



**Second Year
of
PROGRESS**

PRESIDENT'S REPORT TO STOCKHOLDERS, EMPLOYEES AND CUSTOMERS



NATIONAL SAFETY COUNCIL

1950 AVIATION SAFETY AWARD

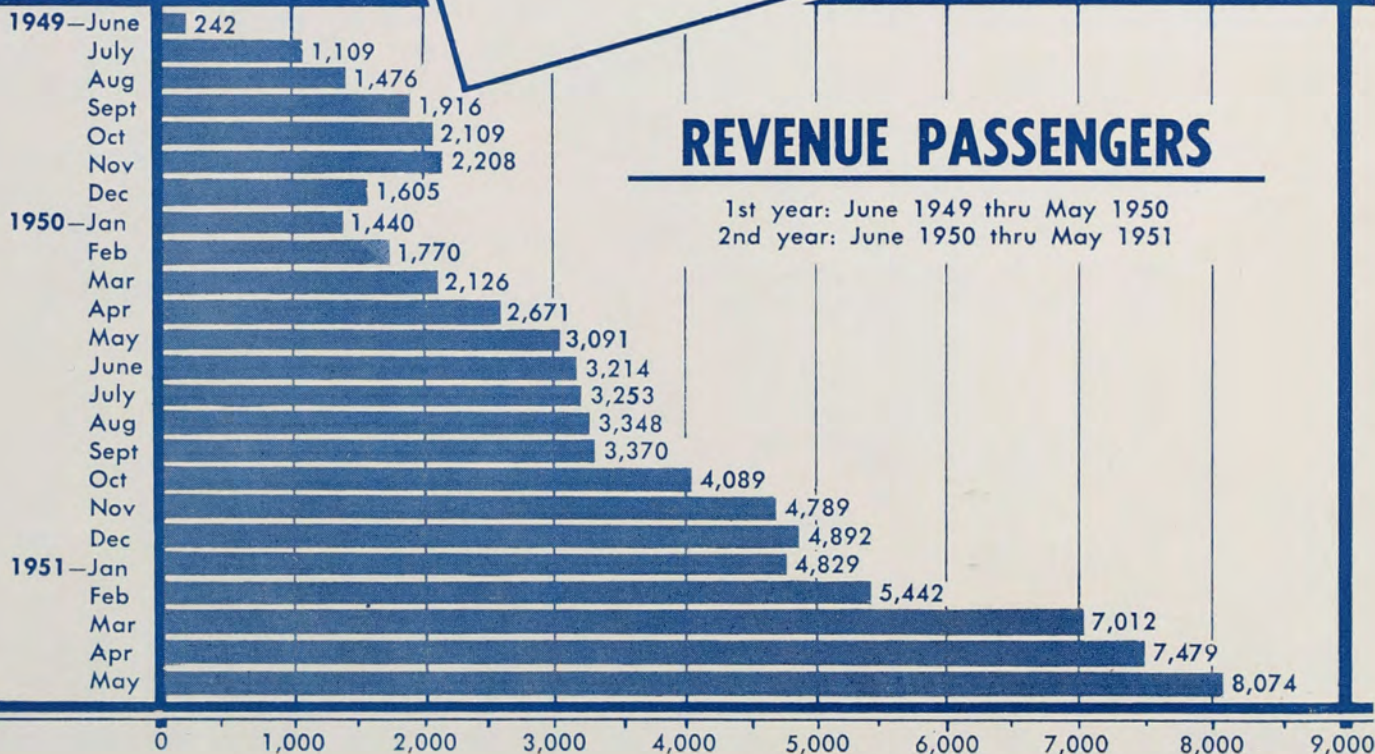
TO
SOUTHERN AIRWAYS, INC.

in recognition of its contribution to Safe Air Transportation
having operated the entire year of 1950 and,
as of December 31, 1950

10,126,000 PASSENGER MILES

without a passenger or crew fatality in
scheduled passenger carrying flight operations

Ned H. Dearborn
President



REVENUE PASSENGERS

1st year: June 1949 thru May 1950
2nd year: June 1950 thru May 1951

MANAGEMENT

OFFICERS

FRANK W. HULSE
President

IKE F. JONES
Vice-President

TOM D. EVE
Vice-President, Traffic & Sales

HUGH W. DAVIS
Vice-President, Operations

GEORGE F. ESTEY
Secretary-Treasurer

CECIL A. BEASLEY, JR.
Assistant Secretary

W. B. WHITE, JR.
Assistant Secretary

F. L. McLEOD
Assistant Treasurer

Executive Committee

FRANK W. HULSE
ARTHUR M. SPIES, JR.

