous daily traffic record on October 4 when it carried 2,739 revenue passengers, a new record for the nation's local service airlines, and very close to at least two trunk carriers. Previous single day's record was 2,626 set by North Central in August. The company also established a new monthly traffic record for the local airline industry by carrying 70,333 revenue passengers in August. This figure was 46% ahead of the second-ranking local carrier.

#### **EQUIPMENT PLANS**

When North Central began scheduled operations ten years ago at Madison, Wisconsin, the company operated three nine-passenger Lockheed 10-A's. Today, the Northliner fleet consists of 26 Douglas DC-3's, two more than last year. Four of these are operated on long-term leases. Two were purchased during 1957 to meet growing passenger demands and route expansion needs. A 27th aircraft was leased during the peak passenger summer months. It was also used for training of new flight personnel. Tentative plans call for adding five more DC-3's in the spring to meet route expansion needs.

Also under consideration is the purchase of larger, faster aircraft for use on the company's long-haul routes and some of its other high-density segments. After a thorough study by management of available aircraft, it has been determined that the type of plane most suited to North Central's present need for larger equipment is either the Convair-440 or Convair-340. These are twin engine, 50-passenger aircraft with cruising speeds of over 280 miles per hour.

Plans for financing the purchase of this equipment are underway, and an order will be placed when suitable arrangements have been completed and necessary hangar and other facilities are available.

The addition of this new equipment will allow the company to provide faster and more comfortable service to the traveling public over its expanded system.

#### **FORECAST**

The outstanding record of progress established by North Central Airlines during its first ten years of operation will continue to an even greater degree in the years to come. The aggressive route development program undertaken by the company will be pursued throughout 1958. A final decision in the Seven States Area case is expected within a few months; preliminary decisions on other route applications will be forthcoming. These, along with additional limited-stop authorizations, will bring about a dramatic growth of the Northliner system during the coming year.

In January and February of 1958 traffic was 23% ahead of the same period last year. It is anticipated that this trend will be maintained and some 850,000 passengers will fly North Central in 1958. With this high volume of traffic and the resultant increase in commercial revenues, the company will continue to strengthen its financial position during the year.





## TEN YEARS OF PROGRESS\*

### 1947

Wisconsin Central Airlines is certified for scheduled operations after The Four Wheel Drive Auto Company of Clintonville, Wisconsin, divests itself of all control. Original sale of stock completed in four Wisconsin communities and company capitalized at \$100,000. Another selling campaign increases outstanding stock to \$220,000. Underwriting plan by Milwaukee firm results in net return of \$350,000.

### 1948

Company begins scheduled operations February 24 in Wisconsin, Minnesota and Illinois with three nine-passenger Lockheed 10-A's. Original route reaches from Chicago to Hibbing, Minnesota, with intermediate service to Madison, Rhinelander, Eau Claire, Stevens Point, Wausau, Clintonville, Oshkosh, Racine and Milwaukee, Wisconsin; Duluth, St. Cloud and Minneapolis-St. Paul, Minnesota.

### 1949

Wisconsin Central completes installation of static-free VHF radio system and private network of navigational aids. Fleet of six Lockheeds modified to qualify for instrument authority operation. Company now operates an extensive system of instrument airways, probably the longest privately-owned network in the nation. Present route miles total 1,362 with daily schedule of 5,970 miles.

### 1950

Passenger load factor increases from 36% to 46%. However, lack of space and weight restrictions of Lockheed aircraft force Wisconsin Central to turn away many potential passengers and much air express. Company makes commitment of \$450,000 for equipment conversion program. Purchase of 21-passenger Douglas DC-3 aircraft and sale of Lockheeds completed the following year.

### 1951

Mixed fleet of Lockheed Electras and Douglas DC-3's operated until May when conversion to six of the larger, more modern 21-passenger aircraft is completed. Passenger and express volume more than double over previous year.

### 1957

Service on Grand Forks-Omaha segment begins June 1. Company inaugurates nonstop service Duluth-Superior to Chicago December 1. Service authorized Duluth to Sault Ste. Marie, Michigan. Civil Aeronautics Board Examiner recommends addition of 14 cities in Minnesota, Wisconsin, North and South Dakota to system as part of Seven States Area Investigation. CAB Bureau Counsel recommends North Central service for ten more Michigan cities in Great Lakes Area Case.

*\*North Central observed its 10th anniversary of scheduled operations February 24, 1958.*

North Central Airlines is proud to have received the National Safety Council Aviation Safety Award every year of its operation. Since inaugurating service in 1948, North Central has carried 2,504,380 passengers and flown 391,180,627 miles without a fatality to passenger or crew.

