

**Mesaba Airlines**

2002 AIRPORT ROAD  
GRAND RAPIDS, MN 55744

218/326-6657

December 5, 1985

TO: ALL FELLOW EMPLOYEES

FROM: ROBERT D. SWENSON  
PRESIDENT & CHIEF EXECUTIVE OFFICER

Greetings to you and best wishes to you for a great Holiday Season this December! I hope you had an enjoyable Thanksgiving with your family and friends.

This employee newsletter has been a long time in the making and I apologize for the lapse of time since the previous one. A great many events have occurred during that time and I shall do my best to bring everyone up to date.

First of all, I have enclosed for your information a copy of our recent stock offering prospectus. In it you will find an excellent review of our Company's financial status, our growth and our risk factors. Please feel free to ask any corporate officer or myself any questions you may have regarding the prospectus should you decide to look it over closely.

I am pleased to report to you that in the public offering our Company sold 700,000 shares of stock and netted approximately 1.9 million dollars of equity which will greatly help our Company move forward successfully.

Of the 1.9 million dollars raised, approximately 1.0 million dollars are earmarked for route expansion, \$300,000 is budgeted for a downpayment towards additional new hangar facilities, \$500,000 has been applied to pay off a portion of long-term debt at the bank and \$100,000 is going to be used to increase our working capital. This offering has taken a tremendous amount of Dave Knudson's and my time during the past six months and we are both pleased to return to the business of running an airline on a full time basis.

During the past several months, we have not run anywhere near as reliably as we have historically run as a Company. Some of our problems have been related to the daily aircraft schedule, some to high aircraft utilization, some to the effects of major airline hiring practices, some to the fact that the Beechcraft 99's are getting more hours on them and some to cold weather ops. We are making improvements in all of these areas and I ask for your special help and consideration as we all work to increase our on-time reliability back to the historical standards that were our benchmark.

With regards to the daily aircraft schedule, on October 1st, we did add flight time of approximately 1.0 hour to our schedule that did have some immediate effects and effective December 1, we added approximately 2:10 hours of time to the existing aircraft schedule which should also greatly improve our on-time performance. During the past month, we have also reduced the Beechcraft 99 daily flight hours and basically freed one whole aircraft out of the schedule which will give us greater flexibility for maintenance and spare equipment.

As you well know, we have just recently taken delivery of two additional F27's and the addition of these aircraft now allow us one aircraft overnight in Minneapolis for maintenance purposes and give us a spare F27 until the afternoon aircraft rotations begin at 1:00 PM until approximately 6:30 PM. It is our belief that both the B99 and F27 fleet reliability should be improved with this aircraft availability for maintenance.

With respect to maintenance, we are beefing up the department through the addition of an experienced Director of Maintenance Planning, an experienced Director of Support Services, approximately eight more mechanics and four maintenance inventory clerks. Further, we are going to move the balance of the Avionics Department down to Minneapolis where we can more effectively utilize the equipment. Also, for the next three to four months, we are being supported by Fokker with maintenance technician representatives as we place the third, fourth and fifth F27 online by April.

In conjunction with these items, we are running factory training programs and getting more ground support equipment. You will be seeing several more heaters, deicers, tugs and compressors on our system shortly.

We are also pursuing the purchase of an inexpensive used King Air to expedite the movement of mechanics and spare parts throughout our system in all kinds of conditions to increase our reliability.

These steps will help assure our return to one of the best reliability records in the industry and I am asking for your continued help as we work to accomplish this.

In the past, whenever asked my philosophy in running an airline, my answer has always remained the same: Safety, Reliability and Profitability. Never will we compromise on safety, you must always remember that in everything that you do. "Safety" extends to all areas of our flight, ground and maintenance operations, but also includes basic concerns such as; using lighted batons at dusk when parking aircraft, watching your footing during the slippery seasons, reporting runway conditions precisely, staying totally clear of all prop areas, ensuring that all ground support equipment is functioning properly and operating all equipment in a safe manner.

Changing now to new markets, Duluth opened up on Tuesday, December 3 and Aberdeen opens up on Sunday, December 15. Both of these markets will be excellent additions to our route system and represent large subsidy free service markets with great potential for us. We look forward to adding markets such as these as we continue to grow during the next year.

