



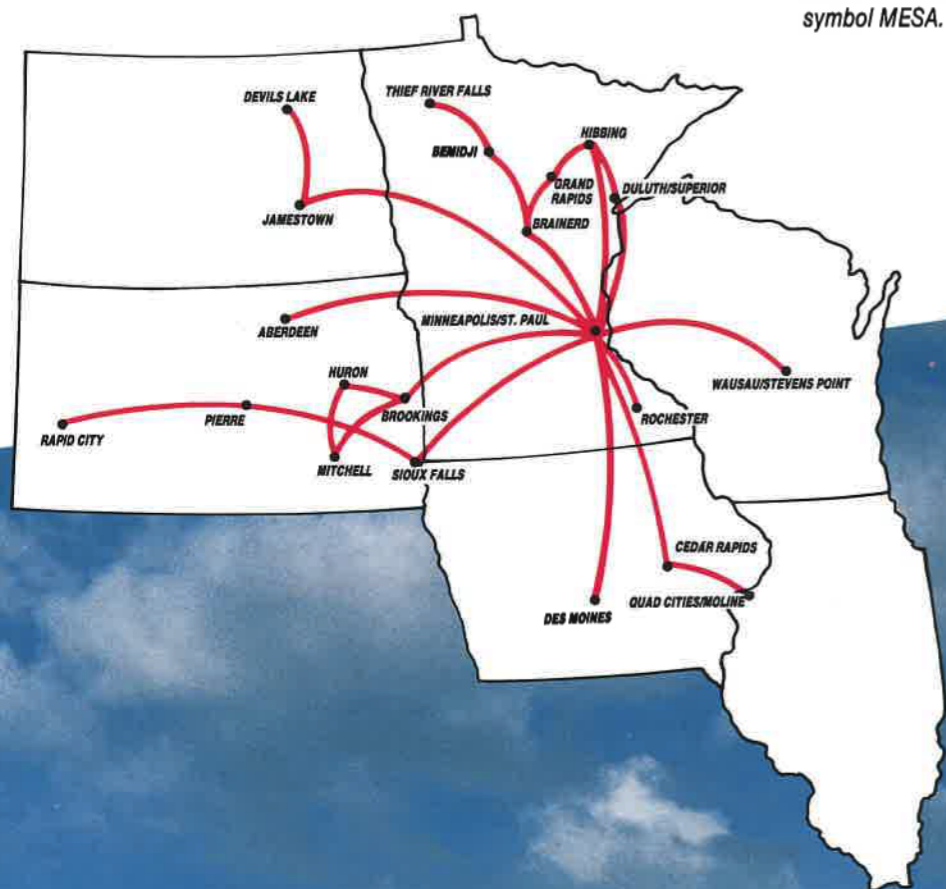
CORPORATE PROFILE

A U.S. Domestic Air Carrier, Mesaba Aviation, Inc. is a regional airline serving the hub airport of Minneapolis/St. Paul. Mesaba was providing regularly-scheduled passenger and freight service to 21 markets in Minnesota, Illinois, Iowa, North Dakota, South Dakota and Wisconsin as of June 15, 1986.

Since December 1, 1984, Mesaba has operated as Mesaba/Northwest Orient Airlin, under a marketing agreement with Northwest Orient Airlines. Through this relationship, Mesaba flights carry Northwest's designator code in the computerized reservations systems used by travel agents. In addition, Mesaba is able to provide improved connecting service and fares between its regional cities and Northwest's worldwide route system.

Mesaba currently operates a fleet of five, 44 and 48-passenger Fokker F27 jet-props and seven, 19-passenger Fairchild Metro III jet-props. Mesaba agreed to acquire the new Metros in January 1986, and all seven were in service by the end of May.

Mesaba's common stock is traded on the NASDAQ National Market System under the symbol MESA.



FINANCIAL HIGHLIGHTS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

| YEAR ENDED MARCH 31 | 1986 | 1985 | 1984 | 1983 | 1982 |
|---|----------|----------|----------|----------|----------|
| Operating revenues | \$13,763 | \$ 9,244 | \$ 6,043 | \$ 4,048 | \$ 1,587 |
| Operating expenses | 12,845 | 8,715 | 5,274 | 3,682 | 1,694 |
| Operating income (loss) | 919 | 529 | 769 | 366 | (107) |
| Income (loss) before extraordinary item | 201 | 165 | 425 | 120 | (178) |
| Extraordinary item | — | — | — | 68 | — |
| Net income (loss) | 201 | 165 | 425 | 188 | (178) |
| Net income (loss) per share | .08 | .07 | .19 | .14 | (.16) |
| Weighted average number of shares outstanding | 2,538 | 2,267 | 2,268 | 1,345 | 1,110 |

OPERATING STATISTICS

| YEAR ENDED MARCH 31 | 1986 | 1985 | 1984 | 1983 | 1982 |
|---|---------|--------|--------|--------|--------|
| Revenue passengers carried | 152,087 | 92,736 | 56,534 | 31,720 | 10,527 |
| Revenue passenger-miles (000) | 31,815 | 20,097 | 10,572 | 5,572 | 1,409 |
| Available seat-miles (000) | 79,462 | 53,613 | 29,163 | 16,581 | 4,684 |
| Passenger load factor | 40.0% | 37.5% | 36.3% | 33.6% | 30.1% |
| Yield per revenue passenger-mile | 34.8¢ | 30.4¢ | 29.7¢ | 30.6¢ | 39.4¢ |
| Operating costs per available seat-mile | 15.7¢ | 15.7¢ | 16.7¢ | 18.8¢ | NA |
| Departures | 26,851 | 24,398 | 19,506 | 12,974 | 4,136 |

TO OUR SHAREHOLDERS:

Reflecting Mesaba's transition into a large regional carrier, we are reporting record operating revenues for fiscal 1986. However, due to the cost of investments in our growth and the onset of weak industry conditions during the second half of the year, Mesaba's earnings increased at a slower rate than revenues.

Fueled by a strong increase in revenue passenger-miles and the positive impact of our Airlink relationship with Northwest Orient Airlines, Mesaba's total operating revenues rose to \$13,763,000 in fiscal 1986, up nearly 50 percent from \$9,244,000 a year ago. Operating income totaled \$919,000 in 1986, compared with \$529,000 in fiscal 1985. Mesaba's net income was \$201,000 or 8 cents per share, an increase of 22 percent from the \$165,000 or 7 cents per share reported last year.

Fiscal 1986 was composed of two distinct periods for Mesaba: a very strong first half and a weaker second six months. This pattern was attributable to two major reasons: our emphasis on building the economic mass necessary for competing effectively and the volatile nature of the airline industry today.