### 1952

Wisconsin Central changes its name to "North Central Airlines" to better identify it with growing system which now measures 2,573 miles, largest of existing local service carriers. General offices and maintenance base moved from Madison to Minneapolis-St. Paul. Company receives five-year certificate renewal in January and adds 62% more mileage to system, including transfer of nonstop segment between Duluth-Superior and Twin Cities.

### 1953

North Central Airlines offers new service to Grand Rapids, Lansing and Detroit, linking for the first time upper and lower Michigan. Service to International Falls, Minnesota, and Manitowoc, Wisconsin, inaugurated. Fleet of DC-3's increases to 19 to match growth in system route miles.

### 1954

H. N. Carr, former executive vice president, assumes presidency of North Central at age 33 to become nation's youngest airline president. Carr institutes concentrated cost-cutting campaign, streamlines flight schedules and inaugurates aggressive route development program. Traffic volume exceeds previous year by 42%. To improve service to traveling public, stewardesses replace stewards on Northliner flights.

### 1955

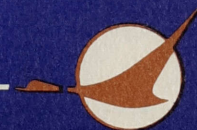
North Central realizes record net profit and continues to lead local service airlines in traffic. Inaugurates Chicago-Detroit service replacing trunkline. Company extends service to Detroit City Airport. Northliner fleet of 20 DC-3's converted to 26-seat configuration. All local service airlines receive permanent certification.

### 1956

North Central authorized to serve the route between Grand Forks, North Dakota, and Omaha, Nebraska, via intermediate stops, increasing system 22% to 3,240 route miles and 52 cities in nine states. Company continues to set new traffic records for local service industry in passengers, air mail and air express volume. Miles flown increases 22% and commercial revenues total record \$6,446,781.

