

NORTH CENTRAL AIRLINES 1961 ANNUAL REPORT



NORTH CENTRAL AIRLINES, INC.

AMERICA'S LEADING LOCAL AIRLINE

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

BOARD OF DIRECTORS

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

MANAGEMENT

ARTHUR E. A. MUELLER	Chairman of the Board
HAL N. CARR	President and General Manager
R. H. BENDIO, SR.	Vice President, Maintenance and Engineering
FRANK N. BUTTOMER	Vice President, Traffic and Sales
A. D. NIEMEYER	Vice President, Flight Operations
ARTHUR E. SCHWANDT	Vice President, Industrial Relations
BERNARD SWEET	Vice President and Treasurer
A. L. WHEELER	Vice President and Counsel
JOHN P. DOW	Secretary
L. J. KEELY	Director, Maintenance and Engineering
T. M. NEEDHAM	Director, Ground Operations
G. F. WALLIS	Director, Flight Operations

REGISTRAR AND STOCK TRANSFER AGENT

Northwestern National Bank of Minneapolis, Minneapolis, Minnesota

TO OUR STOCKHOLDERS, EMPLOYEES AND FRIENDS:

March 12, 1962

The year 1961 added another chapter to North Central Airlines' continuing story of progress and leadership by establishing new records in traffic and service. For the second consecutive year passengers exceeded the million mark. The company is still the only local carrier to pass this milestone—with its record 1,095,904 passengers.

In 1961, North Central also continued to lead the local airline industry in cargo and mail carried. The 15,970,000 pounds of cargo hauled represented a 31 per cent increase over 1960, while the 6,444,000 pounds of mail was nearly 14 per cent ahead of last year.

This spectacular traffic growth resulted in the greatest profit in the company's 14-year history. Record revenues of \$25,210,000 were attained, a 12 per cent gain over 1960. In each year since 1954, when new management took over direction of the airline, North Central has recorded a profit.

On December 1, the Board of Directors authorized a four-for-one stock split, with three additional shares of stock to be issued for each share held.

Because of the company's strong financial position, management was able, during 1961, to complete arrangements for a \$2,870,000 loan without the support of the Federal Government's guaranteed loan program. This borrowing financed the purchase of two more Convair 340/440 aircraft and the three Convairs acquired in 1960, and also repaid the balance of the company's working capital loan.

North Central's growing fleet now includes 30 DC-3's and ten Convair 340/440's. Future plans for acquiring more of these larger, faster Convairs will increase the company's earning capacity by offering additional seats to accommodate anticipated traffic growth.

Management continued its aggressive route development program in 1961 by concluding a purchase agreement with Frontier Airlines for nearly 1,400 miles of Frontier's system—subject to Civil Aeronautics Board approval. Other applications pending before the C.A.B. would extend North Central's service west to Wyoming and Montana, and south to Kansas and Missouri. The company also seeks to remove operating restrictions in its certificate to permit nonstop flights over certain segments, thereby improving service, building long-haul traffic, and at the same time, continuing to serve the intermediate points.

With an enlightened climate of economic regulation on the Federal level and a continuation of the company's intensified cost control program and expanded traffic development, management looks forward to substantially increased profits in 1962.

We would like to express our sincere appreciation to all our employees for the contribution they have made to the growth and development of North Central. To our stockholders, we extend our gratitude for their confidence and loyal support. To our passengers, we say "Thank You", and to our future passengers, "Welcome Aboard America's Leading Local Airline".

Sincerely,



ARTHUR E. A. MUELLER
Chairman of the Board



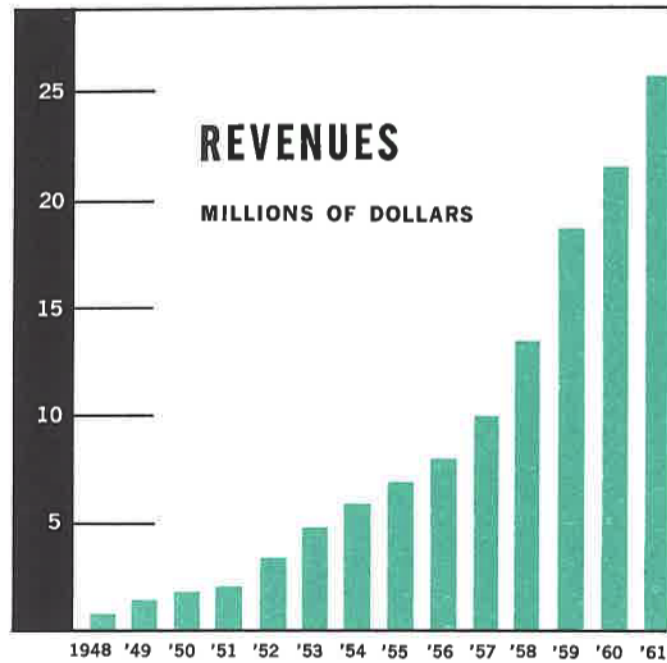
HAL N. CARR
President





NORTH CENTRAL AIRLINES, INC.