Making the transition to a large regional airline has involved heavy investments in growth-oriented programs. Start-up costs of two additional Fokker F27 aircraft and preparing for the delivery of seven new Fairchild Metro III aircraft contributed to our increased operating expenses for the year. In addition, although our passenger load factor increased in fiscal 1986, it declined during the second half of the year due to the substantial amount of new capacity added into competitive markets and the start-up of service to Duluth, Minnesota and Aberdeen, South Dakota.

There can be little question that airline deregulation has given rise to a fiercely competitive environment that places pressure on yields and causes swings in load factors. As a rapidly growing airline that now has direct competition in over 75 percent of our markets, Mesaba is subject to the same set of difficult economic forces that are affecting every other U.S. carrier today.

We are dealing with industry volatility by developing the economic mass that will further strengthen our market presence and competitive edge. The investments required by this undertaking are high, but the long-term benefit of greater earnings consistency is substantial. Consequently, we devoted considerable time and resources in fiscal 1986 at implementing two key strategies.

First, we began to emphasize new service to larger markets, a move intended to generate higher levels of passenger traffic on a year-round basis. Serving larger, self-supporting markets will also help us meet our profitability objectives.

The introduction of service to Duluth and Aberdeen in December was a major step in this direction. This was followed by the introduction of service to Cedar Rapids, Iowa and Moline, Illinois on May 15 of this year. We entered Des Moines, Iowa on June 1, and service to Central Wisconsin Airport, serving Wausau, Stevens Point and Marshfield, was inaugurated on June 15.

In addition, we are no longer flying the two Essential Air Service routes which had the lowest load factors on our system. Even though we submitted lower bids that reflected our profitability objectives when these routes came up for renewal, they were awarded to other carriers. We are working to keep our two remaining public service routes and desire to eventually convert these cities to a self-supporting basis.

The second major strategy designed to improve our profitability was the signing of a purchase agreement in January 1986 for seven new Fairchild Metro III jet prop aircraft. In service by the end of May, these new 19-passenger aircraft have replaced our 17-year-old fleet of six Beechcraft 99s, which have been sold to Fairchild at fair market value. The cost of the seven Metros is about \$20 million, which is being financed through operating leases with 12-year terms. In light of pending tax legislation, Mesaba has made a request to preserve the investment tax credit for its new Metros. These aircraft would have qualified for this credit under existing tax laws.

Having many of the amenities associated with larger aircraft, including pressurized cabins, the Metro III is the fastest and most fuel-efficient jet prop in its class and offers Mesaba a high degree of operational reliability. All of these factors are permitting Mesaba to expand into new competitive markets.

In another important fleet development, we placed our third and fourth Fokker F27s into service in fiscal 1986, and our fifth Fokker entered service in May 1986.



Our commitment to planned growth has enabled us to quickly absorb all of this new capacity. By timing our aircraft deliveries and the start-up of new markets with the advent of our summer schedule, all of our new capacity was utilized in regularly-scheduled service by mid-June.

Looking ahead, we expect to report a net loss for the first quarter of fiscal 1987, which ended June 30. This is due primarily to the pressures being placed on Mesaba's yields by industrywide fare-cutting practices, the normal costs of developing major new routes, and lower load factors over the near-term in the face of significant capacity and route system expansion.

We are aggressively dealing with this situation by emphasizing yield management programs and effectively allocating capacity in each market. As the year goes on, we expect steady improvements in Mesaba's load factors as we realize the benefits of expanding into such large and strong markets as Des Moines, Cedar Rapids and Moline. In all, the range of promising opportunities facing Mesaba has never been greater, and we believe that fiscal 1987 should be another significant growth year for Mesaba.

As you probably know, preliminary approval of the acquisition of Republic Airlines by Northwest Airlines was granted on June 27 by an administrative law judge of the U.S. Department of Transportation. At the time this annual report went to press, the final decision of the U.S. Secretary of Transportation was expected on or before July 28. If final approval is granted, the combination of Northwest and Republic into one larger carrier could have a positive impact on Mesaba over the balance of our fiscal 1987 and beyond.

We thank Mesaba's growing number of employees for their outstanding performance during the past year. We also thank our shareholders for their continuing support and confidence.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert D. Swenson'. The signature is written in a cursive style with a large initial 'R'.

Robert D. Swenson
Chairman of the Board,
President and Chief Executive Officer

STRATEGIES FOR PROFITABLE GROWTH

Developing into a large and increasingly profitable regional carrier has been Mesaba's primary objective throughout the 1980s. The substantial progress that we have made toward this goal over the past five years is evident in the growth patterns of several key statistics:

- ▶ Operating revenues have climbed from \$1.6 million in fiscal 1982 to \$13.8 million in fiscal 1986.
- ▶ Revenue passenger-miles have increased from 1.4 million to 31.8 million.
- ▶ Available seat-miles have risen from 4.7 million to 79.5 million.
- ▶ According to the Metropolitan Airport Commission at Minneapolis/St. Paul International Airport, Mesaba boarded nearly 40 percent of all regional traffic at this major airport in calendar year 1985.

This substantial growth has resulted from a steady expansion in passenger revenues. We are anticipating another year of strong growth in fiscal 1987, which would place Mesaba among the top quarter of all regional airlines in the country.

By stressing carefully managed growth throughout this volatile era of airline deregulation, Mesaba has positioned itself to better withstand the uncertainties of our operating environment. Although we have little control over industry conditions determined by the major airlines and government policy, we have nonetheless proven our ability to compete successfully and remain profitable during a turbulent period.

As a result of a planned growth process which is developing greater economic mass for Mesaba, we are now able to place steadily greater emphasis on attaining more consistent profitability. To do this, we are implementing a new set of corporate strategies. These fall into two main categories: route system development and fleet expansion.

We are now orienting our new service toward larger markets to reduce some of the normal seasonality of our traffic, while still retaining the smaller cities that can be profitably served with our equipment. Since December 1, 1985, service to six of these larger, more densely populated markets has been introduced: Des Moines and Cedar Rapids, Iowa; Moline, Illinois; Duluth, Minnesota; Central Wisconsin Airport which serves three Wisconsin cities; and Aberdeen, South Dakota.

These markets are capable of sustaining consistently higher passenger load factors over the long-term, which are needed for enhancing our profitability. In this regard, we believe that major regional markets like Cedar Rapids and Moline can generate good traffic levels on a year-round basis, not simply during peak seasonal periods.

Our Airlink marketing relationship with Northwest Airlines will be a major benefit for Mesaba in these competitive markets. Through this agreement, we offer passengers in any of our cities competitive fares and convenient service to any of Northwest's 73 destinations in the U.S., Asia and Europe in addition to our 21 regional cities.