HENRY P. JOHNSTON
ELTON B. STEPHENS

ERNEST H. WOODS

DIRECTORS

J. MURREY ATKINS
R. S. Dickson & Co., Inc.
Charlotte, North Carolina

FRANK W. HULSE, *President*
Southern Airways, Inc.
Birmingham, Ala.

ARTHUR M. SPIES, JR.,
Ass't to the Pres.
Meyer Hotels
Birmingham, Alabama

CECIL A. BEASLEY, JR.
Kilpatrick, Ballard & Beasley
Washington, D. C.

HENRY P. JOHNSTON, *Exec. Vice-Pres.*
The Birmingham News Company
Birmingham, Alabama

ELTON B. STEPHENS
Elton B. Stephens & Associates
Birmingham, Alabama

EDWARD U. BENEKE
The Beneke Corporation
Columbus, Mississippi

IKE F. JONES, *Vice-President*
Southern Airways, Inc.
Augusta, Georgia

ROBERT Z. CATES, *President*
Arkwright Mills
Spartanburg, South Carolina

W. HERBERT SMITH
W. Herbert Smith Company
Clover, South Carolina

ERNEST H. WOODS, *President*
Liberty Motors, Inc.
Birmingham, Alabama

Stock Transfer Agent

The First National Bank of Birmingham
Birmingham, Ala.

GENERAL OFFICES

Municipal Airport
Birmingham, Ala.

OPERATIONS HEADQUARTERS

Municipal Airport
Atlanta, Ga.



**A
MESSAGE FROM
YOUR
PRESIDENT**

To give you a full year of operating statistics since our last report, we have included herein operating statistics for the first six months of 1951. In addition to giving you comparisons for two years of operation, this will demonstrate how rap-

idly our business has developed in the Mississippi Valley area.

1950 was the first full year of operation for your Company. First and foremost, I wish to report that we operated the entire year with a perfect safety record. This brought us national recognition by the receipt of an award from the National Safety Council. During the period we flew 10,126,000 passenger miles and served 38,117 passengers. 96.92% of all schedules were completed.

During the year the Civil Aeronautics Board reaffirmed its confidence in your Company by extending our system to serve 10 additional cities, so that we now serve a total of 31 cities in eight states. The award in the so-called Mississippi Valley Case brought our route mileage up to 2,120 miles. The larger part of this new system was inaugurated before the end of the year, with the complete activation of the new routes on January 15, 1951. This award is being contested by an unsuccessful applicant in the U. S. Court of Appeals. Our counsel is not concerned over this action. Thirteen of the 31 cities where we operate are served by Southern alone. We are proud of the fact that we have given these communities their first scheduled airline service.

The year 1950 brought many new developments to our area. A number of military establishments were announced. 20 of our 31 cities have military installations. Among the larger new establishments announced are the Atomic Energy Plant near Augusta, Georgia, and the Marine Corps Base near Albany, Georgia. This additional military activity plus the establishment of many new industrial plants throughout our entire area will provide a tremendous business impetus during the coming years. As shown by the chart on the inside front cover, we enjoyed increases in passenger traffic

COMPARATIVE OPERATING STATISTICS

(1st Year: June 1949 thru May 1950—2nd Year: June 1950 thru May 1951)

	Our 1st Year	Our 2nd Year	Percent Increase
REVENUE PASSENGERS	21,763	59,791	174.7%
REVENUE PASSENGER MILES	3,665,215	10,553,071	187.9%
PASSENGER LOAD FACTOR	11.02%	21.56%	95.6%
MAIL TON MILES	35,187	68,773	95.4%
EXPRESS TON MILES	31,117	62,225	99.9%
REVENUE PLANE MILES	1,530,830	2,270,751	48.3%
PERCENT SCHEDULED MILES COMPLETED	94.80%	97.14%	2.5%

during every month of the year 1950. Starting with only 1,440 passengers in January, we completed the year with 4,892 passengers in December. This chart also contrasts the passenger business for 1950 with the seven months we operated during 1949, and the first six months of 1951.