THE YEAR IN REVIEW



NORTH CENTRAL AIRLINES attained record revenues of \$25,210,459 in 1961, a 12 per cent increase over 1960.

Operating expenses were \$24,193,162, resulting in an operating profit of \$1,017,297 and a net profit, after taxes, of \$480,890. However, a non-recurring expense item of \$323,140, resulting from final settlement of the company's mail pay claim for previous years, reduced the net profit to \$157,750. This is the largest profit earned in the 14-year history of North Central, and 1961 is the eighth consecutive year of profitable operations.

The special expense item was recorded in 1961 after the company received a settlement of its mail pay claim for the period from November 23, 1956 through December 31, 1960, when it was operating under a temporary rate. Effective January 1, 1961, North Central was placed on a permanent "class" mail rate by the Civil Aeronautics Board. This class rate was established for all the local airlines by the C.A.B. to permit them to earn a reasonable return on investment. The most efficient carriers are also allowed additional earnings through a profit-sharing plan with the

Federal Government. During 1961, North Central reached this profit-sharing position and returned \$237,042 in excess profits to the Government, retaining \$105,382, after income taxes.

In October 1961, North Central completed financial arrangements with the Northwestern National Bank of Minneapolis and the Irving Trust Company of New York for a \$2,870,000 loan. This borrowing was accomplished to finance the purchase of two additional Convair 340/440 aircraft acquired in 1961, and the three Convairs added to the fleet late in 1960, as well as the repayment of the balance of the company's working capital loan. With North Central's strong financial position, this transaction was accomplished without use of the Federal Government's guaranteed loan program.

North Central's Board of Directors authorized a four-for-one stock split on December 1. Three additional shares of the company's stock were issued for each share held by stockholders of record on December 15.

SYSTEM GROWTH

The highlight of North Central's continuing route development program came in July with the announcement that the company signed an agreement to purchase nearly 1,400 miles of routes from Frontier Airlines. Service to 16 cities would be transferred if the Civil Aeronautics Board approves the purchase.

Cleveland, Ohio was added to the North Central system in February, while Marshfield, Wisconsin and Manistee/Ludington, Michigan received Northliner service in April.

North Central added its third international air route in 1961. Scheduled service was inaugurated May 1 to Regina, Saskatchewan, Canada from Minot, North Dakota. This 216-mile segment is operated with nonstop flights.

North Central now serves 91 cities in 10 states and two Canadian provinces, over a 7,100-mile system.

A summary of the route applications pending before the C.A.B. follows:



A Convair Super Northliner flight crew deplanes at Detroit's Willow Run airport, a major terminus on the 91-city system.

FRONTIER ROUTE ACQUISITION—In July, a purchase agreement was completed with Frontier Airlines which provided that four route segments in Montana, North Dakota, and South Dakota would be acquired by the company from Frontier. If approved by the C.A.B., this purchase would add 1,376 route miles, 16 new cities, and the State of Montana to the North Central system.

Included are the following segments:

Between Rapid City, South Dakota and Bismarck/Mandan, North Dakota, via Lemmon, South Dakota and Dickinson, North Dakota.

Between Bismarck/Mandan and Billings, Montana, via Minot and Williston, North Dakota; Sidney, Glendive, and Miles City, Montana.

Between Minot and Great Falls, Montana, via Williston, North Dakota; Sidney, Wolf Point, Glasgow and Havre, Montana.

And between Great Falls and Billings, via Lewistown, Montana.

These segments would strengthen the entire western portion of North Central's system by the addition of cities contiguous and economically related to present routes.

The Board has set up an expedited hearing on this application, and it is hoped that the proceeding will be concluded in 1962.