Mesaba is already an experienced and effective competitor as evidenced by the fact that over 75 percent of our cities are currently served by two or more carriers. Mesaba's competitive edge is based to a great extent on the quality of our highly trained personnel. We are continuing to concentrate on hiring



THE 44 AND 48-PASSENGER FOKKER F27 JET PROPS HAVE PROVEN TO BE AN EXCELLENT AIRCRAFT FOR MESABA OVER THE PAST YEAR. MESABA'S FIFTH F27 WAS PLACED IN SERVICE EARLIER THIS SPRING.



THE 19-PASSENGER METRO III IS THE FASTEST AND MOST FUEL-EFFICIENT JET PROP IN ITS CLASS. MESABA AGREED TO ACQUIRE SEVEN NEW METROS IN JANUARY 1986, AND ALL WERE IN SERVICE BY THE END OF MAY.

the best people available and providing them with ongoing training. As a result of this focus, Mesaba is staffed with some of the best employees in the airline industry, a factor which permits us to provide high-quality service.

To further strengthen our competitive capabilities and facilitate our entry into new markets, we committed to lease seven new Fairchild Metro III jet prop aircraft earlier this year. All seven were in service by the end of May and have replaced our fleet of six Beechcraft 99s.

In addition to our seven, 19-passenger Metros, Mesaba is also flying five 44 and 48-passenger Fokker F27 jet props. Our third and fourth Fokkers were added during the second half of fiscal 1986, and the fifth entered service after the close of the fiscal year.

The decision to lease the Metros and expand our Fokker fleet will strengthen Mesaba's operations in several ways.

First, we have been increasing our capacity with state-of-the-art equipment at the same time that we are expanding our route system. On June 15, 1986, Mesaba's total seat capacity was approximately 100 percent greater than at the same time a year ago. This growth has resulted from utilizing more aircraft with greater seating capacity and higher speeds as well as increased utilization due to improved operational reliability.

In prior years, we have not always had all the capacity that was necessary for meeting passenger demands during peak periods. This should not be the case as we enter the 1986 summer season. Beyond this summer season, our expanded fleet capacity will continue to serve Mesaba well as we realize the benefits of serving our larger regional markets.

Second, our Metro IIIs and Fokker F27s give Mesaba a highly attractive fleet from the standpoint of our passengers. All of our aircraft now have pressurized cabins as well as many other amenities expected by the traveling public. For this reason, Mesaba's comfortable and reliable fleet is one of our most effective marketing tools as we compete aggressively for passenger traffic. We also believe the decision to repaint our entire fleet in Northwest's color scheme is proving to be effective from a marketing standpoint.

Third, and possibly most importantly, we are able to better mix and match aircraft types with market densities due to our combined fleet of Fokkers and Metros. The addition of the fast and fuel-efficient Metros greatly improves Mesaba's ability to schedule aircraft types with the varying needs of particular markets. Moreover, we can do a more effective job of scheduling service and frequencies according to the time of day. Doing this will further enhance our operating efficiencies, service levels and profitability in the period just ahead.

We believe that our route restructuring and capacity expansion strategies will help Mesaba attain higher levels of profitable growth in the years just ahead. To be certain, there are short-term, up-front costs associated with these major undertakings. However, we are convinced that these are vitally important investments as we manage Mesaba for success over the long-term.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

During the years ended March 31, 1986, 1985 and 1984 the Company's operating revenues increased 49%, 53% and 49%, respectively. The increase in 1986 is due to several factors, including the addition of aircraft capacity and routes throughout fiscal 1986, the benefits of the Northwest Orient Airlink marketing agreement on Mesaba's competitive routes, improved yield per revenue passenger mile, higher passenger load factors and the operation of certain routes over the full year which had been introduced at various times throughout fiscal 1985. Available seat miles increased 48%, 84% and 76%, and revenue passenger miles increased 58%, 90% and 90% in 1986, 1985 and 1984, respectively. Notwithstanding the significant increases in capacity, the passenger load factor increased to 40.0% in 1986, from 37.5% in 1985, and 36.3% in 1984. Passenger revenues as a percentage of operating revenues have continued to increase, totaling 80%, 66% and 52% in 1986, 1985 and 1984, respectively. Reflecting the expansion of the Company into nonsubsidized markets, public service revenues, as a percentage of operating revenues, declined to 15% in 1986, from 27% in 1985, and 37% in 1984.

The Company's yield per revenue passenger mile was \$.348, \$.304, and \$.297 in 1986, 1985 and 1984, respectively. The improvement in yield in 1986 reflects the benefits of the Company's yield management procedures and favorable proration of joint fare revenues. However, the Company's yields as well as those of most other air carriers are currently under pressure as a result of industry-wide fare cutting practices.

Total operating expenses increased 47%, 65% and 43% in 1986, 1985 and 1984, respectively. The increase in operating expenses over the three years reflects the expansion of business by the Company. Flying operations, maintenance and aircraft and traffic servicing together accounted for 72%, 70% and 66% of total operating expenses for the years 1986, 1985 and 1984, respectively, as a result of the greater number of available seat miles and aircraft utilized in airline operations over the period.

Airline operating expenses per available seat-mile were \$.157 in 1986, \$.157 in 1985 and \$.167 in 1984. During the third and fourth quarters of fiscal 1986, however, the cost per available seat-mile exceeded \$.157 as a result of costs incurred in connection with expansion of its route system. Management of the Company anticipates that airline operating costs per available seat mile in fiscal 1987 may continue to increase until the benefits of the Company's investment in its route expansion are realized.

Operating income as a percentage of operating revenues was 6.7%, 5.7% and 12.7% in 1986, 1985 and 1984, respectively. The improvement in operating margin for fiscal 1986, as compared with fiscal 1985, resulted principally from the increase in the passenger load factor and improved yields realized during 1986.

The Company incurred net nonoperating expense of \$478,000 and \$262,000 in 1986 and 1985, respectively, and had net nonoperating income of \$14,000 in 1984. The principal component of nonoperating expense in each of the years was interest expense, which totalled \$467,000, \$394,000 and \$155,000 in 1986, 1985 and 1984, respectively.

The Company's provision for income taxes was \$239,000, \$102,000 and \$358,000 in 1986, 1985 and 1984, respectively. The provision for income taxes is principally a function of pretax income and the effective combined federal and state income tax rate which was 54.3%, 38.2% and 45.7% in 1986, 1985 and 1984, respectively.