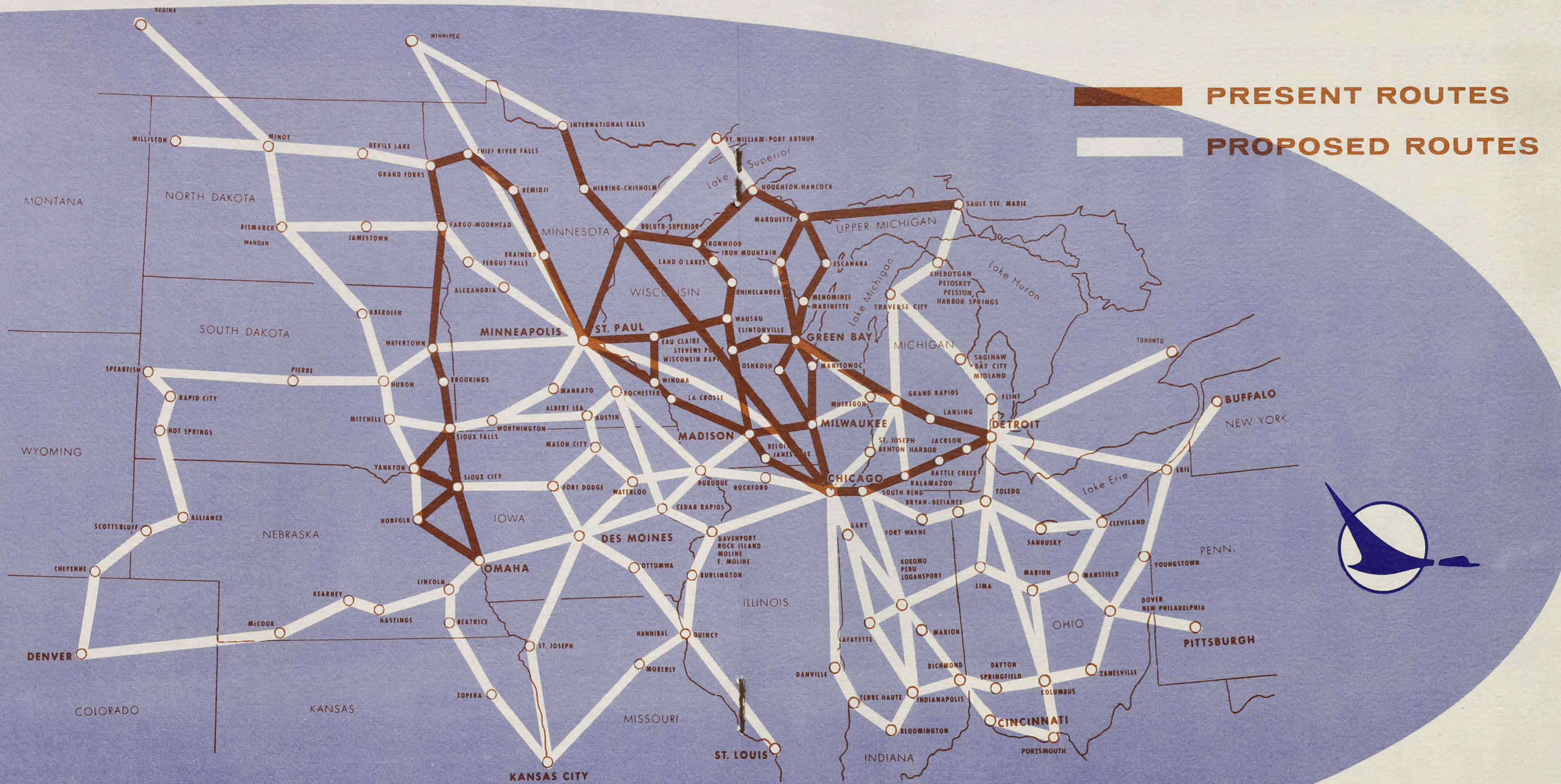


OUR 10th YEAR OF SERVICE





# NORTH CENTRAL AIRLINES



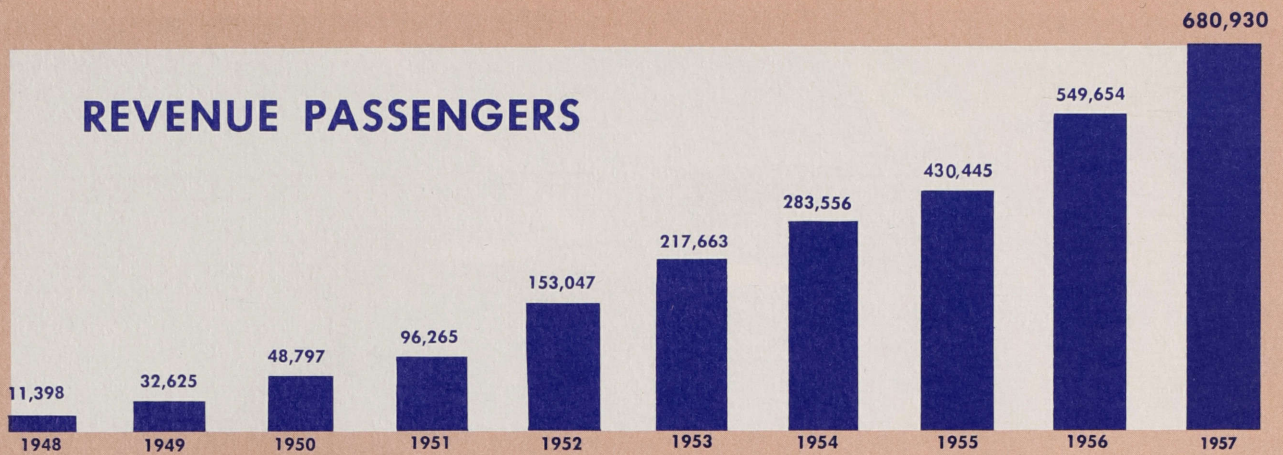
**ROUTE OF THE NORTHLINERS**

**OUR 10th YEAR OF SERVICE**