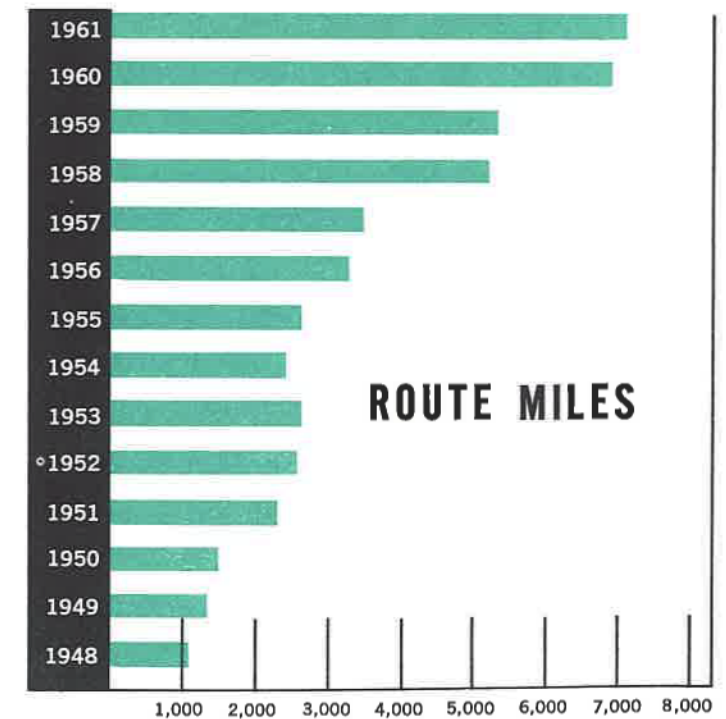
WYOMING-SOUTH DAKOTA-CHICAGO INVESTIGATION—An application, filed in 1960 to extend North Central's system into Wyoming and increase service on routes linking Chicago with South Dakota and Iowa points, still is pending before the C.A.B. Following public hearings and an initial decision by Examiner Richard A. Walsh,

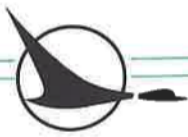
the company and the cities and states involved filed briefs and presented oral arguments to the Board. The C.A.B. is expected to issue a final order in 1962.

The company feels its strongest application in this case is for nonstop authority between Sioux Falls, South Dakota and Chicago.

CHICAGO-CLEVELAND CASE—In March 1961, North Central applied to the Board for a route between Chicago and Cleveland via South Bend and Fort Wayne, Indiana, and Toledo, Ohio; and between Grand Rapids, Michigan and Fort Wayne, Indiana, via Kalamazoo, Michigan. Later in the year, the application was amended to add a route between Chicago and Dayton, Ohio via South Bend and Fort Wayne.

In July, the company applied for authorization to operate a segment between Detroit and Indianapolis, Indiana, via Toledo and Lima, Ohio; Fort Wayne and Muncie, Indiana. At the same time, North Central asked the C.A.B. to consoli-





date all these applications into one case to determine the air service needs of this area.

No action has been taken on either the applications or the motion for consolidation. Preliminary Board action may be forthcoming in 1962.

OMAHA-ST. LOUIS APPLICATION—The Board may act in 1962 on a pending application to extend North Central's service into Missouri.

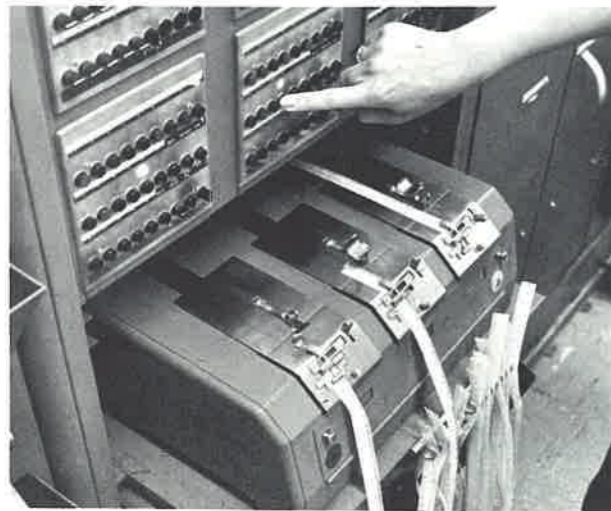
The 400-mile segment would link Omaha with St. Louis, via the intermediate points Chillicothe and Moberly, Missouri.

If approved, the route would add three new cities and the State of Missouri to the system.

OMAHA-KANSAS CITY APPLICATION—The company's application for a route between Omaha and Kansas City, Kansas is still pending, and a hearing date may be set in 1962.

The 169-mile route with intermediate stops at Falls City, Nebraska and Atchison, Kansas would add three new cities and the State of Kansas to North Central's system.

NONSTOP APPLICATIONS—North Central has applied for the removal of several operating restrictions in its certificate to allow nonstop service between certain terminal cities on existing route segments. The intermediate cities would continue to receive their present service on other flights. The "long-haul" passenger would benefit by elimination of the several stops now required on all flights over these segments. More seats would also be made available to the "commuter" pas-



senger flying between these intermediate cities.

In 1961, the C.A.B. gave North Central nonstop authority between Madison, Wisconsin and Chicago on an interim basis. This service is being operated on an exemption until the Board reaches a final decision.

The company has also filed an application for nonstop authority from Chicago to Cleveland, and it is hoped that the C.A.B. will consider this proposal in 1962. If approved, this would permit the operation of direct flights on the 300-mile segment between these major metropolitan communities.