We led the local service industry for the entire year of 1950 on air-mail carried per mile flown. A chart showing mail flown is shown on page 3.

The new routes in the Mississippi Valley area are getting off to an excellent start. Although we have been in operation for only a few months over the new system, these new routes are developing business at a rate that required a full year of development on the original system. I am most optimistic over the future of our new area.

During the course of the year, your directors authorized an increase of the outstanding capital stock to 200,000 shares. All of this stock has been sold, and apparently there exists a substantial demand for more stock. We have recently received a \$370,000 loan from the Reconstruction Finance Corporation with the participation of The Merchants National Bank of Mobile, Alabama. The proceeds of this loan were used to liquidate other loans, to purchase equipment for our expanded routes and to provide working capital.

During the latter part of 1950 we employed and trained our first group of stewardesses. Since that time these young ladies have replaced flight agents on all of our trips. Public reaction to this change has been excellent. At the close of the year we redesigned our airplane paint scheme to provide for a white top, which makes the airplane cabin as much as 10 percent cooler in the summertime. We have received many compliments on our new paint job from the traveling public. We have also initiated a program of naming our airplanes for famous Confederate personalities. The company has

received a most favorable public reaction to this program.

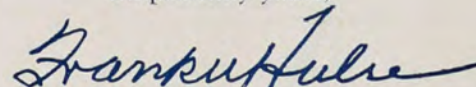
Your attention is directed to the Profit and Loss Statement on page 8. The indicated loss of \$71,134.55, plus losses from operations in 1949, are expected to be recovered, together with a reasonable profit, when our permanent mail rate is established. It is hoped that this rate will be determined before the end of 1951. In addition, we expect to recover preoperational and development costs as outlined in Note D of the audit report.

One of your Company's assets not reflected in the balance sheet is the present market value of your fleet of airplanes. Since these airplanes were acquired, there has been a tremendous increase in their market value. Several qualified appraisers have estimated the market value of our fleet to be in excess of one million dollars.

We hope that you will tell your friends of our service. Should each of our more than 700 stockholders account for a single new passenger, it would substantially increase our business. I urge you to visit or call any of our stations for any airline information. Our station managers and their telephones are listed on page 5.

Our 400 employees are young, energetic, and enthusiastic over the success of your Company. Should you have occasion to visit one of our stations, I hope that you will tell our employees that you are interested in Southern Airways. This will make them more conscious of the growing interest of everyone in Southern, which of course will be an incentive for them to do a better job.

