



NORTH CENTRAL AIRLINES
1960
ANNUAL REPORT

NORTH CENTRAL AIRLINES, INC.

AMERICA'S LEADING LOCAL AIRLINE

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

DIRECTORS

HAL N. CARR*	ARTHUR E. A. MUELLER*
WERNER L. CHRISTENSEN	A. L. WHEELER
G. F. DECOURSIN*	*Executive Committee
	K. B. WILLETT

OFFICERS

ARTHUR E. A. MUELLER.....	Chairman of the Board
HAL 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, Flight Operations
ARTHUR E. SCHWANDT.....	Vice President, Industrial Relations
BERNARD SWEET.....	Vice President, Secretary-Treasurer
A. L. WHEELER.....	Vice President and Counsel
JOHN P. DOW.....	Assistant Secretary

REGISTRAR AND STOCK TRANSFER AGENT

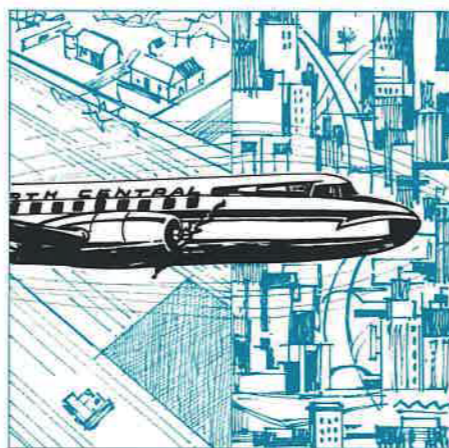
Northwestern National Bank of Minneapolis, Minneapolis, Minnesota

OUR COVER STORY

Our cover depicts the "tale of two cities" — one, the farming community of Mid-America; the other, the great metropolitan center, gateway to the airlines of the world.

North Central Airlines performs a vital service by linking the two and by linking the intermediate cities with each other. Its fast, frequent, dependable operation gives wings to every Main Street.

Whether it's breakfast in Bemidji or business in Boston, off to Oshkosh or in from India, the trip can always start or end on North Central. With its daily service to 91 cities in 10 Mid-America states and two Canadian provinces, small wonder that North Central is America's Leading Local Airline.



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TO OUR STOCKHOLDERS, EMPLOYEES AND FRIENDS:

March 17, 1961

In recent years, the North Central Airlines Annual Report has been a journal of continuing company expansion and industry leadership. However, 1960 becomes our year of greatest progress, and includes a record of over one million passengers and a 30 per cent increase in the system network.

The 1,035,076 passengers enplaned on the Route of the Northliners represent one-sixth of the total carried by the entire local industry and an eight per cent increase over our 1959 figure. It is the first time any local airline has carried more than one million passengers in a single year.

North Central continued to lead the nation's 12 other locals in all classes of traffic. In 1960, the airline carried a record 5,656,000 pounds of mail and 12,193,000 pounds of cargo, for a total increase of 27 per cent over 1959.

The system itself grew to 7,100 route miles, including 91 cities in 10 states and two Canadian provinces. During the year, the company inaugurated its first international operation with two routes to Port Arthur/Fort William, Ontario, Canada, and in January 1961 was certificated to Regina, Saskatchewan. Service was begun to 15 Michigan cities awarded by the

Civil Aeronautics Board in its Great Lakes Area Investigation.

Record revenues of \$21,690,000 were realized during 1960, a 17 per cent gain over 1959. This increase was the result of intensified scheduling and the addition of three more Convair 340 aircraft.

Confidence in North Central's progress and future is shown by the growing number of its stockholders. In October, over 600 new owners were added from the ranks of employees alone, during a special offering to stockholders and employees of 42,857 shares, which was over-subscribed.

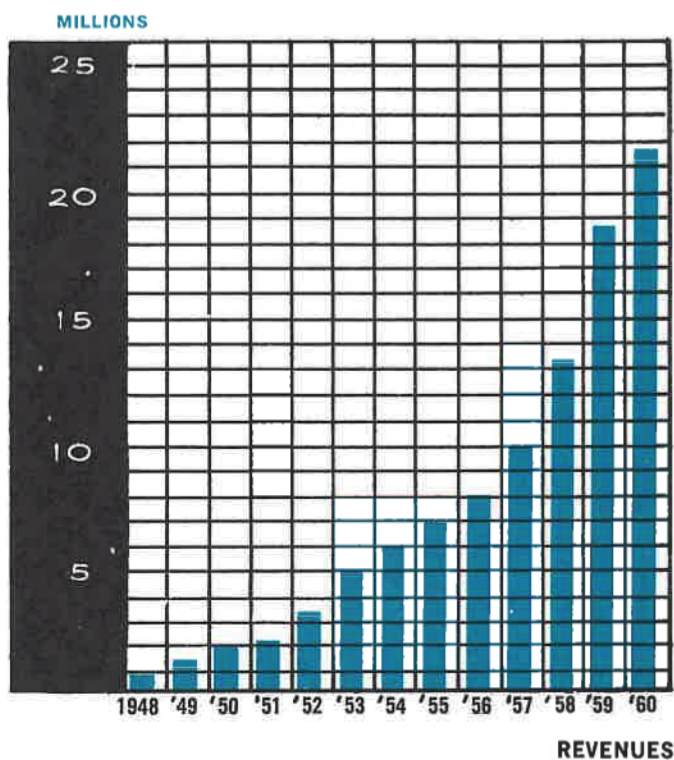
The company's dynamic progress has been due, in a large part, to the enthusiastic loyalty of its 2,200 employees, many of whom joined the airline during its first years of operation. To our personnel, stockholders, and other friends for their continuing support; and to our passengers for their confidence and understanding; the management of North Central Airlines expresses its sincere appreciation.

As you read this report, we believe you will see why we forecast an even brighter future — with another year of unprecedented progress ahead for North Central.

Sincerely,

HAL N. CARR
President

ARTHUR E. A. MUELLER
Chairman of the Board



NORTH CENTRAL AIRLINES highlighted its 13th year by becoming the first local airline to carry one million passengers in a single year and by expanding its system network 30 per cent.

Record revenues of \$21,688,628 were realized in 1960, a 17 per cent increase over 1959. Operating expenses of \$21,256,366 left an operating profit of \$432,262 and a net profit of \$102,114 after depreciation charges of \$787,177.