A third application pending before the Board would allow the company to operate nonstop between Minneapolis/St. Paul and Chicago and to serve the intermediate points on other flights.

Management feels that these nonstop authorizations are important because they would improve the airline's service to the traveling public by permitting greater flexibility and economies of operation.

CANADIAN APPLICATIONS—Still on file before the Board is an application by North Central for nonstop authority between Detroit and Toronto, Ontario, Canada. Consideration of this route requires a reopening of the Bilateral Treaty between the United States and Canada, and no action is expected in 1962.

TRAFFIC LEADERSHIP

North Central again set the pace for the nation's 12 other local airlines by establishing new records in all classes of traffic in 1961. For the second consecutive year, the company boarded more than a million passengers—the only local to reach this milestone. North Central also led the local airline industry in cargo and mail carried.

In a typical day, North Central completes as many as 30,000 teletype and phone messages for reservations service. This automatic teletype transmitter-receiver handles 100 words per minute, using pre-punched coded tape.

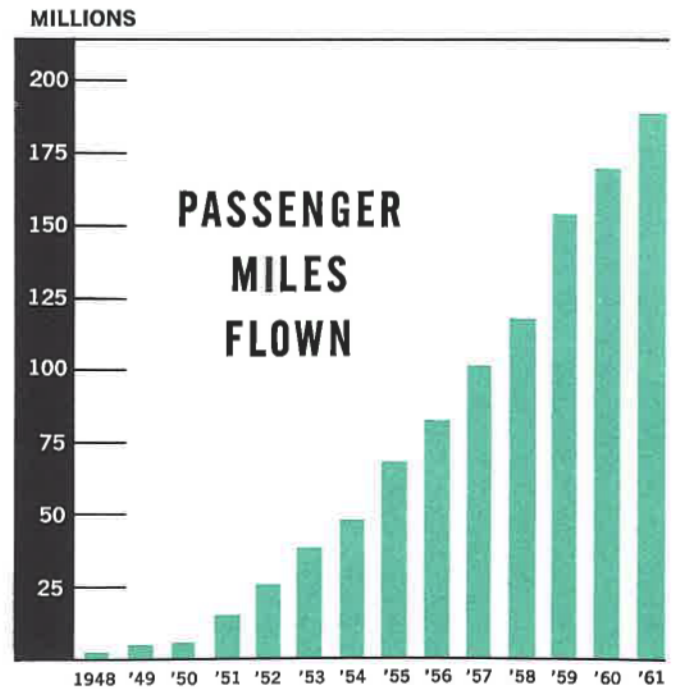
The company's communications center is located in downtown Chicago. Messages between North Central stations, as well as direct message exchanges between North Central and all other domestic and international carriers, are handled through the modern teletype equipment.



INCREASED SERVICES

North Central offered more service to the traveling public in 1961 than ever before. The company provided 436,318,046 seat miles, an 11 per cent increase over 1960. This increase was due largely to the addition of more Convair 340/440 airliners to the fleet.

While carrying a record number of passengers, North Central continued to maintain one of the best on-time performance operations in the airline industry. Of the 186,139 scheduled arrivals during 1961, more than 77 per cent were on time, while over 98 per cent of the airline's 15,287,147 scheduled miles were operated. Passenger miles flown in 1961 increased 11 per cent to 187,822,806.



Passenger volume reached a new high of 1,095,904, leading the second-ranking local carrier by 30 per cent. This represented nearly one-sixth the total number of passengers carried by all the local airlines for the year and was a six per cent increase over North Central's own record-breaking 1960 total.

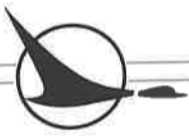
On June 16, a new daily passenger mark was set by the company when 4,285 passengers were carried—nearly 300 more than the previous single-day high on May 26. All monthly traffic records for the industry were broken in August when North Central enplaned 112,111 passengers. Much of this growth can be attributed to the overwhelming public acceptance of the Convair Super Northliner and the increased scheduling of this 44-passenger airliner on the system.

Cargo volume for the year reached a record 15,970,289 pounds, an increase of 31 per cent over 1960. Some 8,332,611 pounds of air express and 7,637,678 pounds of air freight made up this cargo volume.

The company carried 6,444,012 pounds of mail during the year, an increase of 14 per cent over the previous year and exceeded the second-ranking local airline by 83 per cent. This included 5,623,999 pounds of air mail and 820,013 pounds of preferential surface mail carried as a public service for the United States Post Office Department.

The company continued this traffic leadership while maintaining its perfect 14-year safety record. Again this year, the airline received the coveted Award of Honor from the National Safety Council. Since beginning scheduled operations in February 1948, North Central has flown more than one billion passenger miles and carried 6,370,000 passengers without a single fatality or injury to passengers or crew members.