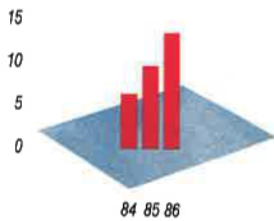
Net income was \$201,000, \$165,000 and \$425,000 in 1986, 1985 and 1984, respectively. Net income per share was \$0.08, \$0.07 and \$0.19 in 1986, 1985 and 1984, respectively.

FINANCIAL CONDITION

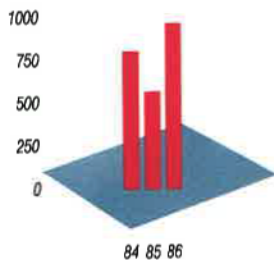
The Company had working capital of \$1,312,000 at March 31, 1986, as compared with a working capital deficit of \$23,000 at March 31, 1985. The improvement in working capital in fiscal 1986 results principally from the \$1,965,000 provided from operations and the \$1,884,000 generated by a public sale of common stock in November 1985. In addition, because the Company entered into a contract to sell its five Beech 99 aircraft in the fourth quarter of fiscal 1986, the net value of these aircraft was classified as a current asset, which favorably affected working capital at March 31, 1986. The five Beech 99 aircraft were sold in April and May of 1986 for \$1,166,000, net of repayment of certain related debt. The Company's cash and short-term investments at March 31, 1986 were \$551,000, as compared with \$357,000 at March 31, 1985, and the Company's current ratio at March 31, 1986 improved to 1.39 from 0.99 at March 31, 1985.

The airline industry is both capital and labor intensive. To date, the Company has relied largely upon borrowings, internally generated capital and the sale of common stock to fund its capital requirements.

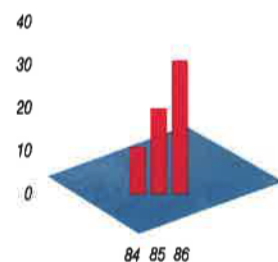
OPERATING REVENUES (In Millions)



OPERATING INCOME (In Thousands)



REVENUE PASSENGER-MILES
(In Millions)



Since March 1984, the Company has made substantial investments in additional aircraft and related parts and equipment. These investments for airline expansion reduce working capital.

Total long-term debt (including current maturities) increased to \$5,674,000 at March 31, 1986 from \$4,415,000 at March 31, 1985. The Company made total payments of \$1,434,000 with respect to long-term debt during fiscal 1986 and paid an additional \$509,000 in April 1986 with the proceeds of the sale of the five Beech 99 aircraft discussed above.

The Company has demand lines of credit of \$1,050,000 with interest at the prime rate from Norwest Bank Minneapolis, N.A. and Grand Rapids State Bank, which are collateralized by certain equipment, inventories and accounts receivable.

On June 14, 1985, the Company entered into a Debenture Purchase Agreement for up to \$2,500,000 with Northwest Aircraft Inc., a wholly-owned subsidiary of NWA Inc. Debentures issued under the Debenture Purchase Agreement bear interest at the annual rate of 9%, have terms of six years, and provide for retirement of 45% of the principal amount prior to maturity. The principal of the debentures is convertible into the Common Stock of the Company at the rate of \$3.96 per share. At March 31, 1986, the Company had issued \$2,245,503 principal amount of debentures under the Debenture Purchase Agreement. The Company applied proceeds received from issuance of the debentures to purchase one of its Fokker F27 aircraft and related parts and equipment.

The Company has agreed to certain financial covenants in connection with its long-term bank borrowings and the Debenture Purchase Agreement. These covenants place certain requirements upon the Company with respect to debt-to-equity ratios, net worth, working capital, cash flow from operations and operating lease payments. As a result of the working capital deficit at March 31, 1985, the Company was required to obtain formal waivers of certain of the covenants then in effect. At March 31, 1986, the Company was in compliance with each of the covenants.

In addition to financing aircraft through long-term debt, Mesaba has financed several aircraft through operating leases. Two Fokker F27 aircraft which were delivered in fiscal 1986 were financed through operating leases with six-year terms, with total annual lease payments of \$1,140,000. In January 1986, the Company signed a Purchase Agreement for seven Metro III aircraft having a cost of approximately \$20,000,000. These aircraft were financed through operating leases with 12-year terms, with aggregate annual lease payments of approximately \$2,305,000. All seven of the aircraft were placed in service in the first quarter of fiscal 1987.

In May 1986, the Metropolitan Airports Commission approved a ground lease with the Company for a site located at the Minneapolis/St. Paul International Airport. The Company will use the land for the construction of a new hangar, shop and general office facility which is expected to be completed during calendar year 1987. The ground lease, when executed, will provide for an annual lease rate of approximately \$175,000 over a 25-year term. Design of the facility is still in the planning and approval stage, but the cost of the entire facility is currently estimated to be approximately \$4,000,000. The Company has not identified a source of financing for the facility, and expects that funds will be available through mortgage or other debt financing.

EFFECT OF INFLATION

The Company's operating costs, particularly labor, are subject to general economic and inflationary pressures. While labor costs have increased during each of the past three years, the Company does not believe that its results of operations have been significantly affected by inflation. Competition in the airline industry may limit the Company's ability to pass on increased costs through fare increases.

COMMON STOCK INFORMATION

The common stock of Mesaba Aviation, Inc. is traded on the NASDAQ National Market System under the symbol MESA. The following table sets forth the high and low bids or last sale price of the Company's common stock for the fiscal quarters of 1986 and 1985.

On July 18, 1986, the number of holders of record of common stock was 1,077.

No cash dividends have been paid by the Company to date.

| | Fiscal Years | | | |
|----------------|--------------|-------|-------|-------|
| | 1986 | | 1985 | |
| | high | low | high | low |
| First Quarter | 3 7/8 | 2 1/2 | 3 1/2 | 2 1/2 |
| Second Quarter | 5 | 3 1/2 | 3 1/2 | 2 1/2 |
| Third Quarter | 4 | 2 3/4 | 3 1/2 | 2 1/2 |
| Fourth Quarter | 6 | 2 3/4 | 3 1/2 | 2 3/4 |

MESABA AVIATION, INC.