Since November 23, 1956, North Central has been on a temporary mail rate. Therefore, the amount of air mail revenue reported is somewhat less than the company's claim with the United States Government. When the final rate is established, it will be retroactive to November 23, 1956.

On August 26, 1960, the Civil Aeronautics Board issued its decision in the Rate of Return of the Local

Service Carriers Investigation. It stated that the "Rate of return heretofore used to fix the profit element for local service carriers has not been sufficient to maintain the financial integrity of the carriers, attract capital on reasonable terms, and return reasonable compensation to the investors." The Board concluded that the investment-return portion of the subsidy will, in the future, be calculated on a sliding scale allowing a minimum of nine per cent and a maximum of 12.75 per cent.

In addition, on December 23, 1960, the C.A.B. announced that it intended to place all local airlines on a "class mail rate" effective January 1, 1961. Under this plan, carriers operating more efficiently than the established standards may earn more than the 12.75 per cent return.

In order to acquire five more Convair 340/440 aircraft and spare parts, the company completed arrangements on July 26, 1960, with the Prudential Insurance Company of America, the Northwestern National Bank of Minneapolis, and the Irving Trust Company of New York for an equipment loan of \$2,450,000, representing 90 per cent of the purchase price. Three of these aircraft have been delivered. It is anticipated that this loan will be guaranteed by the United States Government to the extent of 90 per cent of the principal amount and 100 per cent of the interest under Public Law 85-307 and would, therefore, be subject to approval by the C.A.B. The Board has previously guaranteed a loan of \$2,340,000 for the company.

In connection with this equipment loan, on September 22, 1960, North Central offered 42,857 shares of common stock to its stockholders, on a pro rata basis, and to its employees on a seniority basis. The offering was fully subscribed with an increase in capital of \$300,000.



Citizens turn out for the inauguration of Northliner service at one of the 19 communities added to the company's system during the year.

SYSTEM GROWTH

During 1960, North Central continued its program of aggressive route development begun in 1954. In these six years of dynamic system growth, 4,497 route miles have been added for an increase of 187 per cent. The past year produced a 30 per cent increase in the system network.

The list of Northliner cities has grown from 39 in 1954 to 90 in 1960. North Central is now the second largest airline in the nation in the number of cities served.

The highlight of 1960's route expansion program came December 1 when new service was inaugurated to 15 Michigan cities. The Civil Aeronautics Board decision of August 25 certificated these cities to the airline in the Great Lakes Area Investigation and was the company's most lucrative route award.

Totalling 1,267 route miles in the heart of Michigan's industrial area and adding Ohio to the system, the Great Lakes order included Cleveland, Ohio; Alpena, Cadillac/Reed City, Muskegon, Flint, Pontiac, Port Huron, Saginaw/Bay City/Midland, Pellston, Traverse City, and Manistee/Ludington, Michigan. Cheboygan, Harbor Springs, and Petoskey, Michigan are served through the Pellston airport.

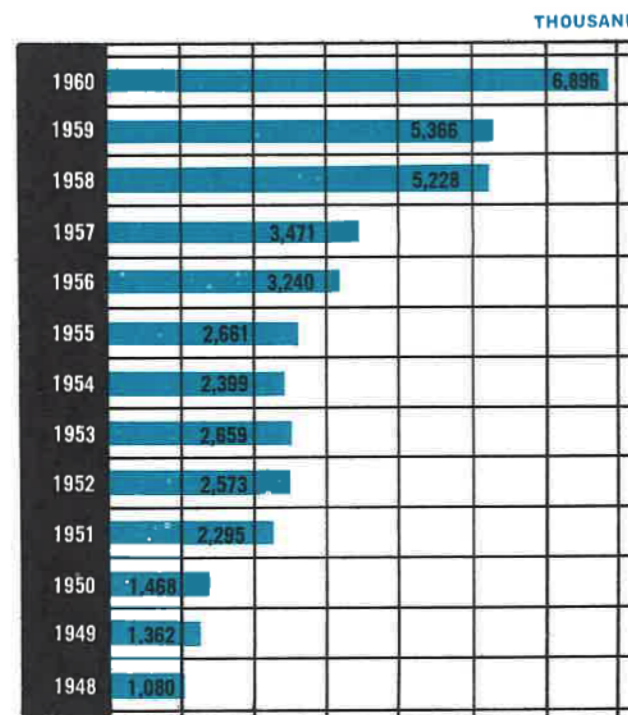
The company inaugurated Cleveland service on February 1, 1961, and will operate into Manistee/Ludington on April 1 when airport development projects are completed.

North Central service was extended into Canada at Port Arthur/Fort William, Ontario, by President Eisenhower on September 6. His approval of a

C.A.B. order certificated the company to operate to the Canadian Lakehead cities on two routes: from Duluth, Minnesota/Superior, Wisconsin, and from Hancock/Houghton, Michigan. This international service was inaugurated December 1 and added 262 miles to the system.

As 1960 came to a close, the company was awaiting Presidential approval of a route from Minot, North Dakota, to Regina, Saskatchewan, Canada. On January 16, 1961, President Eisenhower signed the C.A.B. order awarding the 216-mile nonstop segment to North Central. The Regina route increased the system to 91 cities in 10 states and two Canadian provinces over a network of more than 7,100 route miles.

Still pending before the Board are applications to extend service to Wyoming from Chicago through Wisconsin, Minnesota, and South Dakota; between Omaha, Nebraska and St. Louis, Missouri; and between Omaha and Kansas City, Kansas; and from Detroit to Toronto, Ontario, Canada. A summary of the current status of these cases follows.



ROUTE MILES



Station of the Year honors go to leading North Central stations for achieving high on-time performance records and outstanding operations efficiency in 1960.

WYOMING-SOUTH DAKOTA-CHICAGO INVESTIGATION

On February 4, 1960, North Central filed an application with the Civil Aeronautics Board to extend its system to Wyoming and increase its service on routes linking Chicago with points in South Dakota and Iowa. This initial application was amended twice, on February 18 and July 19, 1960, and now includes the following routes:

Between Sioux City, Iowa and Chicago, via Waterloo, Iowa.

Between Sioux Falls, South Dakota and Chicago nonstop.