North Central still held its favorable position among U. S. airlines in productive use of its aircraft. The DC-3's averaged seven hours, one minute utilization per day; and the Convairs six hours, six minutes.

The year saw a revolutionary breakthrough in the field of communications with the adoption of American Telephone and Telegraph's TELPAK tariff. This is a system which allows large volume users to purchase telephone facilities at bulk rates. North Central, by sharing TELPAK with other airlines, can now acquire phone lines between certain cities at a monthly rate of 19 cents a mile, compared with the regular charge of \$3 a mile.

TELPAC has brought about the consolidation of reservations offices at centralized locations. The company is now able to offer greatly improved reservations service to the traveling public at a substantially reduced cost.

Further consolidations will be made so that the system will be served by four central reservations offices located in Minneapolis/St. Paul, Milwaukee, Chicago, and Detroit.

IMPROVED FACILITIES

North Central continued to expand and improve its operational facilities to keep pace with the tremendous growth of the company.

Construction of a new \$1,250,000 hangar at Chicago's O'Hare Field was completed in the Fall of 1961. The concrete block building provides 37,400 square feet of space, capable of housing three Convairs and two DC-3's. A vital part of the facility is its water deluge system, shared with two other hangars, whereby a brick structure houses pumps and provides storage of 480,000 gallons of water for fire protection.

In December, North Central became the first local airline to install an electronic computer,

North Central provides convenient schedules to and from Main Street, U. S. A. Here, a Convair Super Northliner wings over Green Bay's Packer Stadium.

International Business Machines' 1401 Data Processing System. This equipment now processes payroll; ticket, cargo, and mail billings; statistical reports; and financial statements. It consists of three units: the data processor, the card-read-punch unit, and a high-speed printer.

The computer replaces two accounting machines and supporting equipment. As an example of its speed potential, the 1401 can complete the company's entire semi-monthly payroll in two hours and 45 minutes, compared with the 24 hours previously required. Eventually, it will be used in such areas as inventory control, ticket pricing, and daily labor distribution by jobs.

In November, a graphic arts shop was established to produce the printed material required by the company. The shop includes the most modern offset printing equipment and accessories and is headed by an experienced production man. Company forms, bulletins, manuals, direct mail advertising pieces, booklets, and THE NORTHLINER will be produced in the shop. The installation of this graphic arts section will result in substantial savings in printing costs.

MANAGEMENT DEVELOPMENT

The company expanded the functions of two supervisory positions in 1961 to improve its administrative efficiency.



L. J. Keely was promoted from Manager to Director of Maintenance and Engineering. He will supervise the system-wide maintenance and engineering activities under the direction of Vice President R. H. Bendio, Sr.

At the same time, Captain G. F. Wallis advanced from Manager to Director of Flight Operations, overseeing the day-to-day operation of the department under the supervision of Vice President A. D. Niemeyer. The responsibilities of directing crews and flight control operations have greatly increased as the company has grown.

The Ground Operations Department enlarged its management training program to include all senior station agents, as well as managers. This three-day course is conducted periodically during the year at North Central's General Office.

The company's District Traffic and Sales Managers and Representatives made 18,126 personal sales calls over the system during 1961 in addition to their public relations and traffic responsibilities.

LOOKING TO THE FUTURE

North Central today is the recognized leader among the nation's local airlines in traffic generation and public service. Its potential, however, has just begun to be realized.

Future system growth will be characterized by the acquisition of routes and cities from other airlines, nonstop authorizations on existing segments, and new route awards. The Civil Aeronautics Board has shown a willingness to consider the transfer of certain short-haul routes from trunk lines to local carriers, such as North Central. As more jets are added, such transfers are inevitable, for these larger, faster aircraft were designed for peak operating performance on long-haul flights.

Recently, the Board has also acted favorably on one merger in the airline industry and several others have been under consideration. North Central management is actively engaged in the investigation of possible mergers. Because of its leading position in the industry, the company would benefit greatly from the successful conclusion of any merger.

North Central's tremendous growth requires a continuous fleet modernization program. Equipment plans call for the acquisition of five to seven



Assisting the U. S. State Department and the Federal Aviation Agency in an international aviation training program, North Central hosted several air executives from other nations in 1961. Here, Jean-Claude Delafosse, second from left, of Air Afrique, Africa, studies the company's operations.

Convair 340/440 aircraft each year and the eventual replacement of all Douglas DC-3's. Management is still evaluating the feasibility of converting its Convairs to turbo-prop aircraft. However, North Central may be the first local airline to move directly from piston-engine equipment to pure jets.