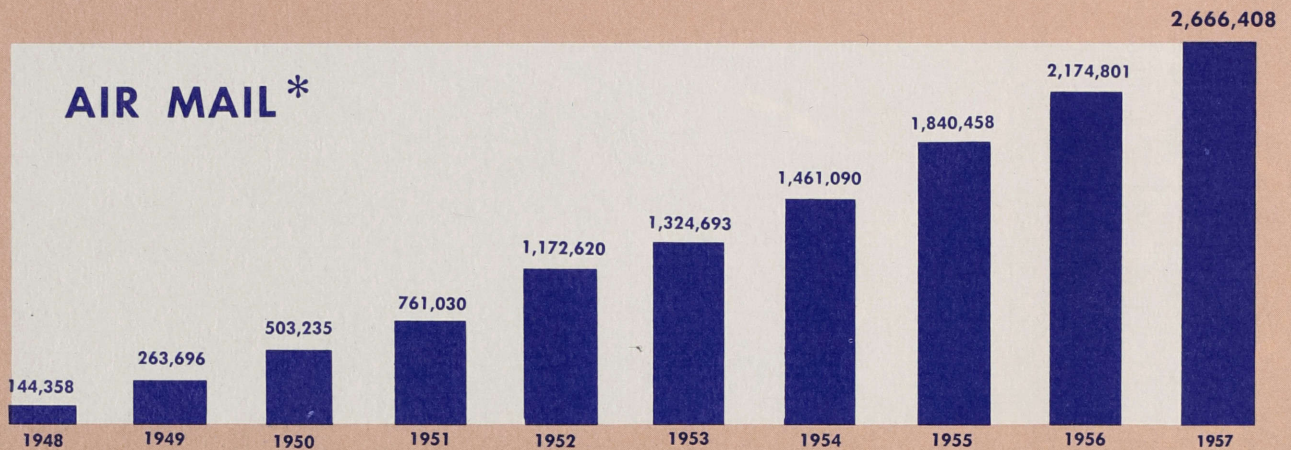


# TEN YEARS OF PROGRESS

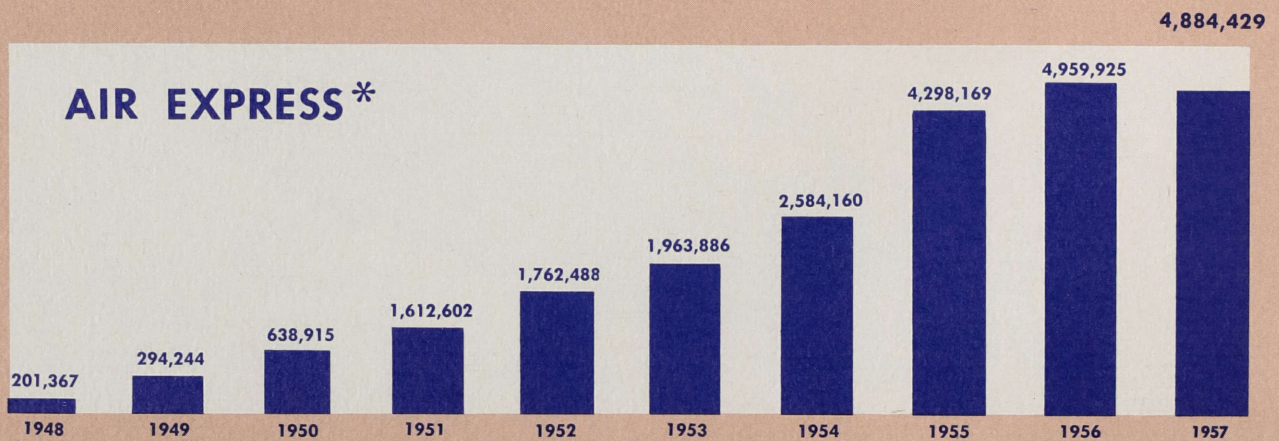
## REVENUE PASSENGERS



## AIR MAIL \*



## AIR EXPRESS \*



\*Pounds

Operations commenced February 24, 1948.