Between Huron, South Dakota and Chicago via Brookings, South Dakota; Rochester, Minnesota; and Madison, Wisconsin.

Between Casper, Wyoming and Chicago via Rapid City, Pierre, Huron, Sioux Falls, South Dakota; Worthington and Rochester, Minnesota; and Madison, Wisconsin.

And, between Sheridan, Wyoming and Rapid City, South Dakota via Spearfish, South Dakota.

Hearings before C.A.B. Examiner Richard A. Walsh were held in Rapid City on November 15 and Washington on December 5. Walsh's initial decision is expected late in 1961.

OMAHA-ST. LOUIS APPLICATION

On February 23, 1960, the company applied for a new route which would extend its system from Omaha, Nebraska to St. Louis, Missouri, via Chillicothe and Moberly, Missouri.

The 400-mile route would add three new cities and the State of Missouri to the system.

A date for the hearing in the case has not been set by the Board, but preliminary action is expected in the fall of 1961.

OMAHA-KANSAS CITY APPLICATION

Application for a route between Omaha and Kansas City, Kansas by way of Falls City, Nebraska and Atchison, Kansas was filed on October 5, 1959. A hearing date has not yet been set by the C.A.B.

This route would add 169 miles, three new cities, and the State of Kansas to North Central's system network.



CANADIAN APPLICATIONS

Still on file before the Civil Aeronautics Board is North Central's application for nonstop authority between Detroit and Toronto, Ontario, Canada. This application requires a reopening of the Bilateral Treaty between the United States and Canada.

TRAFFIC RECORD

North Central set a new traffic record for the nation's local airlines by becoming the first in the industry to carry more than one million passengers in a single year. The company also led the 12 other local airlines in mail and cargo volume during 1960.

There were 1,035,076 passengers enplaned and this number was 52 per cent ahead of the passenger volume of the second-ranking local airline. It represented one-sixth of the total passengers carried by the entire local airline industry during the year, and an eight per cent gain over the company's 1959 record.

In August, North Central carried 101,705 passengers, breaking all monthly traffic records for the local airline industry.

The company carried 5,655,640 pounds of mail during 1960, an increase of 16 per cent over 1959 and exceeding the second-place local by 123 per cent. This included 1,031,085 pounds of surface mail.

Cargo volume reached a record 12,193,000 pounds, a 33 per cent increase over 1959 and 17 per cent ahead of the second-ranking local airline. Included are 7,316,920 pounds of air express and 4,876,080 pounds of air freight.

North Central maintained this traffic leadership and also received the National Safety Council's coveted Award of Honor for an outstanding safety record. Since beginning scheduled operations in February, 1948, North Central has flown 831,529,015 passenger miles and carried 5,274,347 passengers without a single fatality to passengers or crew members.

New stewardesses in smart new cocoa brown uniforms attend graduation ceremonies at Minneapolis/St. Paul. The Northliner stewardess corps now numbers 160.



MANAGEMENT DEVELOPMENT

The company made several organizational changes during 1960 designed to strengthen the efficiency of its management and supervisory teams.

Early in the year new managerial positions were created in the Maintenance and Engineering Department and in Flight Operations.

L. J. Keely was named Manager of Maintenance and Engineering in April to supervise the company's over-all maintenance activities under the direction of R. H. Bendio, Sr., Vice President, Maintenance and Engineering.

In May, Captain G. F. Wallis was promoted from Chief Pilot to Manager of Flight Operations to direct the day-to-day operation of the department under the supervision of A. D. Niemeier, Vice President, Flight Operations. Flight crews, flight control personnel, and stewardesses are under Wallis' direction.

At the same time, the position of Supervisor of Flight Training was established to implement the company's increased emphasis on pilot and equipment-transition training.

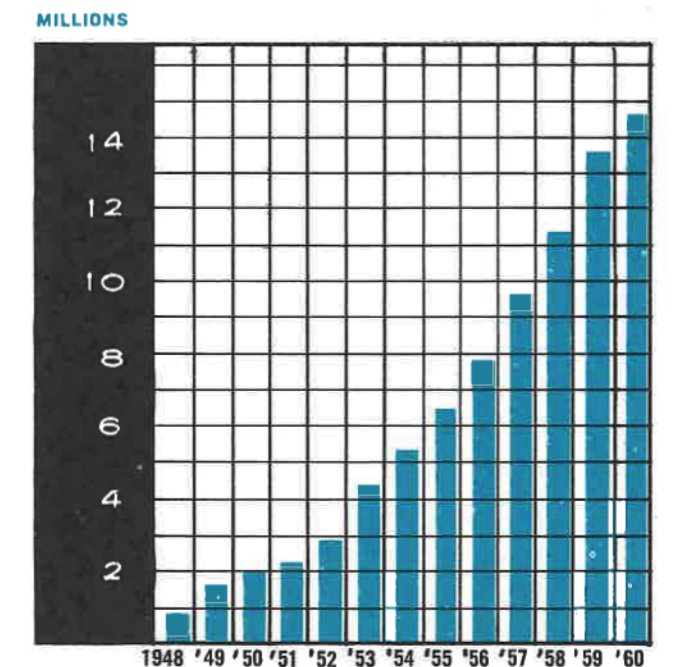
The airline's 30 per cent system growth during 1960 necessitated a realignment of station supervisory personnel in the Ground Operations Department. Two new regional Superintendents were added in October.

North Central's airport stations now total a record 73 and are grouped in four main regions: western, central, northern and eastern. Each is supervised by a regional Superintendent who reports to the Director of Ground Operations through the Superintendent of Stations.

The first management training program for station managers was inaugurated in June by the Ground Operations Department. The three-day basic orientation course in human relations and supervision was designed to improve and develop airline management techniques in all station managers. It is conducted at North Central's Training Center in

Minneapolis and is the first such program in the local airline industry.

The company's sales staff also increased during the year because of the system and traffic growth. A new district office was opened in Traverse City, Michigan, to serve the northern Michigan territory. During the year, North Central's traffic and sales staff made more than 14,800 personal sales calls in addition to their other duties.



REVENUE MILES FLOWN



Among the important innovations in 1960 was the creation of a stockholder relations program. In August, R. William Hughett was named staff assistant to Arthur E. A. Mueller, Chairman of the Board, to direct this new activity.