BALANCE SHEETS

| | March 31, | |
|---|----------------------|---------------------|
| | 1986 | 1985 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 136,243 | \$ 54,339 |
| Short-term investments | 414,485 | 302,256 |
| Accounts receivable | 1,759,575 | 881,746 |
| Inventories | 587,449 | 406,161 |
| Commuter aircraft to be sold, net of accumulated depreciation of \$1,249,000 (Note 2) | 1,348,717 | — |
| Prepaid expenses and deposits | 414,996 | 54,647 |
| Total current assets | <u>4,661,465</u> | <u>1,699,149</u> |
| PROPERTY AND EQUIPMENT: | | |
| Flight equipment | 8,101,908 | 6,751,510 |
| Buildings and improvements | 619,983 | 366,769 |
| Furniture and equipment | 1,199,804 | 730,841 |
| Accumulated depreciation and amortization | (1,214,796) | (1,330,808) |
| Net property and equipment | <u>8,706,899</u> | <u>6,518,312</u> |
| OTHER ASSETS , principally deferred preoperating costs, net of accumulated amortization of \$336,000 and \$139,000, respectively | <u>494,335</u> | <u>457,293</u> |
| | <u>\$ 13,862,699</u> | <u>\$ 8,674,754</u> |

| | March 31, | |
|--|----------------------|---------------------|
| | 1986 | 1985 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$ 1,325,752 | \$ 931,607 |
| Accounts payable | 1,259,699 | 376,659 |
| Accrued liabilities | 763,556 | 413,741 |
| Total current liabilities | <u>3,349,007</u> | <u>1,722,007</u> |
| LONG-TERM DEBT, net of current maturities | <u>4,348,298</u> | <u>3,483,108</u> |
| INTEGRATION FUNDS AND OTHER DEFERRED LIABILITIES (Note 2) | <u>256,047</u> | <u>—</u> |
| DEFERRED INCOME TAXES | <u>696,400</u> | <u>454,000</u> |
| LITIGATION AND COMMITMENTS (Note 6) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$0.01 par value; 5,000,000 shares authorized, 2,851,111 and 2,127,539 shares issued and outstanding, respectively | 28,511 | 21,275 |
| Paid-in capital | 4,270,815 | 2,393,805 |
| Warrants issued for 120,495 common shares (Note 9) | 111,745 | — |
| Retained earnings | 801,876 | 600,559 |
| Total stockholders' equity | <u>5,212,947</u> | <u>3,015,639</u> |
| | <u>\$ 13,862,699</u> | <u>\$ 8,674,754</u> |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE BALANCE SHEETS

MESABA AVIATION, INC.

STATEMENTS OF OPERATIONS

| | Years Ended March 31, | | |
|--|-----------------------|-------------------|-------------------|
| | 1986 | 1985 | 1984 |
| OPERATING REVENUES: | | | |
| Passenger | \$ 11,071,566 | \$ 6,102,511 | \$ 3,134,911 |
| Public service | 2,070,179 | 2,514,785 | 2,231,300 |
| General aviation services | 381,618 | 379,294 | 433,951 |
| Freight and other | 239,864 | 247,218 | 242,909 |
| Total operating revenues | <u>13,763,227</u> | <u>9,243,808</u> | <u>6,043,071</u> |
| OPERATING EXPENSES: | | | |
| Flying operations | 4,166,464 | 2,870,347 | 1,751,552 |
| Maintenance | 2,546,703 | 1,613,349 | 871,072 |
| Aircraft and traffic servicing | 2,475,496 | 1,635,757 | 836,339 |
| Reservations, sales and advertising | 1,112,582 | 809,999 | 528,702 |
| General and administrative | 1,089,629 | 723,785 | 524,226 |
| Depreciation and amortization | 1,117,061 | 752,611 | 367,295 |
| General aviation services | 336,623 | 309,452 | 394,699 |
| Total operating expenses | <u>12,844,558</u> | <u>8,715,300</u> | <u>5,273,885</u> |
| Operating income | <u>918,669</u> | <u>528,508</u> | <u>769,186</u> |
| NONOPERATING EXPENSE (INCOME): | | | |
| Interest expense | 466,566 | 394,323 | 155,050 |
| Interest income | (30,038) | (82,485) | (123,220) |
| Other, net | 41,824 | (50,310) | (46,104) |
| Net nonoperating expense (income) | <u>478,352</u> | <u>261,528</u> | <u>(14,274)</u> |
| Income before income taxes | <u>440,317</u> | <u>266,980</u> | <u>783,460</u> |
| PROVISION FOR INCOME TAXES | <u>239,000</u> | <u>102,000</u> | <u>358,000</u> |
| Net income | <u>\$ 201,317</u> | <u>\$ 164,980</u> | <u>\$ 425,460</u> |
| NET INCOME PER SHARE , based on equivalent shares outstanding of 2,537,971, 2,266,627 and 2,268,022, respectively | <u>\$0.08</u> | <u>\$0.07</u> | <u>\$0.19</u> |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

MESABA AVIATION, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 1986, 1985 AND 1984

| | Common Stock | | Paid-in Capital | Warrants | Retained Earnings | Total Stockholders' Equity |
|---|------------------|------------------|---------------------|-------------------|-------------------|----------------------------|
| | Shares | Amount | | | | |
| BALANCE, March 31, 1983 | 2,100,000 | \$ 21,000 | \$ 2,364,721 | \$ — | \$ 10,119 | \$ 2,395,840 |
| Sale of common stock under stock option plan | 7,604 | 76 | 5,375 | — | — | 5,451 |
| Net income | — | — | — | — | 425,460 | 425,460 |
| BALANCE, March 31, 1984 | 2,107,604 | 21,076 | 2,370,096 | — | 435,579 | 2,826,751 |
| Sale of common stock under stock option plan | 15,205 | 152 | 10,749 | — | — | 10,901 |
| Issuance of stock bonuses to employees | 4,730 | 47 | 12,960 | — | — | 13,007 |
| Net income | — | — | — | — | 164,980 | 164,980 |
| BALANCE, March 31, 1985 | 2,127,539 | 21,275 | 2,393,805 | — | 600,559 | 3,015,639 |
| Sale of common stock, net of offering costs and commissions | 700,000 | 7,000 | 1,850,347 | 26,250 | — | 1,883,597 |
| Sale of common stock under stock option plan | 20,406 | 204 | 14,425 | — | — | 14,629 |
| Issuance of stock bonuses to employees | 3,166 | 32 | 12,238 | — | — | 12,270 |
| Issuance of warrants to Northwest | — | — | — | 85,495 | — | 85,495 |
| Net income | — | — | — | — | 201,317 | 201,317 |
| BALANCE, March 31, 1986 | <u>2,851,111</u> | <u>\$ 28,511</u> | <u>\$ 4,270,815</u> | <u>\$ 111,745</u> | <u>\$ 801,876</u> | <u>\$ 5,212,947</u> |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