For your information, the addition of our two new F27's represent approximately a 50% growth in seat capacity for us. Our fifth Fokker F27 will bring this seat growth total to approximately 70% during this five month period of time. Our Company is in a period of transition and I believe that in future years we will look back on this period as the real point in time during which Mesaba became a nationally recognized, truly successful regional carrier in every sense of the meaning.

During the next year, we shall have begun construction on a permanent new facility for our Company in Minneapolis/St. Paul and completed our passenger handling facility at Gate 15. These two additions will give our people and our customers great facilities that we can all be proud of.

Competitively, as you well know, Republic is beginning to pull out of larger cities in our area and placing their surrogate carrier "Republic Express" in their place. In all of these markets, we believe it will be easier to compete with Republic Express from Memphis flying 18 seat aircraft than it is to compete directly with Republic flying Convairs or DC9's.

During this period of time, there is little doubt in my mind that many of our personnel will be desired by this competitive start-up company. Since our industry has seen many such start-up airlines come and go during the past few years, I do not expect that Mesaba will lose anyone who has given serious thought to such a lateral move.

Regarding some miscellaneous items, please remember that all hourly and salaried personnel must fill out sick leave/vacation leave slips whenever necessary. During the period of time between December 15, 1985 and January 10, 1986, (following the procedure outlined in our employee handbook), any person that is absent from a scheduled workshift due to illness may be required to obtain an authorized doctor's slip to be excused from work. Since everyone likes to have some scheduled time off during this period that they can count on and because we do not wish to call in those employees who are always willing to sacrifice for the company, this policy will be enforced.

For anyone with questions about our Employee Stock Purchase plan, please contact Bertha Reader in Grand Rapids as she is the present contact until our Personnel Department is set up this month.

I'd like to congratulate the following people on their recent promotions:

Dean Amundson - Maintenance Supervisor - Minneapolis/St. Paul  
 Stanley Batten - Director of Training - Minneapolis/St. Paul  
 Neil Chapel - Customer Service Manager - Minneapolis/St. Paul  
 David Claypool - Manager-Flight Department - Grand Rapids  
 William Downing - Line and Customer Services Manager - Grand Rapids  
 Kelly Heilmann - Crew Scheduler - Minneapolis/St. Paul  
 Brian Hopper - Flight Instructor - Minneapolis/St. Paul  
 Pete Johnson - Flight Instructor - Minneapolis/St. Paul  
 Dan Kelly - Maintenance Supervisor - Minneapolis/St. Paul  
 Mark Langer - Flight Instructor - Minneapolis/St. Paul  
 Roger Lien - Maintenance Supervisor - Minneapolis/St. Paul  
 David Luedke - Shift Supervisor - Minneapolis/St. Paul  
 Robert Oberstar - Customer Service Manager - Thief River Falls  
 Rick Perkins - Flight Instructor - Minneapolis/St. Paul  
 Spencer Pribble - Customer Service Manager - Aberdeen  
 Mary Prigge - Flight Attendant Instructor - Minneapolis/St. Paul  
 Dee Punton - Manager - Reservations and Pass Bureau  
 Kathy Regan - Shift Supervisor - Minneapolis/St. Paul  
 Harold Sellie - Maintenance Supervisor - Minneapolis/St. Paul  
 Douglas Swanberg - Chief Pilot - Minneapolis/St. Paul  
 Larry Tantarri - Maintenance Supervisor - Minneapolis/St. Paul

Also, please welcome our new employees to the Company:

	<u>NAME</u>	<u>POSITION</u>	<u>CITY</u>	<u>DATE</u>
FULL TIME:	Terry Klun	Mechanic	MSP	9/25/85
	Bill Ashton (from PT)	PSA	MSP	9/29/85
	Lori Lucas	Reservation Agent	MSP	10/4/85
	Lori Hadden	Reservation Agent	MSP	10/4/85
	Nancy Benson	Reservation Agent	MSP	10/4/85
	Kent Seibert	Dispatch	MSP	10/7/85
	George Gruber	Pilot	MSP	10/7/85
	Richard Jecha	Pilot	MSP	10/7/85
	Mark Hanson	Pilot	MSP	10/7/85
	Jeffrey Dolin	Pilot	MSP	10/7/85
	Denise VanGrunsven	Pilot	MSP	10/7/85
	Patrick Rugloski	PSA	BRD	10/7/85
	Carolyn Hammer	PSA	HIB	10/13/85
	Mark Austrum	Mechanic	MSP	10/15/85
	Rick Frascht	Mechanic	MSP	10/15/85
	Daniel Skallet	Mechanic	MSP	10/21/85
	Kent Carlson	Mechanic	GPZ	10/21/85
	Bradley Baker	Mechanic	MSP	10/21/85
	Michael Vranjkovic	Pilot	MSP	10/21/85
	Francis Malecha	Pilot	MSP	10/21/85
	Richard Bauch	Pilot	MSP	10/21/85
	Douglas Ward	Pilot	MSP	10/21/85
	Scot Fogelberg	Pilot	MSP	10/21/85
	Brenda Sankey	PSA	OTG	10/27/85
	Claudia Hovland	PSA	DLH	10/28/85
	Wende Gjerde	Flight Attendant	MSP	11/4/85

	<u>NAME</u>	<u>POSITION</u>	<u>CITY</u>	<u>DATE</u>
FULL TIME CONT'D	Brett Reedy	Mechanic	MSP	11/11/85
	Dennis Schroeder (from PT)	PSA	MSP	11/21/85
	Peter Hanson	PSA	MSP	11/21/85
	Gerald Jagerson	Mechanic	MSP	11/22/85
	Scott Skinner	Dispatch	MSP	11/25/85
	James Christianson	Mechanic	MSP	11/25/85
	Lee Meitrodt (from PT)	PSA	MSP	11/24/85
	Kelly Richardson	Flight Attendant	MSP	12/1/85
	Mark H. Hansen	PSA	ABR	12/3/85
	Alice Ferdinand	Director of Personnel	MSP	12/9/85
PART TIME	Richard Eckmann	Line Crew	MSP	10/2/85
	Rhonda Hoffert	PSA	DVL	10/7/85
	Howard Nelson	PSA	MSP	10/7/85
	Kevin Smyth	PSA	MSP	10/7/85
	Steven Ries	PSA	FOD	10/11/85
	Jackie Grothe	Reservation Agent	MSP	10/13/85
	Deb Lindquist	Reservation Agent	MSP	10/13/85
	Laurie Lowe	PSA	DLH	11/4/85
	Robert Beerling	Line Crew	MSP	11/19/85
	Melinda Racine	PSA	DLH	
Troy Pitman	PSA	MSP	11/21/85	

Thank you for joining us!

Sportswise, we have a new Mesaba Ski Club starting for anyone interested, please contact Rick Perkins or Keith Tyler. We currently have ice time on Wednesdays from 7:30 AM to 8:30/9:00 AM for those individuals interested in playing hockey in Minneapolis. Any questions, please contact Brian Hopper or myself.

In closing, I want to add that whenever asked by stockbrokers what I foresee our fleet of aircraft being in 3 - 5 years, I have responded with one aircraft type in the 15-30 seat category; F27's or 50-seat aircraft and a small jet fleet in the 65-120 seat class. We already have two of these category aircraft operating and I foresee the day when operating a fleet of small jets may make sense on our route system.

Your help and support to successfully operate our present fleet and take excellent care of our passengers will allow us to better serve our region with larger equipment.

Best regards,



Robert D. Swenson  
President & Chief Executive Officer

P.S.

\*\* CHRISTMAS PARTY \*\*      \*\* CHRISTMAS PARTY \*\*      \*\* CHRISTMAS PARTY \*\*

The annual Mesaba Christmas Hangar Party in Minneapolis/St. Paul is scheduled for Saturday, December 21 and will begin at 6:00 PM, ending at approximately 10:30 PM and is being held at the Minneapolis General Office location. As usual, it will be pot luck, so please bring some favorite dish, hors d'oeuvre, or dessert to put out for everyone else and plan on a good evening. This year I have arranged for a rock and roll band to play a few tunes for us in the hangar. For those interested in attending the Annual Mesaba Christmas Party in Grand Rapids, that get-together will be held on December 21 also, beginning at 5:30 PM. Anyone desiring to know what accommodations are available at either city, contact Andrea Peura in Minneapolis.

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