Hughett supervises the operation of an information and educational service to give present and prospective stockholders a better understanding of the function and operation of the local airlines and North Central's leadership in the industry.

In August, President Hal N. Carr was honored by North Central's master executive council of the Air Line Pilots Association for the "excellent company-pilot working relationship" maintained between the union and the airline and for his "keen interest in pilot opinion."

This special recognition culminates 13 years of amiable union-management relations with all North Central employee groups.

A citation also came from the American National Red Cross in April for the company's five-year record of 100 per cent stewardess qualification in the Red Cross' standard first aid course. North Central is the only U. S. scheduled airline to receive the award.

SERVICE INCREASE

The company continued to pace the nation's 13 local airlines in service to the traveling public.

Besides carrying a record number of passengers, North Central maintained one of the best on-time performance operations in the industry. Of the 174,624 scheduled arrivals during 1960, 74 per cent were on time, as compared with 68 per cent in 1959. Passenger miles flown in 1960 increased by 10 per cent to 168,880,802 due to intensified scheduling and the addition of new routes.

The company held its favorable position as one of the nation's leading airlines in productive use of its flight equipment. Average daily aircraft utiliza-

tion was seven hours, 14 minutes. The DC-3's averaged seven hours, 24 minutes; the Convairs, six hours, nine minutes.

More than 391,000,000 available seat miles were offered to Northliner travelers, a 12 per cent increase over 1959. This was made possible by the addition of three more Convair 340's.

Connecting business at Chicago's O'Hare International Airport took on tremendous importance with the increase in trunkline jet travel. In 1959 O'Hare ranked 25th among North Central stations in passengers enplaned, while it soared to fourth place during 1960.

With this growing demand for service, North Central increased its flight frequency at O'Hare from three daily departures in January 1960 to 18 by the end of December. Over 52,400 passengers enplaned at O'Hare in 1960, compared with 5,700 the previous year — a nine-to-one increase.



Personalized service assisting passengers with travel arrangements is offered by North Central at Chicago's busy terminals.

CORPORATE DESIGN PROGRAM

The company completed several interior and exterior design changes in aircraft and ticket offices during the year under its new "corporate image" program launched in October, 1959. The project is under the direction of Industrial Designer Karl Brocken of Riviera Beach, Florida, who created the airline's mallard duck insignia in 1948.

Brocken has been retained to develop a comprehensive program to standardize and improve North Central's corporate image of a modern, progressive company and a leader in the industry. All items viewed by the public will be redesigned so they will be readily identified with the airline. These include aircraft, ticket offices, uniforms, ground equipment, advertising and company publications, and such promotional items as flight bags and food service materials.

The basic trademark — "Herman," the duck — is one of the outstanding in the airline industry and will be retained.

The over-all program with its standardization of design and simplification of purchasing will result in more economical operation, as well as improved service. Several years will be required before the

During 1960, North Central set a new record by becoming the first of the nation's 13 local airlines to carry more than one million passengers in a single year.



entire project has been studied, evaluated and completed.

FORECAST

The greatest challenge facing North Central is to adequately predict and prepare for the spectacular growth it will continue to experience.

The next few years will be the most important phase in the company's development. North Central's past growth rate and future potential, the changing economic factors, and the new philosophy of the regulatory agencies all indicate an end to the era of "profitless prosperity" which has characterized the first dozen years of the local airline industry.

The Civil Aeronautics Board's new formula for calculating the investment-return portion of mail pay on a sliding scale should increase North Central's profit potential substantially. The adoption of a new class mail rate for all the local airlines should bring about a more realistic approach to the determination of subsidy. The service provided by the local carriers to the smaller, intermediate-size communities will become increasingly significant as today's shifting economy moves away from the large metropolitan centers.

Record revenues of \$21,900,000 in 1960 are projected to \$26,000,000 for 1961 and \$50,000,000 for 1965. These estimates are based on several factors — growth in traffic, additional route awards, and the increased capacity of more Convair aircraft.

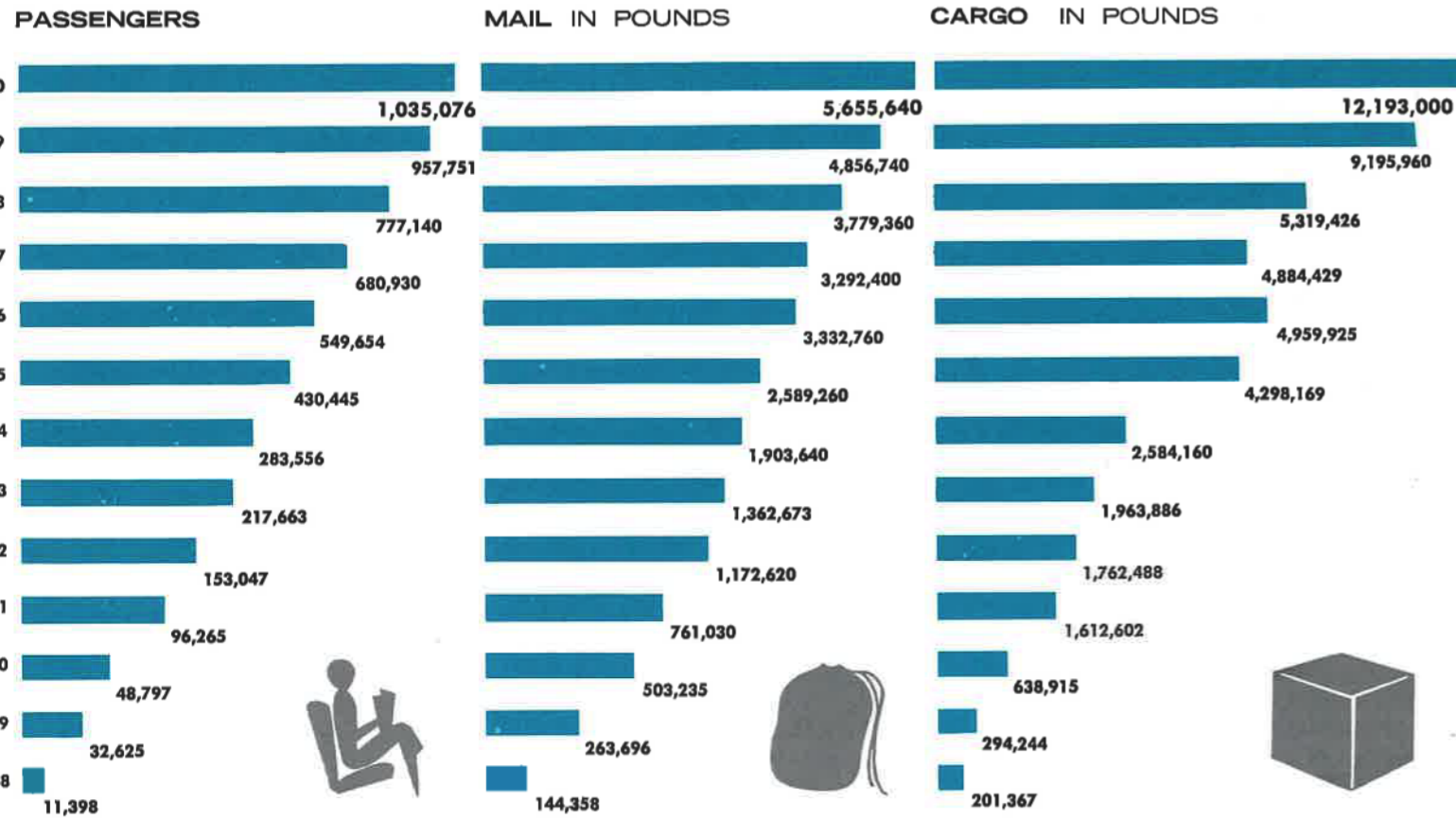
This traffic growth will depend on the expansion of passenger, mail, and cargo volume over an enlarged and strengthened system network. This will be accomplished by additional route awards and more nonstop authorizations between major points on the present system.