Respectfully yours,



Frank W. Hulse, President

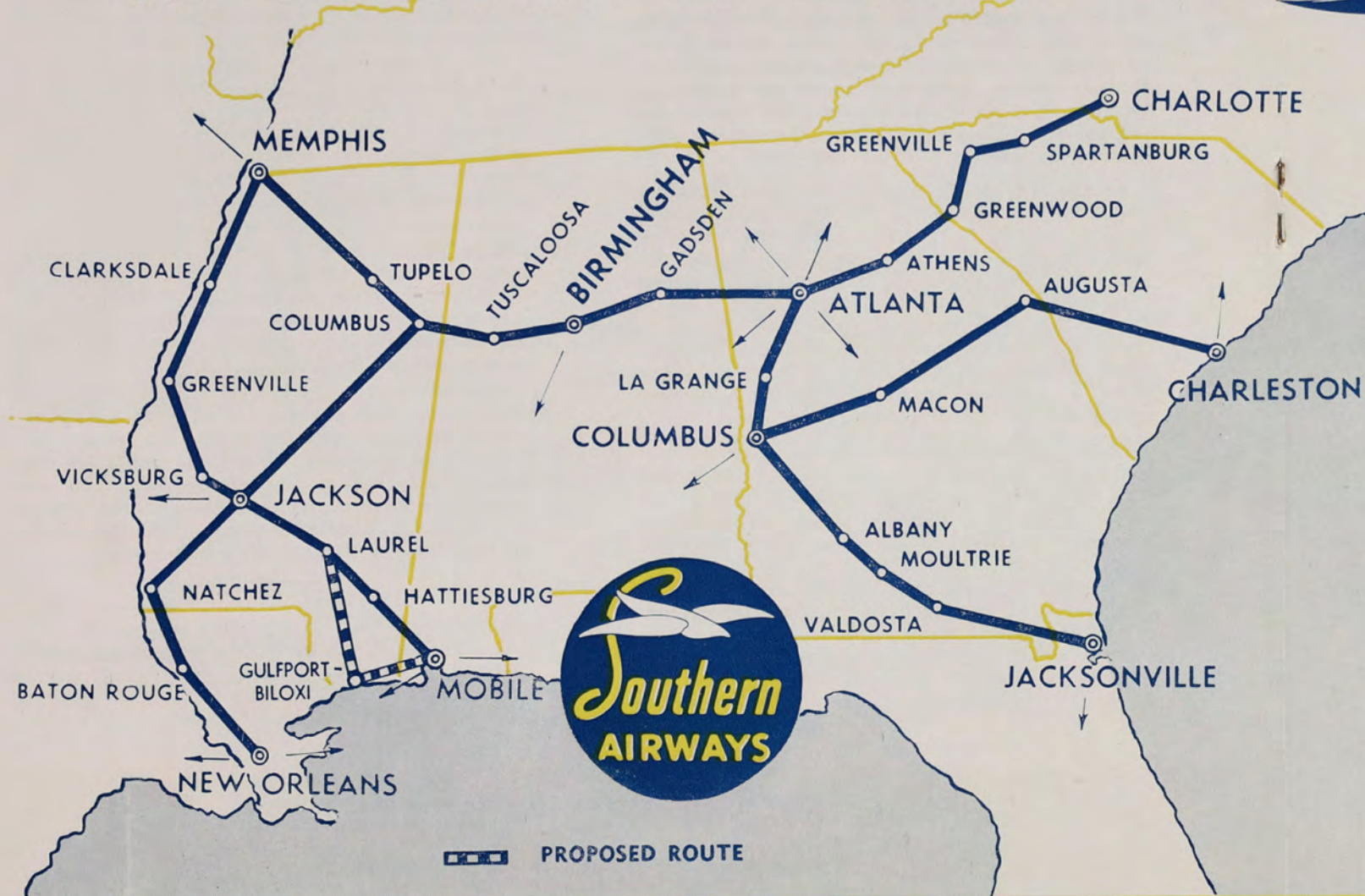
Aug. 7, 1951.

AIR MAIL TABLE

A Comparison of Five Local Service Airlines, 1950

Industry Position		Pounds Per Mile Flown	Year of Operation
1	SOUTHERN AIRWAYS	53.2	2nd
2	Airline "A"	51.4	5th
3	Airline "B"	41.1	4th
4	Airline "C"	39.1	4th
5	Airline "D"	39.0	3rd

Serving 31 Leading Cities In 8 Southern States



Offering Scheduled Airline

Service to More Than

3 Million People.

Annual Retail Sales of

Cities Served are

Nearly 4 Billion Dollars.*

*Sales Management Survey of Buying Power, 1951.

**SOUTHERN
AIRWAYS
IS
YOUR
COMPANY**

Due to the combined efforts of Southern Airways employees, stockholders and friends, your company has made rapid strides in the short space of two years.

The Southern Airways manager in or near your city will welcome any suggestions or help you may give him. It will be especially helpful if you will refer to the manager the names of any of your friends who are air travelers or who are potential users of Southern Airways air mail or air express.

Following is a list of Southern Airways cities, with managers' names and telephone numbers:

City	Manager	Phone
Albany, Ga.	W. Fenton	3124
Athens, Ga.	J. B. Giles	4487
Atlanta, Ga.	W. A. Brabson	CA-7761
Augusta, Ga.	C. V. Diacetis	2-4821
Baton Rouge, La.	O. B. Mathews	7-2293
Birmingham, Ala.	J. A. Maxham	59-9646
Charleston, S. C.	J. D. Jeffords	4-2673
Charlotte, N. C.	C. T. Mayhew	5-8733
Clarksdale, Miss.	T. J. Lathem	1971
Columbus, Ga.	A. D. Yawn	7-6568
Columbus, Miss.	A. G. Cowley	764
Gadsden, Ala.	J. O. Lasseter	6-5285
Greenville, Miss.	C. D. Graves	4051
Greenville, S. C.	R. E. Kale	3-0173
Greenwood, S. C.	J. A. Reckard	9-3191
Hattiesburg, Miss.	L. K. Dailey	3716
Jackson, Miss.	G. F. Attwood	4-8880
Jacksonville, Fla.	L. A. McLaughlin	5-8108
LaGrange, Ga.	J. A. Mann	8614
Laurel, Miss.	J. H. Echols	3440
Macon, Ga.	G. M. Sutton	2-7761
Memphis, Tenn.	V. H. Rowley	35-4850
Mobile, Ala.	N. A. McDonald	7-3637
Moultrie, Ga.	M. E. Neal	1140
Natchez, Miss.	J. E. Judd	6963
New Orleans, La.	E. H. Seaman	Kenner 4-2558
Spartanburg, S. C.	H. S. Kinnebrew	3-5532
Tupelo, Miss.	Geo. Farrar	255
Tuscaloosa, Ala.	I. T. Tucker	8-0251
Valdosta, Ga.	H. Goodson	2851
Vicksburg, Miss.	L. I. Brooks	550

CONNECTIONS WITH OTHER AIRLINES

ATLANTA	Capital Delta Eastern	MACON	Delta Eastern	CHARLESTON	Delta Eastern National	NEW ORLEANS	Capital Chicago & Southern Delta Eastern Mid-Continent National Pan-American TACA
BIRMINGHAM	Capital Delta Eastern	JACKSONVILLE	Delta Eastern National	ALBANY	Eastern	MEMPHIS	American Braniff Capital Chicago & Southern Eastern Ozark
CHARLOTTE	Capital Eastern Piedmont	JACKSON	Delta Chicago & Southern	VALDOSTA	National		
BATON ROUGE	Eastern Delta	MOBILE	Capital Eastern National	COLUMBUS	Delta Eastern		
				GREENVILLE	Delta Eastern		
				SPARTANBURG	Delta Eastern		

BALANCE SHEET

SOUTHERN AIRWAYS, INC.

DECEMBER 31, 1950

ASSETS

Current Assets

Cash:			
Demand Deposits	\$ 97,194.35		
Due from agents	8,152.83		
Office and station cash funds	4,325.00	\$ 109,672.18	
<u> </u>			
Accounts receivable:			
U. S. Government—for transportation of mail, etc.—Note B	\$123,270.65		
Other accounts	81,630.19	204,900.84	
<u> </u>			
Inventories—at cost:			
Repair parts and shop supplies	\$ 59,378.33		
Other operating supplies	10,395.38		
Materials in transit	959.06	70,732.77	
<u> </u>			
TOTAL CURRENT ASSETS		\$ 385,305.79	

Other Assets

Investments in affiliates—at cost	\$ 511.00		
Notes receivable and accrued interest	6,321.61		
Postage and service deposits	400.00	7,232.61	
<u> </u>			

Property and Equipment—At cost, less

allowances for depreciation—Note C			
Hangar (constructed on leased land)	\$121,129.54		
Aircraft and related equipment	526,421.25		
Other equipment	75,185.46		
Improvements to rented property	1,243.14		
<u> </u>			
	\$723,979.39		
Less allowances for depreciation	256,546.03		
<u> </u>			
	\$467,433.36		
Construction in progress—equipment	36,743.23	\$504,176.59	
<u> </u>			
	19.00		
Non-operating property—aircraft engines	271.03	504,466.62	
Advance payment on equipment purchased			
<u> </u>			

Deferred Charges

Development and preoperating expenses—Note D	\$ 81,430.09		
Prepaid insurance, interest, dues, etc.	41,053.54		
Unamortized expense in connection with sale of capital stock—Note E	30,465.56		
Overhauled aircraft and engines—unamortized balance	36,366.92	189,316.11	
<u> </u>			
		<u>\$1,086,321.13</u>	