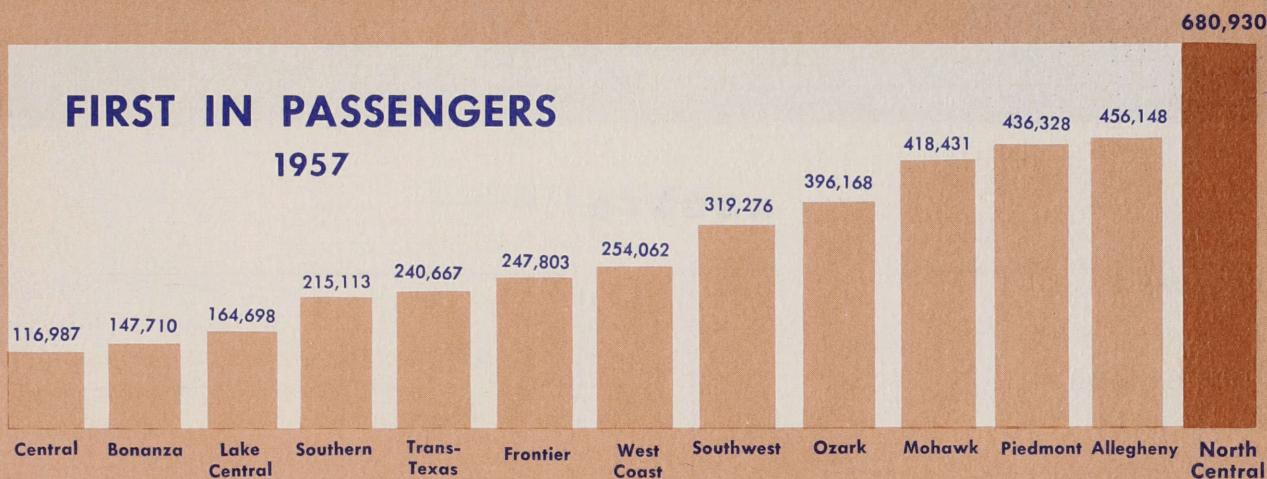
OUR 10th YEAR OF SERVICE



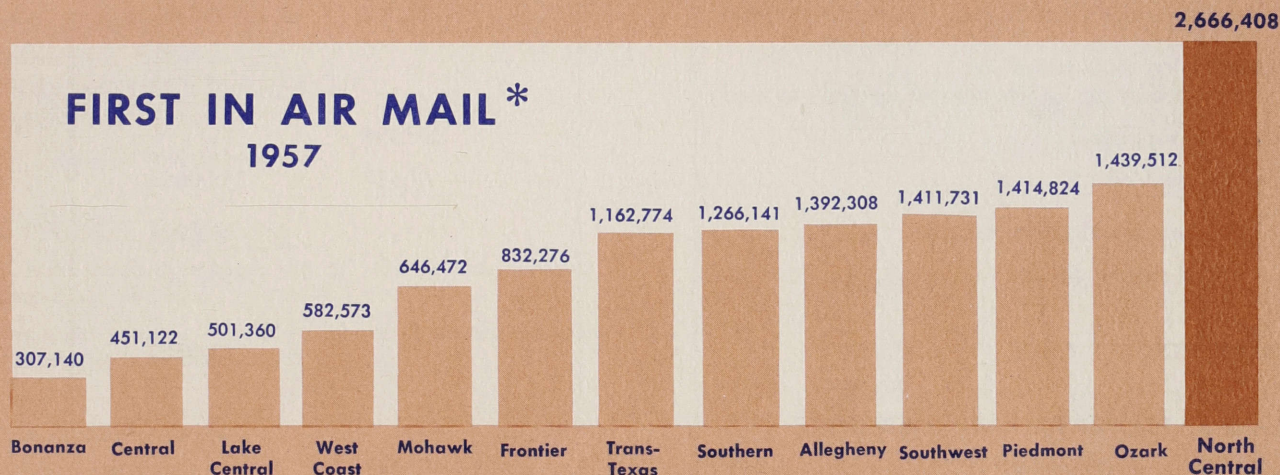


# AMERICA'S LEADING LOCAL AIRLINE

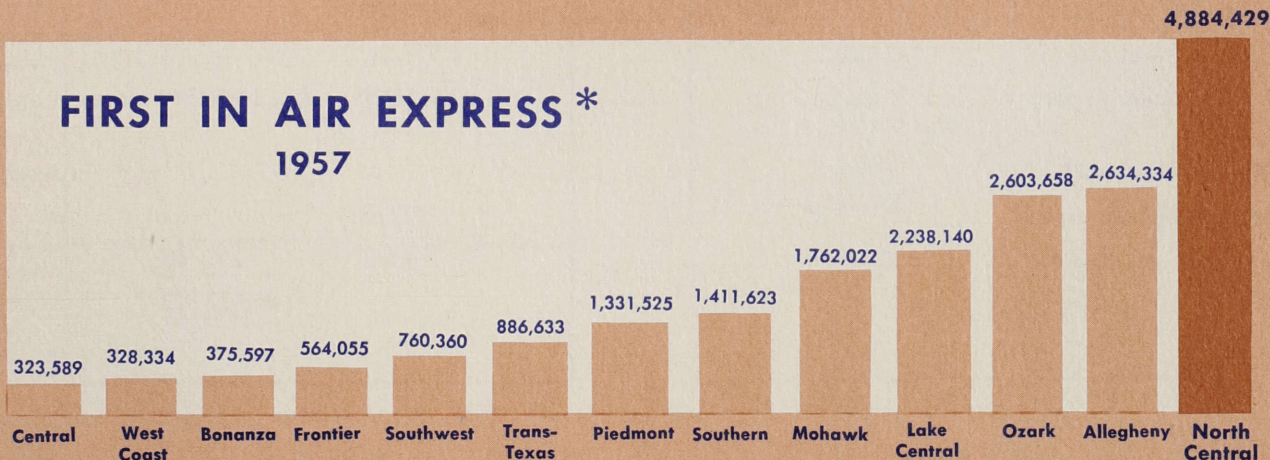
## FIRST IN PASSENGERS 1957



## FIRST IN AIR MAIL\* 1957



## FIRST IN AIR EXPRESS\* 1957



\*Pounds

OUR 10th YEAR OF SERVICE







# NORTH CENTRAL AIRLINES, INC.

## ASSETS

### CURRENT ASSETS

Cash .....		\$ 216,943
Accounts receivables		
Mail (Note 1) .....	\$1,065,293	
Mail—additional claim (Note 2) .....	258,023	
Traffic .....	885,560	
Other .....	133,255	
Refundable prior years' Federal income taxes (Note 3) .....	<u>28,702</u>	2,370,833
Inventories — at the lower of cost (determined by the first-in, first-out method) or market		
Parts and supplies .....	220,538	
Gasoline and oil .....	<u>17,527</u>	238,065
Prepaid expenses and sundry deposits .....		<u>57,909</u>
Total current assets .....		<u>2,883,750</u>