STATEMENTS OF CHANGES IN FINANCIAL POSITION

| | Years Ended March 31, | | |
|--|-----------------------|----------------|--------------|
| | 1986 | 1985 | 1984 |
| SOURCES OF WORKING CAPITAL: | | | |
| Net income | \$ 201,317 | \$ 164,980 | \$ 425,460 |
| Items not affecting working capital — | | | |
| Depreciation | 942,992 | 611,272 | 312,163 |
| Amortization of deferred maintenance costs | 408,046 | 242,194 | 224,091 |
| Amortization of preoperating costs | 174,069 | 141,339 | 55,132 |
| Deferred income taxes | 239,000 | 102,000 | 358,000 |
| Total working capital provided by operations | 1,965,424 | 1,261,785 | 1,374,846 |
| Issuance of common stock and warrants | 1,995,991 | 23,908 | 5,451 |
| Additional borrowings of long-term debt | 2,692,927 | 2,033,000 | 2,050,332 |
| Sale of property and equipment | 1,450,472 | 14,490 | 8,383 |
| Reduction of aircraft deposit | — | 150,000 | — |
| Net integration funds received | 231,422 | — | — |
| Total sources of working capital | 8,336,236 | 3,483,183 | 3,439,012 |
| USES OF WORKING CAPITAL: | | | |
| Purchase of property and equipment | 4,990,097 | 3,174,253 | 2,805,439 |
| Reduction of long-term debt | 1,827,737 | 1,052,707 | 616,290 |
| Payment of aircraft deposit | — | — | 150,000 |
| Change in other assets and liabilities, net | 183,086 | 441,696 | 81,292 |
| Total uses of working capital | 7,000,920 | 4,668,656 | 3,653,021 |
| Increase (decrease) in working capital | \$ 1,335,316 | \$ (1,185,473) | \$ (214,009) |
| CHANGES IN COMPONENTS OF WORKING CAPITAL: | | | |
| Cash and short-term investments | \$ 194,133 | \$ (900,022) | \$ (93,053) |
| Accounts receivable | 877,829 | (4,391) | 366,048 |
| Inventories | 181,288 | 15,973 | 129,082 |
| Prepaid expenses and deposits | 360,349 | 41,379 | (19,061) |
| Commuter aircraft to be sold | 1,348,717 | — | — |
| Current maturities of long-term debt | (394,145) | (358,753) | (340,754) |
| Other current liabilities | (1,232,855) | 20,341 | (256,271) |
| Increase (decrease) in working capital | \$ 1,335,316 | \$ (1,185,473) | \$ (214,009) |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTES TO FINANCIAL STATEMENTS**(1) BUSINESS**

Mesaba Aviation, Inc. (Mesaba) is a regional air carrier providing scheduled passenger and air freight service to 21 cities in the Upper Midwest under the name of Mesaba Airlines. Effective December 1, 1984, Mesaba began operating as Mesaba/Northwest Orient AirlinK under a marketing agreement with Northwest Airlines, Inc. (Northwest). As part of this agreement, all flights are designated as Northwest flights, all flights appear in Northwest's timetables and Mesaba receives ticketing and certain check-in, baggage and freight handling services from Northwest at certain airports. Mesaba also benefits from its relationship with Northwest through favorable proration of joint fare revenues and joint advertising and marketing programs. In addition, Northwest has provided certain aircraft financing for Mesaba (see Notes 5 and 9). Approximately 51% and 26% of Mesaba's passengers connected with Northwest in fiscal 1986 and 1985, respectively.

(2) FLEET CONVERSION

Mesaba's fleet consisted of the following aircraft as of March 31, 1986:

| Number of Aircraft | Type of Aircraft | Seating Capacity |
|--------------------|-----------------------------|------------------|
| 6 | Beechcraft 99 (Beech) | 15 |
| 3 | Fairchild Metro III (Metro) | 19 |
| 5 | Fokker F-27 (F-27) | 44-48 |

Mesaba owns five of the Beech aircraft and three of the F-27 aircraft; the remaining aircraft are leased under operating leases.

During 1986, Mesaba undertook a plan to convert its fleet of Beech aircraft to new Metros, with three Metros leased under operating leases prior to yearend and four additional Metros leased and placed in service after March 31, 1986.

Under an agreement with Fairchild Aircraft Corporation (Fairchild), Fairchild agreed to make payments to Mesaba of \$1,050,000 to offset the cost of integrating the new Metros into service (\$450,000 of which was received prior to March 31, 1986). The excess of funds received over costs incurred in integrating such aircraft has been recorded as deferred revenue and will be amortized over the terms of the operating leases (12 years).

In addition, Fairchild agreed to purchase the five Beech aircraft owned by Mesaba at fair market value, such values determined by independent appraisal. Subsequent to March 31, the sale of the Beech aircraft was completed for an estimated net gain of \$225,000.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**SHORT-TERM INVESTMENTS:**

Short-term investments consist principally of U.S. Treasury Bill Repurchase Agreements, savings certificates, certificates of deposit and commercial paper stated at cost which approximates market.

INVENTORIES:

Inventories consist primarily of expendable aircraft service parts and fuel, and are stated at the lower of average cost or market.

PROPERTY AND EQUIPMENT:

Property and equipment is stated at cost and depreciated on a straight-line basis for financial reporting purposes over estimated useful lives of 7-10 years for aircraft engines, flight equipment and rotatable parts; 3-10 years for all other equipment; and 5-36 years for buildings and improvements. Flight equipment includes interest of \$23,000 and \$169,000 capitalized in 1986 and 1985, respectively, related to the acquisition of the F-27 aircraft. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Accelerated methods of depreciation are utilized for tax reporting purposes (primarily the Accelerated Cost Recovery System).

Maintenance and repairs are charged to expense when incurred except for major airframe and engine repairs. For purchased aircraft, the deferral method of accounting is followed whereby major overhaul costs are capitalized when the expenditure is incurred and amortized over the estimated number of hours until the next scheduled overhaul. For leased aircraft, major repair costs are accounted for using the accrual method to recognize the liability for aircraft usage. Under this method, the estimated cost of future overhauls is accrued based upon hours flown at a rate computed to provide for the overhaul cost when it occurs.

DEVELOPMENT AND PREOPERATING COSTS:

The costs of developing new routes and certain preoperating costs incurred to start up new routes are deferred and amortized over two years. In addition, certain preoperating costs, incurred in the acquisition and related certification of the F-27 aircraft were deferred and are being amortized over five years. As described in Note 2, preoperating costs associated with the conversion to the new Metro aircraft have been recovered by integration funds received from Fairchild.

REVENUE RECOGNITION:

Revenues are recorded as income when the respective services are rendered.