LIABILITIES

Current Liabilities

Notes payable (including portion of long-term debt due within one year):			
Secured—Note C:			
For money borrowed	\$ 69,600.00		
For equipment, supplies, etc.	206,876.89	\$276,476.89	
<u> </u>			
Unsecured:			
For equipment, supplies, etc.	\$125,594.36		
Employees—for unpaid compensation	11,103.59	136,697.95	\$ 413,174.84
<u> </u>			
Accounts payable and accrued expenses:			
Bank overdraft:			
Bank checks outstanding	\$ 55,035.51		
Less cash on deposit as reported by bank, and cash for deposit	37,625.74	\$ 17,409.77	
Trade accounts		190,183.27	
For equipment purchased		12,141.11	
Pay roll taxes and taxes withheld from employees		33,023.54	
Interest, taxes and insurance		32,880.38	
Audit and legal fees		12,381.87	
Salaries and wages		4,914.68	
Rents and landing fees		5,741.13	308,675.75
<u> </u>			
TOTAL CURRENT LIABILITIES			\$ 721,850.59

Long Term Debt (Secured)—Note C:

Notes payable—for money borrowed	\$ 80,950.00		
Less payments due within one year	69,600.00	\$ 11,350.00	
<u> </u>			
Notes payable for equipment, supplies, etc.	\$ 3,563.64		
Less payments due within one year	1,187.88	2,375.76	13,725.76
<u> </u>			

Deferred Income

Unearned transportation revenue			4,976.73
---------------------------------	--	--	----------

Capital Stock and Surplus (Deficit)

Common stock, par value \$3.00 per share:			
Authorized 250,000 shares			
Issued and outstanding 198,166 2/3 shares	\$594,500.00		
Common stock (old issue), par value \$1.00 per share:			
Outstanding 5,500 shares (entitled upon surrender to 1,833 1/3 shares of \$3.00 par value common stock)	5,500.00	\$600,000.00	
<u> </u>			
Earned surplus—deficit*		254,231.95*	345,768.05
<u> </u>			
			<u>\$1,086,321.13</u>

Contingent Liability—Note F.

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Note A—The company is engaged in air transportation with respect to persons, property, and mail under authority of a Temporary Certificate of Public Convenience and Necessity issued by the Civil Aeronautics Board effective February 8, 1949, for a period of three years. Since commencement of scheduled service on June 10, 1949, the Company has been and is now being compensated for the transportation of mail under temporary rates. These rates are subject to adjustment in a future Civil Aeronautics Board proceeding to determine a final mail rate. Neither the final mail rate, nor the amount of retroactive adjusted compensation which the Company will receive thereunder for the transportation of mail during the term of its temporary certificate, are determinable at this time.

Note B—Charges to accounts receivable and credits to income for the transportation of U. S. mail have been made on the basis of adjusted rates applicable through the year

1950. Such rates are not final but are subject to review and possible further adjustment by the Civil Aeronautics Board. During the year 1950, the Company received the sum of \$108,549.26 representing an adjustment of compensation for transportation of U. S. mail during the year 1949. As this amount was determinable prior to the completion of our examination for the year ended December 31, 1949, it was included in the financial statements for the year 1949.

Note C—Collateral to the secured notes payable includes eight aircraft and substantially all of the related equipment, hangar building (constructed on land leased until January 11, 1959 with option of renewal for five years), certain office equipment, Plymouth sedan automobile, insurance policy for \$25,000.00 on life of an officer, and leases under which the Company is lessee of the land on which the hangar building is located and is lessor of that building.

In addition to the above, certain of these notes are further secured by guaranty of an officer of the Company, and by pledge of certain shares of stock in another corporation owned by this officer.

Note D—Expenses incurred by the Company in connection with its application to the Civil Aeronautics Board for authority to engage in air transportation and before actual flying operations amounted to \$185,010.14, and these expenses, upon approval by the Board, are subject to recovery after the establishment of a permanent mail rate. Such expenses are being amortized over the life of the temporary certificate issued by the Civil Aeronautics Board, as mentioned in Note A, and the remaining unamortized portion of these expenses, amounting to \$81,430.09, is reflected in the balance sheet under deferred charges.

Note E—Expenses in connection with the sale of capital stock are being amortized over the period covered by the

Certificate of Public Convenience and Necessity, as set forth in Note A, by charges made directly to earned surplus-deficit.

Note F—The Company is contingently liable in the amount of \$34,500.00 for the repurchase from a bank of a note of the Employees Trust Committee of Southern Airways, Inc. If the Company is required to repurchase the note, it is entitled to the related collateral, which, at December 31, 1950, consisted of employees' notes having balances aggregating \$42,000.00 and 24,000 shares of stock of the Company.