### INVESTMENTS — AT COST

2,101

### OPERATING PROPERTY AND EQUIPMENT

Flight equipment (Note 4) .....	3,837,039	
Ground equipment .....	458,649	
Hangar buildings and improvements to leased property .....	144,662	
Furniture and fixtures .....	<u>134,067</u>	
Total — at cost .....	<u>4,574,417</u>	
Less depreciation to date .....	<u>2,615,900</u>	1,958,517

### DEFERRED CHARGES

Route development expense .....	228,668	
Other .....	<u>4,837</u>	<u>233,505</u>
		<u>\$5,077,873</u>





**BALANCE SHEET****DECEMBER 31, 1957****LIABILITIES****CURRENT LIABILITIES**

## Notes payable

5½% note to bank, payable on demand (Note 4) .....	\$ 100,000	
Current maturities of long-term notes .....	<u>241,946</u>	\$ 341,946

## Accounts payable

Trade .....	1,213,590	
Traffic .....	<u>936,062</u>	2,149,652

Unearned transportation revenue .....  | 63,763 |Income taxes withheld and other employee payroll deductions ...  | 74,736 |

## Accrued liabilities

Salaries and wages .....	303,103	
Taxes (other than income taxes) .....	27,163	
Other .....	<u>350,711</u>	680,977

Total current liabilities .....  | 3,311,074 |**NONCURRENT LIABILITIES**5% note payable to bank, due in monthly installments to  
December 10, 1960 (Note 4) ..... 715,000 |  |Other notes payable, secured by pledge of certain equipment, due  
in monthly installments ..... 23,628 |  |

738,628

Less current maturities ..... 241,946 | 496,682 |Deferred rent payable .....  | 25,600 |Total noncurrent liabilities .....  | 522,282 |**CAPITAL**Common stock — authorized, 3,750,000 shares of \$.20 par value;  
issued 1,998,070 shares (Note 5) ..... 399,614 |  |Paid-in in excess of par value of stock issued ..... 817,518 |  |

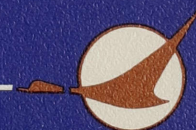
1,217,132

Retained earnings ..... 34,610 |  |

1,251,742

Less 13,250 shares of common stock reacquired and held in the  
treasury — at cost ..... 7,225 | 1,244,517 |\$5,077,873

The accompanying notes are an integral part of the financial statements.





## STATEMENT OF EARNINGS

### TRANSPORTATION REVENUE

Passenger.....	
Mail.....	
Express.....	
Excess baggage.....	
Non-scheduled transport service.....	
Other.....	

YEAR ENDED DECEMBER 31, 1957

\$7,372,333	
2,925,645	
146,287	
54,986	
273,077	
29,667	\$10,801,995

### OPERATING EXPENSES

Flying operations.....	
Flight equipment maintenance.....	
Other maintenance.....	
Passenger service.....	
Aircraft and traffic servicing.....	
Promotion and sales.....	
General and administrative.....	
Depreciation.....	
Operating profit.....	

3,455,867	
1,384,841	
644,693	
560,934	
3,095,105	
621,829	
504,055	
452,993	10,720,317
	81,678

### OTHER DEDUCTIONS

Interest.....	
Extension and development.....	
Sundry.....	
Earnings (before income tax credits).....	

47,199	
6,281	
7,510	60,990
	20,688

### INCOME TAX CREDITS

Refund and credit of prior years' Federal income taxes resulting from net operating loss carryback (Note 3).....	
Unrequired provision for deferred income taxes (Note 3).....	

41,503	
18,600	60,103

### NET EARNINGS

\$ 80,791

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF RETAINED EARNINGS

Retained earnings (deficit)*—January 1, 1957.....	
Net earnings for the year ended December 31, 1957.....	
RETAINED EARNINGS—DECEMBER 31, 1957.....	

YEAR ENDED DECEMBER 31, 1957

\$ 46,181 *	
80,791	
\$ 34,610	

\*denotes red figure

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS—December 31, 1957

1. Mail revenues for the period from November 23, 1956 are based on temporary rates established by the Civil Aeronautics Board. On February 28, 1958 the Board retroactively increased the past temporary rate and also provided for a higher future rate. This increase has provided the company with additional mail pay of \$858,483 for the year 1957 and \$34,400 for the period from November 23, 1956 to December 31, 1956, or a total of \$892,883. Accordingly, the amount of \$892,883 is shown as an account receivable at December 31, 1957 and the amount of \$858,483 is included as 1957 mail revenue. The \$34,400 amount was included as mail revenue in 1956.