PUBLIC SERVICE REVENUES:

Mesaba receives public service revenues for serving certain communities that do not generate sufficient traffic to fully support profitable air service. The amount of such subsidies is negotiated with the Department of Transportation under a competitive bid process. The subsidies are projected to meet all operating expenses and to provide a return on investment with respect to eligible routes. Under terms of interim subsidy programs for certain routes, Mesaba is subject to periodic retroactive adjustments by the Department of Transportation in the amount of public service payments. Mesaba records the effect of such adjustments in the period that the adjustments are determinable.

INVESTMENT TAX CREDITS:

Investment tax credits generated from the acquisition of assets are accounted for under the deferred method for financial reporting purposes and are amortized as a reduction of income taxes over the useful lives of the related assets.

INCOME PER SHARE:

Net income per share has been computed based upon the weighted average number of common and equivalent shares outstanding during each year. The equivalent shares include the net additional shares which would be issuable upon the exercise of stock options assuming that Mesaba used the proceeds received to purchase additional shares at market value (the "treasury stock" method).

RECLASSIFICATION:

Certain 1985 and 1984 amounts have been reclassified to

(5) LONG-TERM DEBT

Mesaba's long-term debt is summarized as follows:

| | March 31 | |
|--|--------------|--------------|
| | 1986 | 1985 |
| Revolving credit and term loan agreement with a bank; interest rate of prime plus 3/4% (9 3/4% at March 31, 1986); due in varying quarterly principal installments through June 1989, plus monthly interest payments; collateralized by F-27 aircraft, parts and equipment | \$ 2,420,000 | \$ 3,310,000 |
| Convertible debentures issued to Northwest Aircraft Inc., an affiliate of Northwest; interest rate of 9%; due in varying semiannual installments from January 1987 through November 1991; convertible into common stock at the rate of one share for each \$3.96 of principal; collateralized by F-27 aircraft and parts | 2,245,503 | — |
| Note payable to Fairchild Aircraft Corporation; interest rate imputed at 9%; due in equal monthly installments of \$25,000 from April 1987 through March 1988; collateralized by an aircraft engine | 261,356 | — |
| Unsecured note payable to Fairchild Aircraft Corporation; interest rate imputed at 9%; due in equal monthly installments through March 1988 | 125,375 | — |
| Notes payable; interest rates of prime plus 3/4% to prime plus 1 1/2%; collateralized by Beech aircraft; paid in full subsequent to yearend | 509,298 | 752,462 |
| 10% note payable to a foundation, paid in June 1985 | — | 280,000 |
| Other | 112,518 | 72,253 |
| | 5,674,050 | 4,414,715 |
| Less — Current maturities | (1,325,752) | (931,607) |
| Total long-term debt | \$ 4,348,298 | \$ 3,483,108 |

Operating restrictions placed on Mesaba by its lenders include covenants relating to (a) requiring certain levels of tangible net worth, net working capital and the maintenance of certain other financial ratios, (b) restricting the amount of additional debt and (c) retaining present management and ownership control. Mesaba has complied with, or obtained waivers to place it in compliance with, these financing agreements as of March 31, 1986.

conform with 1986 presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

(4) SHORT-TERM BORROWINGS

Mesaba has demand line-of-credit agreements with two banks, under which it may borrow up to \$1,050,000 at the banks' prime interest rate. Borrowings are collateralized by inventory, accounts receivable and certain equipment. A summary of Mesaba's short-term borrowings is as follows:

| | 1986 | 1985 |
|--------------------------|---------|---------|
| Balance at yearend | \$ — | \$ — |
| Maximum borrowings | 807,000 | 175,000 |
| Average daily borrowings | 172,000 | 9,300 |
| Average interest rate | 9.5% | 11.0% |

The lines of credit were not used during 1984.

During 1986, Mesaba converted its note payable to a bank into a revolving credit and term loan agreement whereby Mesaba may prepay and subsequently borrow up to \$1,370,000 of the note. The amount available under the revolving portion of this agreement declines to \$960,000 at December 31, 1986, at which time the remaining balance will be added to the term portion of the note.

As of March 31, 1986, the portion of long-term debt due in the five subsequent years is as follows:

| | |
|---------------------|-------------|
| 1987 | \$1,325,752 |
| 1988 | 1,157,627 |
| 1989 | 900,426 |
| 1990 | 830,667 |
| 1991 and thereafter | 1,459,578 |

Subsequent to yearend, Mesaba sold certain aircraft which secured notes totaling approximately \$509,000 and repaid the related debt. Accordingly, the amounts paid have been included in 1987 maturities in the above table.

(6) LITIGATION AND COMMITMENTS**LITIGATION:**

During 1986, Republic Airlines, Inc. (Republic) asserted a claim against Mesaba alleging breach of a marketing and equipment lease agreement. Republic has alleged damages in excess of \$3,000,000. Mesaba has filed a counterclaim against Republic alleging breach of contract, unfair competition and interference of contractual relations by Republic. Mesaba has alleged damages in excess of \$5,000,000. Discovery proceedings in this matter have been suspended by the parties pending the outcome of a proposed merger of Republic

with Northwest. In the opinion of management, the outcome of this litigation will not have a material adverse effect on the financial position of Mesaba.

COMMITMENTS:

Mesaba leases aircraft, its corporate headquarters and certain terminal facilities under operating leases which provide for future minimum rental payments approximately as follows:

| | |
|---------------------|--------------|
| 1987 | \$ 3,424,000 |
| 1988 | 3,532,000 |
| 1989 | 3,525,000 |
| 1990 | 3,484,000 |
| 1991 and thereafter | 21,063,000 |

The above amounts include all seven of the new Metro aircraft (see Note 2). Rent expense under all operating leases totaled approximately \$567,000 in 1986, \$371,000 in 1985 and \$307,000 in 1984.