The possibility of mergers with other local airlines will also be thoroughly investigated and actively pursued.

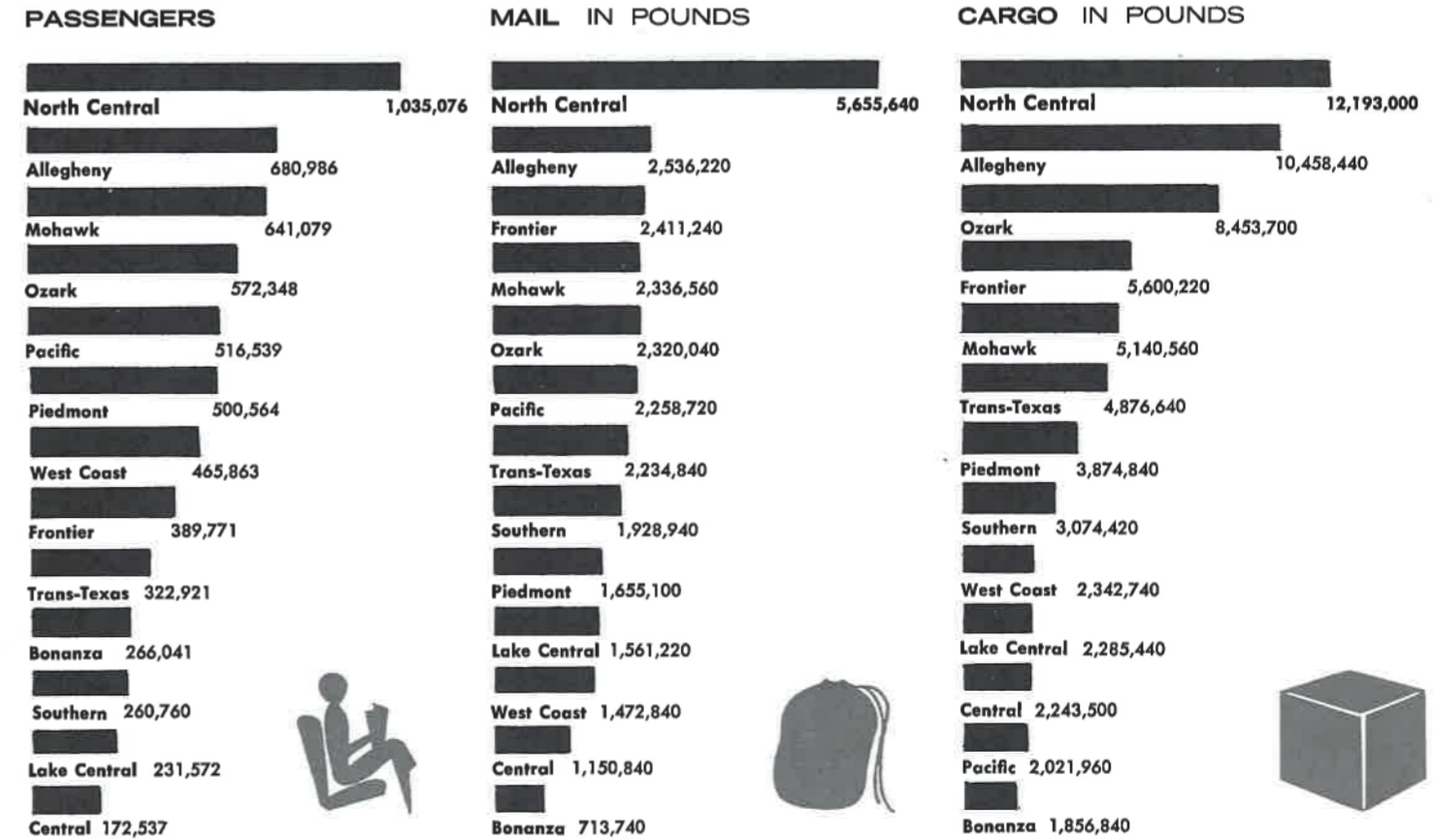
North Central's future has never been brighter. The company looks forward to another year of unprecedented progress.