2. It is the policy of the Civil Aeronautics Board to provide a scheduled airline with sufficient mail pay to meet its break-even need and also to provide for a reasonable return on recognized investment. In accordance with this policy the company has determined that for 1957 an amount of \$258,023 of additional mail pay (in excess of that described in Note 1) will be applicable under these two categories. The amount of \$258,023 is shown as an account receivable at December 31, 1957 and a like amount has been included as 1957 mail revenue. If this anticipated additional mail pay was not included as 1957 income the company would have sustained a net loss of \$177,232.

3. The Internal Revenue Service has concluded its examination of the company's Federal income tax returns for the years 1953-1956. It was agreed to extend the useful lives of aircraft and engines from three years to four years however tax deficiencies did not result because of net operating loss carryovers and carrybacks.

The retroactive temporary mail pay adjustment of \$892,883 is reportable as 1958 taxable income. Therefore, for tax purposes, 1957 operations resulted in a loss which when carried back provide for a refund of 1955 and 1956 Federal income taxes paid of \$28,702. The unpaid portion of 1956 Federal income taxes of \$12,801 was credited to 1957 earnings resulting in total prior years' tax refunds or credits of \$41,503.

The amount of depreciation included in the accompanying statement of earnings

is less than the related amount allowable for tax purposes because the change in useful lives of aircraft and engines was made on the company's books of account at a date later than a similar change was made by the Internal Revenue Service. As a result more depreciation had been provided for book purposes than was allowable for tax purposes.

The additional depreciation allowable for tax purposes eliminates the necessity for a 1957 income tax provision and also eliminates the need for deferred income taxes of \$18,600 which had been provided at December 31, 1956. Accordingly, this amount has been credited to 1957 earnings.

4. As collateral security for a loan from the Northwestern National Bank the company has pledged twenty-two DC-3 aircraft. In accordance with the loan agreement, the company should maintain current assets that are at least equal to current liabilities excluding any liability to the bank under the loan agreement. The bank is aware of the present working capital deficiency and has agreed to waive this provision of the agreement until December 31, 1958.

5. On November 1, 1957 the stockholders approved an increase in authorized common stock from 750,000 shares to 3,750,000 shares; reduced the par value of such stock from \$1. per share to \$.20 per share; and authorized the exchange of each previous one share of \$1. par value for five new shares of \$.20 par value.

6. In January, 1957 an officer was granted an option to acquire 6,000 shares of company common stock at a price of \$2.8125 per share. During the year 3,000 shares were acquired under the option agreement for a total consideration of \$8,438. As a result of the five for one stock split the officer, under the existing agreement, may, prior to January 19, 1959, acquire 15,000 shares of common stock at a price of \$.5625 per share.

7. The Civil Aeronautics Board has determined that the company should not be allowed to acquire 80,054 shares (96%) of the outstanding capital stock of Lake Central Airlines, Inc. The company has petitioned for a hearing in an appropriate Circuit Court of Appeals in an effort to set aside the Board's adverse decision.