(7) INCOME TAXES

Mesaba provides deferred taxes for all timing differences between financial and income tax reporting. The provision for income taxes for the three years ended March 31, 1986 is comprised of the following elements:

| | 1986 | 1985 | 1984 |
|--|------------|------------|------------|
| Current | \$ — | \$ — | \$ — |
| Deferred: | | | |
| Accelerated depreciation | 518,000 | 374,000 | 246,000 |
| Deferred preoperating costs | 73,000 | 239,000 | 53,000 |
| Deferred maintenance costs | 419,000 | 48,000 | 29,000 |
| (Benefit) utilization of tax operating loss carryforwards for financial reporting purposes | (671,000) | (525,000) | 102,000 |
| Accrued expenses not deductible for tax reporting purposes | (63,000) | (14,000) | (50,000) |
| Amortization of investment tax credits not realized for tax reporting purposes | (37,000) | (20,000) | (22,000) |
| Total provision for income taxes | \$ 239,000 | \$ 102,000 | \$ 358,000 |

The difference between the statutory federal income tax rate and the effective tax rate for the three years ended March 31, 1986 is as follows:

| | 1986 | 1985 | 1984 |
|---|-------|-------|-------|
| Statutory federal tax rate | 46.0% | 46.0% | 46.0% |
| State taxes, net of federal benefit | 5.2 | 5.1 | 5.1 |
| Amortization of deferred investment tax credits | (8.4) | (7.6) | (2.8) |
| Impact of graduated federal tax rate | — | — | (2.6) |
| Additional federal provision required and other | 11.5 | (5.3) | — |
| Effective tax rate | 54.3% | 38.2% | 45.7% |

At March 31, 1986, Mesaba had net operating loss carryforwards of approximately \$2,710,000 and investment tax credit carryforwards of approximately \$250,000 for

federal tax reporting purposes. These carryforwards expire in varying amounts from 1997 through 2001 and are available to offset future taxes payable.

(8) TRANSACTIONS WITH RELATED PARTIES

During the year, Mesaba entered into an agreement with Fairchild to purchase the Metro aircraft (which purchase agreement was subsequently assigned to third-party lessors) and Fairchild agreed to purchase Mesaba's fleet of Beech aircraft at fair market value. One of Mesaba's directors is an officer of Fairchild and was involved in the aircraft negotiations, but abstained from voting on the ratification of these agreements by the board of directors.

Included in Mesaba's long-term debt at March 31, 1986 is a note payable to Lowell Swenson, director of Mesaba, for \$92,687, which was paid in full subsequent to yearend.

(9) STOCK OPTIONS, WARRANTS AND EMPLOYEE STOCK PURCHASE PLAN

Mesaba has stock option plans for key employees and directors and, as of March 31, 1986 and 1985, has reserved 425,000 and 325,000 shares of common stock, respectively, for such options. Under the plans, options are granted by the Stock Option Committee of the board of directors and are exercisable for five years commencing one year after the date of grant. The purchase price of the stock is 110% of the fair market value of the stock at the date of grant for participants owning 10% or more of the outstanding common stock and 100% of the fair market value for all other participants.

Stock option transactions for 1986 and 1985 were as follows:

| | Shares Under Option |
|--------------------------------------|------------------------|
| Options outstanding, March 31, 1984 | |
| (\$0.72 to \$3.96 per share) | 241,391 |
| Granted (\$2.75 to \$3.50 per share) | 14,810 |
| Exercised (\$0.72 per share) | (15,205) |
| Options outstanding, March 31, 1985 | |
| (\$0.72 to \$3.96 per share) | 240,996 |
| Granted (\$2.88 to \$4.25 per share) | 94,000 |
| Exercised (\$0.72 per share) | (20,406) |
| Options outstanding, March 31, 1986 | |
| (\$0.72 to \$4.25 per share) | 314,590 |

Effective April 1, 1985, the board of directors adopted an employee stock purchase plan which allows all full-time personnel employed by Mesaba for more than six months the opportunity to purchase shares of stock in Mesaba at the market price through payroll deductions. All administrative costs of this plan are paid by Mesaba.

Mesaba issued warrants to the underwriter involved with its 1986 stock offering. These warrants allow for the purchase of 35,000 shares of Mesaba's common stock at \$3.90 per share and are exercisable any time from November 20, 1986 to November 20, 1990.

Also during 1986, Mesaba issued warrants to Northwest Aircraft Inc. (NWA) in consideration of a guarantee by NWA of its lease agreements for the Metro aircraft. These warrants allow for the purchase of shares of Mesaba's common stock at \$5.15 per share through July 1, 1991. As of March 31, 1986, warrants for the purchase of 85,495 shares had been issued to NWA, and warrants for an additional 114,004 shares were issued subsequent to March 31, 1986.

AUDITORS' REPORT

To the Shareholders of Mesaba Aviation, Inc.:

We have examined the balance sheets of MESABA AVIATION, INC. (a Minnesota corporation) as of March 31, 1986 and 1985 and the related statements of operations, changes in stockholders' equity and changes in financial position for each of the three years in the period ended March 31, 1986. Our examinations were 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 financial statements referred to above present fairly the financial position of Mesaba Aviation, Inc. as of March 31, 1986 and 1985 and the results of its operations and the changes in its financial position for each of the three years in the period ended March 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Saint Paul, Minnesota,
May 14, 1986.

MESABA AVIATION, INC.**BOARD OF DIRECTORS**

Lowell T. Swenson 1
Former Chairman of the Board
Mesaba Aviation, Inc.

Robert D. Swenson 1
Chairman of the Board
President and Chief Executive Officer
Mesaba Aviation, Inc.

Philip L. Swenson
Vice President-Planning and Secretary
Mesaba Aviation, Inc.

Rodney G. Clark 2
Medical Doctor

M. C. Lund 1,3
Former President
Frontier Airlines, Inc.

Rodger T. Munt 1,3
Senior Vice President-Marketing
Fairchild Aircraft Corporation

William G. Ness 2,3
Chief Executive Officer
Arctco, Inc.

Mervin D. Prestebak
Director-Ground Support Services
Mesaba Aviation, Inc.

Earl W. Dagg 2
Medical Doctor

1 Member-Executive Committee
2 Member-Audit Committee
3 Member-Compensation Committee

CORPORATE OFFICERS

Robert D. Swenson
Chairman of the Board,
President and Chief Executive Officer

J. L. Haarbauer
Vice President-Maintenance and Engineering

David K. Knudson
Vice President and Treasurer

Richard A. Lawrence
Vice President-Flight Operations

Laurence E. McCabe
Vice President-Customer Services and Government
Relations

Philip L. Swenson
Director,
Vice President-Planning and Secretary

CORPORATE INFORMATION

Transfer Agent
Norwest Bank Minneapolis, N.A.
Minneapolis, Minnesota

Corporate Counsel
Halpern & Druck
Minneapolis, Minnesota

Auditors
Arthur Andersen & Co.
Saint Paul, Minnesota

10-K Report

A copy of the Company's latest Form 10-K annual report will be provided free of charge to any shareholder upon written request to:

Vice President & Treasurer
6201 34th Avenue South
Minneapolis, Minnesota 55450

Notice of Annual Meeting

The annual meeting of Mesaba Aviation, Inc. shareholders will be held on Friday, September 12, 1986 at 3:30 p.m. at the Minneapolis Marriott City Center, 30 South Seventh Street, Minneapolis, Minnesota.

MESABA
NORTHWEST ORIENT



6201 34th Avenue South
Minneapolis, Minnesota 55450