The company is on the threshold of its most dramatic period of growth. Technological improvements and a favorable regulatory climate will greatly assist management in its program of cost control and traffic development designed to assure North Central's continued leadership in the industry. The company, now in the strongest financial position of its 14-year history, will be able to pursue its aggressive expansion plans on an accelerated basis.

With more Convair aircraft, new routes, and increased traffic, North Central looks to record profits in 1962.





AMERICA'S LEADING LOCAL AIRLINE

AGAIN IN 1961

PASSENGERS

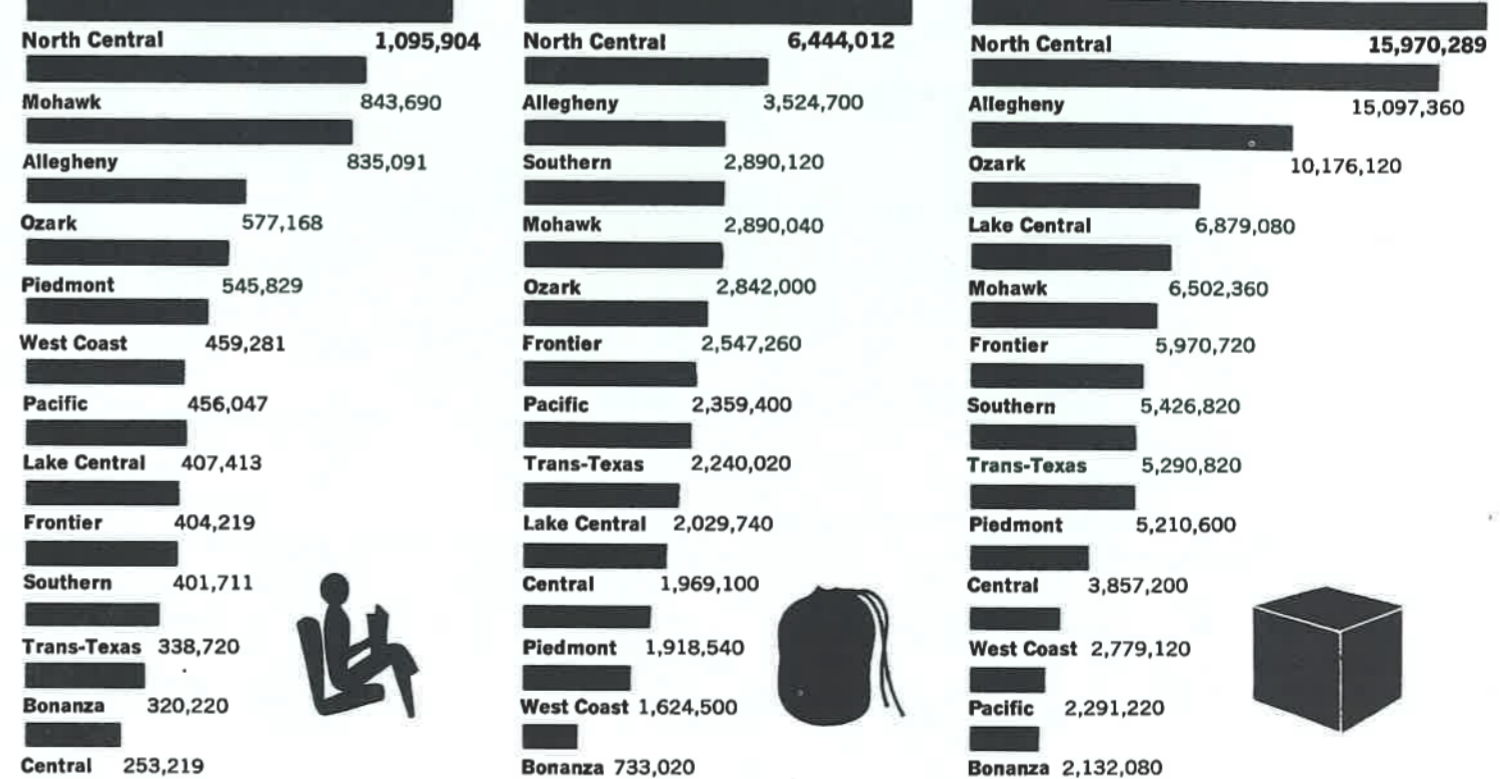
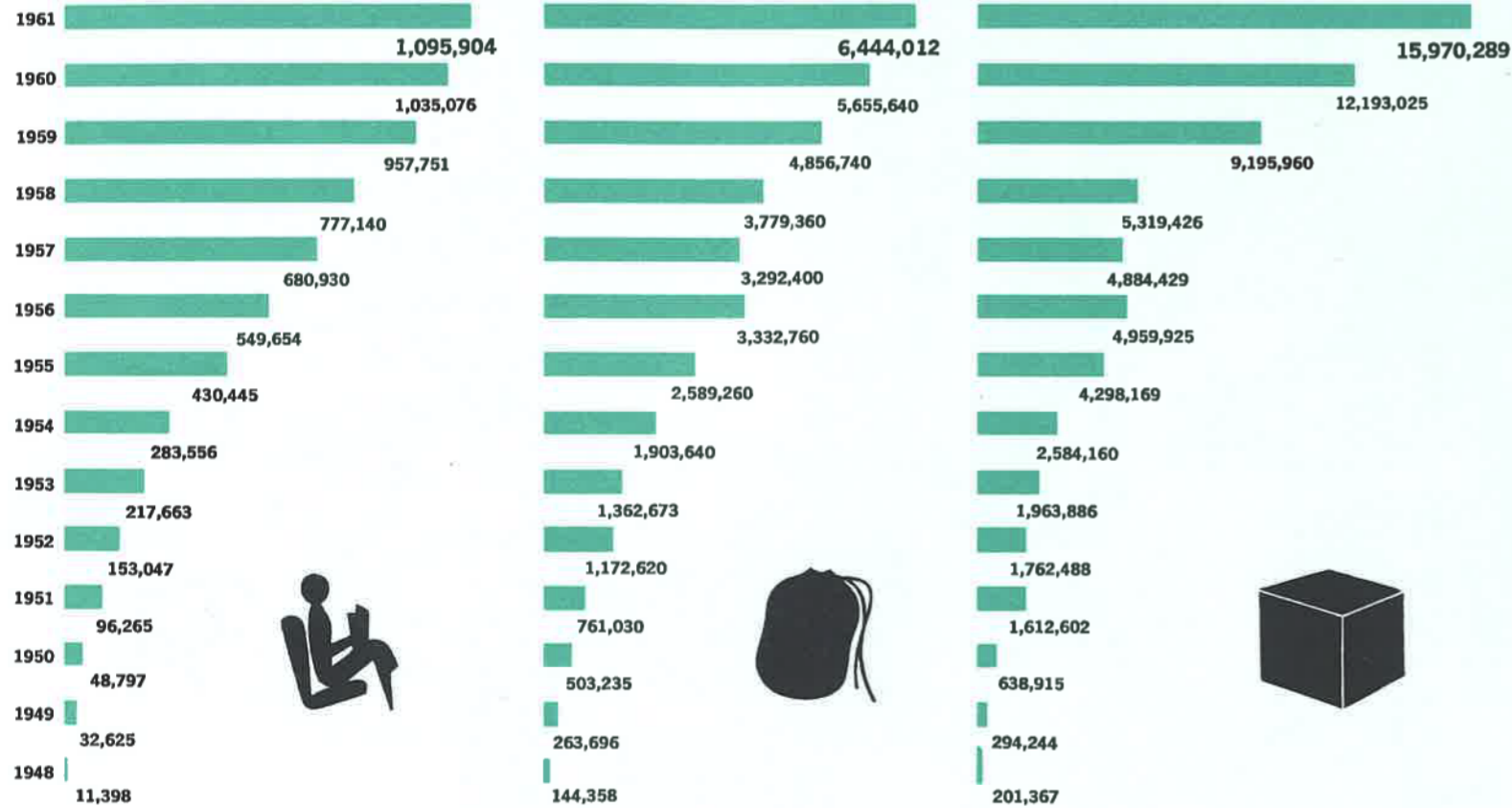
MAIL IN POUNDS