OUR 10th YEAR OF SERVICE





## COMPARATIVE OPERATING STATISTICS

	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
<b>Operating Revenues</b>										
Passenger	\$ 7,372,333	\$6,137,216	\$4,933,487	\$3,351,782	\$2,303,738	\$1,470,536	\$ 860,599	\$ 427,278	\$ 271,576	\$ 113,648
Mail	2,925,645	1,522,211	1,689,890	2,328,921	2,468,685	1,681,542	1,181,596	1,355,145	1,036,243	580,968
Express	146,287	149,640	126,476	75,630	68,117	55,861	45,173	18,637	8,364	5,963
Excess Baggage	54,986	40,506	30,477	20,975	15,739	12,783	5,643	2,419	1,519	1,012
Non-scheduled Transport Service	273,077	119,419	28,711	46,734	25,436	-0-	-0-	-0-	-0-	-0-
Other Revenue	29,667	15,345	8,964	5,283	5,682	2,982	5,781	2,953	8,301	2,133
<b>TOTAL</b>	<b>\$10,801,995</b>	<b>\$7,984,337</b>	<b>\$6,818,005</b>	<b>\$5,829,325</b>	<b>\$4,887,397</b>	<b>\$3,223,704</b>	<b>\$2,098,792</b>	<b>\$1,806,432</b>	<b>\$1,326,003</b>	<b>\$ 703,724</b>
<b>Operating Expenses</b>										
Flying Operations	\$ 3,455,867	\$2,578,253	\$2,007,381	\$1,695,384	\$1,413,489	\$ 939,931	\$ 612,060	\$ 476,572	\$ 361,254	\$ 200,030
Flight Equipment Maintenance	1,384,841	960,021	845,753	724,209	690,589	483,292	275,469	267,105	229,946	127,966
Indirect Maintenance	644,693	287,978	342,276	373,222	368,406	293,682	157,014	136,205	111,736	51,164
Passenger Service	560,934	443,243	325,669	256,872	211,520	140,983	82,967	16,096	6,791	3,294
Aircraft and Traffic Servicing	3,095,105	2,400,946	1,866,574	1,485,796	1,320,671	898,372	575,368	458,618	347,628	218,162
Promotion and Sales	621,829	456,537	369,452	270,129	228,028	122,724	101,881	37,697	25,696	19,033
General and Administrative	504,055	431,671	367,236	316,092	270,391	223,500	159,580	129,794	120,850	80,919
Depreciation	452,993	301,161	470,169	535,557	428,308	205,192	143,722	120,329	99,599	54,645
<b>TOTAL</b>	<b>\$10,720,317</b>	<b>\$7,859,810</b>	<b>\$6,594,510</b>	<b>\$5,657,261</b>	<b>\$4,931,402</b>	<b>\$3,307,676</b>	<b>\$2,108,061</b>	<b>\$1,642,416</b>	<b>\$1,303,500</b>	<b>\$ 755,213</b>
Net Operating Profit (or Loss)	81,678	124,527	223,495	172,064	(44,005)	(83,972)	(9,269)	164,016	22,503	(51,489)
Amortization of Route Development Expense	(6,281)	(8,566)	(26,995)	(5,227)	(10,618)	-0-	-0-	(65,015)	(86,292)	(73,525)
Non-operating Income and Expenses, Net	(54,709)	(36,085)	(50,051)	(55,130)	(59,965)	(39,421)	15,536	(6,888)	(12,094)	(3,030)
Net Profit (or Loss) Before Taxes	20,688	79,876	146,449	111,707	(114,588)	(123,393)	6,267	92,113	(75,883)	(128,044)
Income Taxes	(60,103)	45,700	18,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Profit (or Loss)	\$ 80,791	\$ 34,176	\$ 128,449	\$ 111,707	\$ (114,588)	\$ (123,393)	\$ 6,267	\$ 92,113	\$ (75,883)	\$ (128,044)

## ROUTE OF THE NORTHLINERS

CHICAGO  
NEW YORK  
LOS ANGELES

**ALEXANDER GRANT & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
312 EAST WISCONSIN AVENUE  
MILWAUKEE 2, WISCONSIN

OTHER  
PRINCIPAL  
CITIES

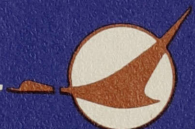
Board of Directors  
North Central Airlines, Inc.

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. as of December 31, 1957 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of North Central Airlines, Inc. at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for mail revenue described in Note 2 of the notes to financial statements, which change we approve.

Milwaukee, Wisconsin  
March 4, 1958

Alexander Grant & Company





# 1957

## ANOTHER YEAR OF PROGRESS



**NEW HONORS** — Northcentralite named "World's Ideal Airline Stewardess"



**NEW ROUTES** — Governors join celebration at inaugural of North Central service from Grand Forks to Omaha



**NEW OFFICES** — Company opens new, modern city ticket offices in Minneapolis and Duluth

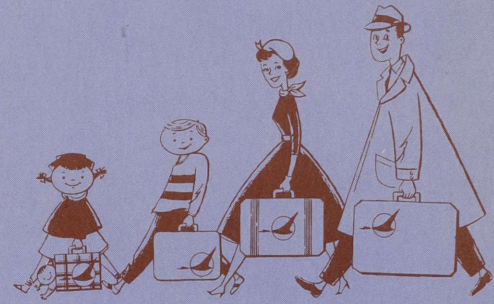


**NEW FACILITIES** — Lobby and operations area are expanded and redecorated at Chicago Midway, the world's busiest airport.

**OUR 10th YEAR OF SERVICE**







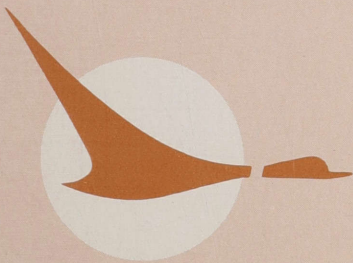
# 10<sup>th</sup> anniversary

1948

*A decade of public service*

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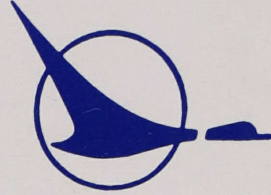
1958



**NORTH CENTRAL AIRLINES**

**AMERICA'S LEADING LOCAL AIRLINE**





NORTH CENTRAL AIRLINES, INC.