**1960 ADDS ANOTHER YEAR TO NORTH CENTRAL'S
UNBROKEN RECORD OF GROWTH AND PROGRESS**



**AMERICA'S LEADING LOCAL SERVICE AIRLINE...
FIRST IN PASSENGERS, MAIL AND CARGO**





NORTH CENTRAL AIRLINES, INC.
BALANCE SHEET **DECEMBER 31, 1960**

ASSETS

CURRENT ASSETS

Cash on hand and in banks.....	\$ 528,728	
Accounts receivable		
Mail	\$ 580,483	
Mail — additional claim (Note 1).....	1,697,083	
Traffic	1,672,471	
Other (including \$97,045 of employee common stock subscriptions)....	314,526	4,264,563
Maintenance and operating supplies — at the lower of cost (determined by the first-in, first-out method) or market.....		855,491
Prepaid expenses and sundry deposits (including \$89,035 temporarily deposited in U.S. Treasury bills).....		498,623
Total current assets.....		<u>6,147,405</u>

INVESTMENTS — at cost	10,821
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OPERATING PROPERTY AND EQUIPMENT (at cost)

Flight equipment (Notes 2 and 3).....	8,252,857	
Ground equipment.....	900,237	
Hangar buildings and improvements to leased property.....	186,187	
Furniture and fixtures.....	259,024	
Total	9,598,305	
Less accumulated depreciation.....	4,572,808	5,025,497

DEFERRED CHARGES

Route development expense.....	178,678	
Other	79,880	258,558

\$11,442,281

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

LIABILITIES

CURRENT LIABILITIES

Current maturities of long-term notes.....		\$ 944,925
Accounts payable		
Trade	\$1,867,485	
Traffic	1,292,767	3,160,252
Unearned transportation revenue.....		189,825
Employee payroll and tax deductions.....		155,371
Accrued liabilities		
Salary and wages.....	669,165	
Transportation, payroll and property taxes.....	301,407	
All other.....	286,694	1,257,266
Total current liabilities.....		<u>5,707,639</u>

NONCURRENT LIABILITIES

5% and 6% notes payable to bank, due in monthly or semi-annual installments to January 1, 1966 (Note 2).....	2,922,000	
6% promissory notes due May 31, 1961 (Note 3).....	1,217,070	
Other notes payable, partially secured by pledge of certain equipment, due in monthly installments.....	649,796	
	4,788,866	
Less current maturities.....	944,925	
	3,843,941	
Deferred credits	12,889	
Total noncurrent liabilities.....		3,856,830

CAPITAL

Common stock (3,750,000 shares of \$.20 par value authorized, 2,143,871 shares issued and 17,710 shares reserved on stock subscriptions).....	429,128	
Paid-in in excess of par value of stock issued and subscribed.....	1,317,221	
	1,746,349	
Retained earnings (after transfer to paid-in capital of \$129,416 in connection with stock dividend).....	131,463	1,877,812
		<u>\$11,442,281</u>



NORTH CENTRAL AIRLINES, INC.

STATEMENT OF EARNINGS

Year ended December 31, 1960

TRANSPORTATION REVENUE			
Passenger	\$12,660,869		
Mail	8,141,205		
Express	286,626		
Freight	293,511		
Excess baggage	105,639		
Non-scheduled transport service	129,089		
Other	71,689	\$21,688,628	
OPERATING EXPENSES			
Flying operations	6,315,651		
Flight equipment maintenance	3,047,212		
Other maintenance	1,452,812		
Passenger service	1,104,096		
Aircraft and traffic servicing	6,195,172		
Promotion and sales	1,519,591		
General and administrative	834,655		
Depreciation	787,177	21,256,366	
Operating profit		432,262	
OTHER DEDUCTIONS			
Interest	205,206		
Extension and development	100,866		
Sundry	24,076	330,148	
NET EARNINGS (Note 4)		\$ 102,114	

STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL

Year ended December 31, 1960

RETAINED EARNINGS

Retained earnings - December 31, 1959	\$ 158,765
Net earnings for the year	102,114
Reclassification of 1959 common stock dividend	(129,416)
Retained earnings, December 31, 1960	\$ 131,463

PAID-IN CAPITAL

Paid-in capital - December 31, 1959	\$ 894,975
Excess of proceeds from sale of common stock over par value thereof	292,830
Reclassification of 1959 common stock dividend	129,416
Paid-in capital, December 31, 1960	\$1,317,221

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

NOTES TO FINANCIAL STATEMENTS

1. It is the policy of the Civil Aeronautics Board to provide a scheduled airline on a temporary mail rate (the company has been on such a rate since November 23, 1956) with sufficient mail pay on settlement of its final rate 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 1960 an amount of \$1,061,089 of additional mail pay will be applicable under these two categories. An amount of \$1,697,083 is shown as an account receivable at December 31, 1960, which includes the 1960 item and \$635,994 which is the unpaid portion of the 1956-1959 break-even need and return on investment.

2. The company has a 6% working capital loan with two banks which is repayable in monthly installments totaling \$390,000 per year, with a final payment due on September 15, 1963. As security for this loan the company has pledged twenty-three DC-3 aircraft including related flight equipment. Among other things, the loan agreement provides that the company maintain current assets (excluding unapproved mail pay claims) that are at least equal to current liabilities, excluding any liability to the banks under this working capital loan or the loan described in the following paragraph.

There is also an equipment loan and related agreement with the same two banks. The unpaid balance at December 31 was \$1,837,000. This loan bears interest at the rate of 5% and is repayable in semi-annual installments of \$167,000 to January 1, 1966. Five Convair 340 aircraft with engines and parts are pledged as security. In addition, the U. S. Government has guaranteed 90% of the loan principal and 100% of interest.

3. In order to acquire five additional Convair 340/440 aircraft and related spare parts the company completed arrangements on July 26, 1960, with two banks and an insurance company for a seven-year 6% equipment loan of \$2,450,000, representing 90% of the purchase price. It is anticipated that this loan will be guaranteed by the United States Government to the extent of 90% of the principal amount and 100% of the interest. It is therefore subject to the approval of the Civil Aeronautics Board.

In November three of these aircraft were obtained under two lease agreements, with options to purchase. The leases are for forty-five months with the full lease costs of \$1,352,300, payable in advance. This amount represents the total cost of the three aircraft and will become payment in full when the company exercises its option to purchase. To comply with the prepayment provisions, the company entered into an agreement with Northwestern National Bank and Irving Trust Company whereby the banks would advance \$1,217,070 to the leaseholders in return for assignments of the leases to them. The company advanced \$135,230 simultaneously with the bank advance of \$1,217,070 and has signed a six percent (6%) promissory note, due May 31, 1961 for the latter amount. This note is secured by the three Convairs, an assignment of retroactive Federal mail pay and the personal guarantee of a company officer of up to \$500,000.