At the date of the balance sheet the Company, together with others, was co-defendant in a pending lawsuit brought by an individual for damages claimed, the actual liability for which, if any, cannot be determined until final decision by the courts.

SOUTHERN AIRWAYS, INC.

Statement of Profit and Loss

Year Ended December 31, 1950

Operating revenues:			
Transportation:			
Passenger			\$ 252,237.09
Mail—Note B			1,374,062.70
Express			14,670.46
Excess baggage, etc.			6,369.57
Incidental:			
Rent received—joint facilities			5,100.00
Service sales—net			1,926.73
			<hr/>
		TOTAL OPERATING REVENUES	\$1,654,366.55
Operating expenses:			
Flying operations	\$858,387.47		
Ground operations	267,214.99		
Ground and indirect maintenance	113,118.93		
Passenger service	54,233.55		
Traffic and sales	151,479.40		
Advertising and publicity	55,528.64		
General and administrative	145,565.82		1,645,528.80
			<hr/>
		OPERATING PROFIT	\$ 8,837.75
Other income:			
Insurance collected in excess of carrying amounts of equipment damaged	\$ 8,305.56		
Profit on sale of equipment	189.25		
Interest earned:			
U. S. Government securities	2,252.26		
Other	201.61		
Sundry	216.58		11,165.26
			<hr/>
			\$ 20,003.01
Other deductions:			
Amortization of development and preoperating expenses— Note D	\$ 65,979.26		
Interest paid	19,721.46		
Premium on insurance to secure debt	4,173.80		
Life insurance expense	374.87		
Loss of securities sold	364.45		
Sundry	523.72		91,137.56
			<hr/>
		NET LOSS	\$ 71,134.55

Statement of Earned Surplus — Deficit

Year Ended December 31, 1950

Deficit at January 1, 1950		\$ 164,416.61
Add:		
Net loss for the year	\$ 71,134.55	
Amortization of expenses in connection with sale of capital stock	18,680.79	89,815.34
		<hr/>
DEFICIT — DECEMBER 31, 1950		\$ 254,231.95

See notes to financial statements

AUDITORS REPORT

ERNST & ERNST

ACCOUNTANTS AND AUDITORS

SYSTEM SERVICE

ATLANTA

FIRST NATIONAL BANK BLDG.
DELIVERY ZONE 3

AKRON
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
BUFFALO
CANTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DALLAS
DAYTON
DENVER
DETROIT
EL PASO
FORT WORTH
GRAND RAPIDS
HOUSTON
INDIANAPOLIS
KANSAS CITY
LOS ANGELES
LOUISVILLE
MEMPHIS
MIAMI
MILWAUKEE
MINNEAPOLIS

NEW ORLEANS
NEW YORK
PHILADELPHIA
PITTSBURGH
PORTLAND, ME.
PROVIDENCE
READING
RICHMOND
ROCHESTER
ST. LOUIS
ST. PAUL
SAN ANTONIO
SAN FRANCISCO
SEATTLE
TOLDO
WASHINGTON
WINSTON-SALEM
YOUNGSTOWN

TORONTO, CANADA
CORRESPONDENT AT
LONDON
CABLE ADDRESS
"ERNSTAUDIT" N. Y.

Board of Directors
Southern Airways, Inc.
Birmingham, Alabama

We have examined the balance sheet of Southern Airways, Inc. as of December 31, 1950, and the related statements of profit and loss and surplus-deficit 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.

The Company has included in its financial statements all temporary adjustments of compensation for transportation of U.S. mail through the year ended December 31, 1950. Under provisions of the Civil Aeronautics Act of 1938, as amended, the Civil Aeronautics Board will determine the final mail compensation rate after it has reviewed the results of the Company's operations over a period of time. The effect of such retroactive determination upon the financial statements of the Company at December 31, 1950 cannot be anticipated at this date.

In our opinion, subject to the effect of retroactive mail compensation rates as commented upon in the preceding paragraph, the accompanying balance sheet and statements of profit and loss and surplus-deficit present fairly the financial position of Southern Airways, Inc. at December 31, 1950, 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.

Ernst & Ernst
Certified Public Accountants

Atlanta, Georgia
March 16, 1951



The South's
Local
Service
Airline