It is anticipated that this note will be paid by the \$2,450,000 guaranteed loan, repayable in installments over seven years. Accordingly, the \$1,217,070 note is shown as a long-term obligation with the first installment (of \$86,934 to be paid on October 15, 1961) shown under current maturities of long-term notes. The asset value of this leased equipment (in the amount of \$1,352,300) is included under the flight equipment caption in the balance sheet.

4. Net operating loss carry-overs from prior years are sufficient to absorb taxable income for 1960 and accordingly no provision has been made for Federal and State income taxes. The United States Treasury, the Wisconsin and Minnesota Departments of Taxation have reviewed the company's tax returns through the year 1958.

5. The company has entered into a lease with the City of Chicago for use of a hangar and facilities to be constructed at O'Hare International Airport. Monthly payments of \$7,333 are to be made, starting on January 1, 1962, and are to continue for forty years or until \$1,000,000 of bonds, which the City is to issue to finance the project, are retired. North Central has advanced \$89,035 towards the total construction cost and it is obligated to pay an additional \$135,965 toward such costs.

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.

February 28, 1961

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1960 and the related statements of earnings and retained earnings and paid-in capital 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 and paid-in capital present fairly the financial position of North Central Airlines, Inc. at December 31, 1960 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.

Milwaukee, Wisconsin

Alexander Grant & Company

COMPARATIVE FINANCIAL SUMMARY

	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
Operating Revenues													
Passenger	\$12,660,869	\$11,388,135	\$ 8,702,455	\$ 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	8,141,205	6,322,896	3,780,823	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
Other	886,554	790,090	657,961	504,017	324,910	194,628	148,622	114,974	71,626	56,597	24,009	18,184	9,108
TOTAL	\$21,688,628	\$18,501,121	\$13,141,239	\$10,801,995	\$7,984,337	\$6,818,005	\$5,829,325	\$4,887,397	\$3,223,704	\$2,098,792	\$1,806,432	\$1,326,003	\$ 703,724
Operating Expenses													
Direct Expenses	\$10,815,675	\$ 7,924,030	\$ 5,849,305	\$ 4,840,708	\$3,538,274	\$2,853,134	\$2,419,593	\$2,104,078	\$1,423,223	\$ 887,529	\$ 743,677	\$ 591,200	\$ 327,996
Indirect Expenses	9,653,514	9,315,951	6,550,910	5,426,616	4,020,375	3,271,207	2,702,111	2,399,016	1,679,261	1,076,810	778,410	612,701	372,572
Depreciation	787,177	859,102	583,174	452,993	301,161	470,169	535,557	428,308	205,192	143,722	120,329	99,599	54,645
TOTAL	\$21,256,366	\$18,099,083	\$12,983,389	\$10,720,317	\$7,859,810	\$6,594,510	\$5,657,261	\$4,931,402	\$3,307,676	\$2,108,061	\$1,642,416	\$1,303,500	\$ 755,213
Net Operating Profit (or Loss)	\$ 432,262	\$ 402,038	\$ 157,850	\$ 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	(100,866)	(198,164)	(6,194)	(6,281)	(8,566)	(26,995)	(5,227)	(10,618)	-0-	-0-	(65,015)	(86,292)	(73,525)
Non-operating Income and Expenses, Net	(229,282)	(183,364)	(43,472)	(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	\$ 102,114	\$ 20,510	\$ 108,184	\$ 20,688	\$ 79,876	\$ 146,449	\$ 111,707	(114,588)	(123,393)	\$ 6,267	\$ 92,113	(75,883)	(128,044)
Income Taxes	-0-	4,542	-0-	(60,103)	45,700	18,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Profit (or Loss)	\$ 102,114	\$ 15,968	\$ 108,184	\$ 80,791	\$ 34,176	\$ 128,449	\$ 111,707	(114,588)	(123,393)	\$ 6,267	\$ 92,113	(75,883)	(128,044)

NORTH CENTRAL'S GROWTH STORY...FRONT PAGE NEWS IN ROUTE CITIES

N. C. Airlines Scores First in Passengers
 North Central Airlines has scored the first in passenger traffic in every area that it serves, according to Frank N. Carr, president of the airline.

North Central Ranks as First Local Carrier to Transport Million
 Minneapolis (AP) — North Central Airlines has become the first local carrier to transport a million passengers in a single year.

North Central Sets Record, More Large Planes Coming
 Passengers Up 12 Pct., First Dividend Paid

Milestone Noted By North Central
 Minneapolis (AP) — North Central Airlines has become the first local carrier to transport a million passengers in a single year.

North Central Sets Mark For Local Carrier
 Minneapolis (AP) — North Central Airlines has become the first local carrier to transport a million passengers in a single year.

Service North Central's Secret
 Aero Club Hears Story Of Fast-Growing Line

C Airlines Records Greatest Growth Year

North Central Sets Air Traffic Mark
 Minneapolis (AP) — North Central Airlines has set a new record for air traffic in the Midwest.

North Central Comes Long Way from '48
 The airline has grown from 1,080 route miles in 1948 to 6,896 route miles in 1960.

North Central Sets New Passenger Record
 Minneapolis (AP) — North Central Airlines has set a new record for passenger traffic in the Midwest.

North Central Again Leads US Locals; Sets New Record
 Minneapolis (AP) — North Central Airlines has again led all other local airlines in passenger traffic.

North Central Hits Record in Green Bay
 34,533 Passengers Board Its Planes to Give Air Service Inauguration

North Central Airline Has Rapid Growth in Service

North Central Sets Record Growth Rate
 Minneapolis (AP) — North Central Airlines has set a new record for growth rate in the Midwest.

North Central Airlines Sets Record for 1960
 Minneapolis (AP) — North Central Airlines has set a new record for passenger traffic in 1960.

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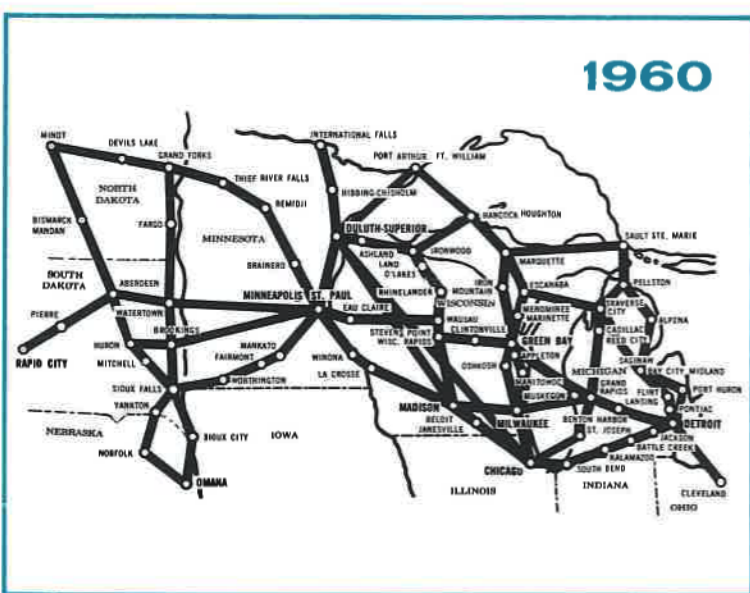
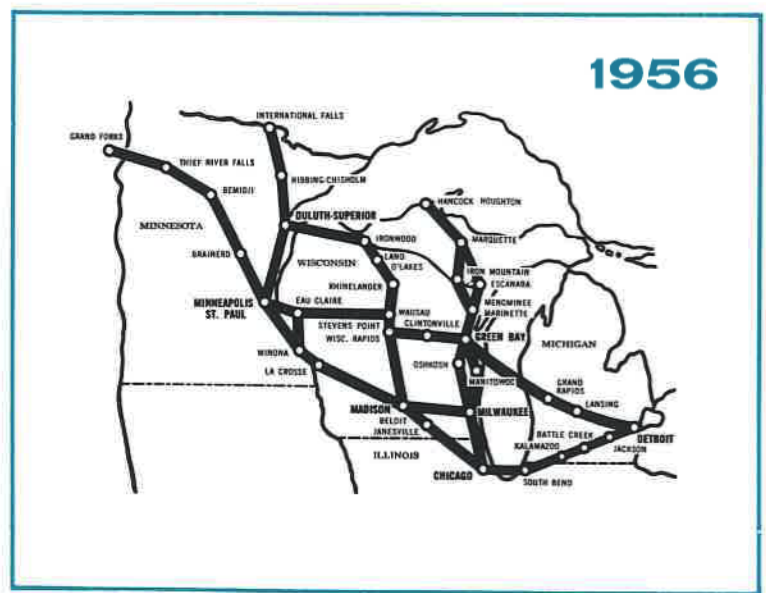
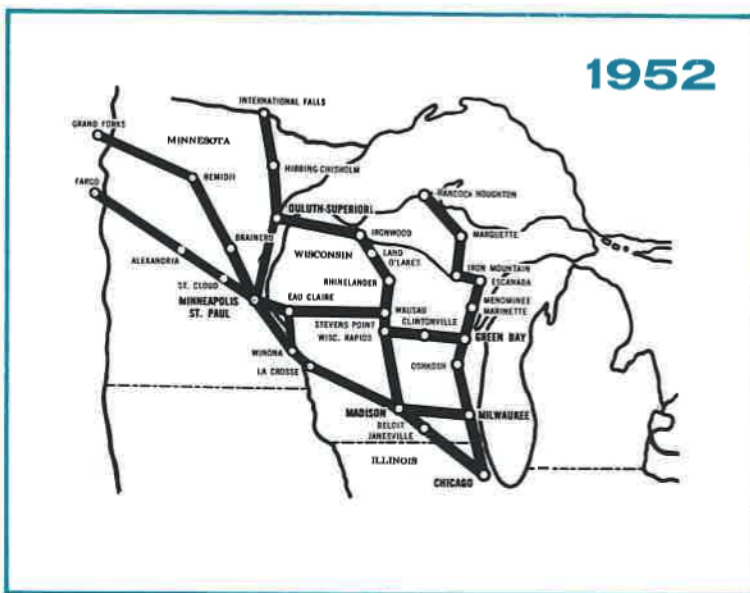
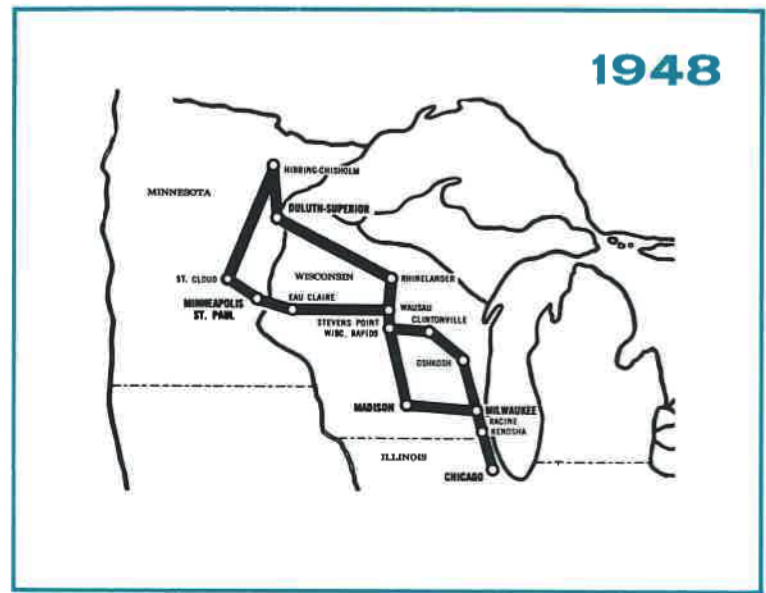
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MILESTONES IN NORTH CENTRAL'S PROGRESS...

SINCE 1948, NORTH CENTRAL ROUTE MILES AND CITIES SERVED HAVE MULTIPLIED FIVE TIMES.





NORTH CENTRAL AIRLINES, INC.
6201 - 34 AVENUE SOUTH
MINNEAPOLIS 50, MINNESOTA

NORTH CENTRAL AIRLINES
1960
ANNUAL REPORT