CARGO IN POUNDS

PASSENGERS

MAIL IN POUNDS

CARGO IN POUNDS



CONTINUING RECORD OF GROWTH AND PROGRESS

FIRST IN PASSENGERS, MAIL AND CARGO





NORTH CENTRAL AIRLINES, INC.

BALANCE SHEET December 31, 1961

ASSETS

CURRENT ASSETS

Cash		\$ 793,964
Accounts receivable		
Mail	\$ 1,155,300	
Traffic	1,761,757	
Other	<u>217,567</u>	3,134,624
Maintenance and operating supplies—at average cost, less deterioration reserves of \$80,368		1,000,068
Prepaid expenses and sundry deposits		<u>424,596</u>
Total current assets		<u>5,353,252</u>

OPERATING PROPERTY AND EQUIPMENT—at cost

Flight equipment (Note 1)	8,653,877	
Ground equipment	943,822	
Hangar buildings and improvements to leased property	197,759	
Furniture and fixtures	<u>261,624</u>	
	10,057,082	
Less accumulated depreciation	<u>4,455,742</u>	
	5,601,340	
Deposit on construction in progress—leased facilities	<u>89,035</u>	5,690,375

DEFERRED CHARGES

Route development and aircraft preoperating costs	301,426	
Unamortized discount and expense on debt	45,542	
Other	<u>49,126</u>	<u>396,094</u>

\$11,439,721

LIABILITIES

CURRENT LIABILITIES

Current maturities of long-term debt		\$ 1,104,965
Accounts payable		
Trade	\$ 1,160,125	
Traffic	<u>1,409,934</u>	2,570,059
Unearned transportation revenue		223,972
Taxes withheld or collected as agents		470,688
Income taxes		178,000
Accrued liabilities		
Salaries and wages	598,831	
Payroll and property taxes	75,443	
Other	<u>335,225</u>	1,009,499
Total current liabilities		<u>5,557,183</u>

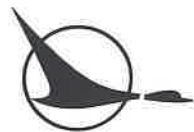
LONG-TERM DEBT

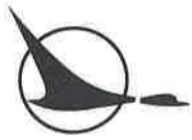
5½ and 6% notes payable to banks (Note 1)	4,298,000	
Other notes payable, collateralized in part by pledge of certain equipment, payable in monthly installments	<u>653,940</u>	
	4,951,940	
Less current maturities	<u>1,104,965</u>	3,846,975

STOCKHOLDERS' EQUITY (Note 2)

Common stock—authorized, 10,000,000 shares of \$.20 par value; issued and outstanding, 8,646,324 shares	1,729,265	
Paid-in capital	<u>17,085</u>	
	1,746,350	
Retained earnings	<u>289,213</u>	2,035,563
		<u>\$11,439,721</u>

The accompanying notes are an integral part of this statement.





NORTH CENTRAL AIRLINES, INC.

STATEMENT OF EARNINGS—Year ended December 31, 1961

TRANSPORTATION REVENUE			
Passenger		\$15,631,735	
U.S. Mail		434,383	
Public Service Revenue (after excluding \$237,042 profit-sharing to government)		8,032,295	
Express		333,814	
Freight		463,562	
Excess baggage		130,976	
Non-scheduled transport service		64,293	
Other		119,401	
		<u>25,210,459</u>	
OPERATING EXPENSES			
Flying operations	\$ 7,027,757		
Flight equipment maintenance	3,508,467		
Other maintenance	1,869,420		
Passenger service	1,220,451		
Aircraft and traffic servicing	7,024,866		
Promotion and sales	1,588,966		
General and administrative	931,761		
Depreciation	1,021,474	24,193,162	
Operating profit		<u>1,017,297</u>	
OTHER DEDUCTIONS			
Interest	240,960		
Extension and development	88,924		
Sundry	28,523	358,407	
Earnings before income taxes		<u>658,890</u>	
INCOME TAXES (after application of prior years' tax credits)			
States	13,000		
Federal	165,000	178,000	
Net earnings		<u>480,890</u>	
SPECIAL ITEM			
Mail pay settlement (Note 3)		(323,140)	
NET EARNINGS AFTER SPECIAL ITEM		<u>\$ 157,750</u>	

STATEMENT OF RETAINED EARNINGS AND PAID-IN CAPITAL—Year ended December 31, 1961

RETAINED EARNINGS		
Retained earnings—December 31, 1960		\$ 131,463
Net earnings for the year		480,890
		<u>612,353</u>
Special charge resulting from settlement of retroactive mail pay (Note 3)		(323,140)
Retained earnings—December 31, 1961		<u>\$ 289,213</u>
PAID-IN CAPITAL		
Paid-in capital—December 31, 1960		\$ 1,317,221
Adjustment for common stock subscribed for in prior year		3,188
		<u>1,314,033</u>
Transfer to common stock the par value of 6,484,743 shares issued in a 4 for 1 stock split and distribution		1,296,948
Paid-in capital—December 31, 1961		<u>\$ 17,085</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS—December 31, 1961

1. The company has a 5½% equipment loan with two banks having an unpaid balance at December 31 of \$1,503,000. This loan is secured by five Convair 340/440 aircraft and related spare parts, and is payable in semi-annual installments of \$167,000 with final payment on January 1, 1966. Among other things, the loan agreement provides that the company maintain current assets at least equal to current liabilities excluding any liability to the noteholders under this or the following note agreement. The Civil Aeronautics Board has guaranteed 90% of the principal and 100% of the interest on the equipment loan only.

During the year, a new loan agreement was made with the same two banks in the amount of \$2,870,000 for the purchase of five additional Convair 340/440 aircraft and related spare parts, and the retirement of \$770,000 which remained on a working capital loan. This 6% note, having an unpaid balance of \$2,795,000, is payable in installments totaling \$500,000 per year with a final payment of \$295,000 in December, 1966. These five Convairs and twenty-four DC-3 aircraft along with related spare parts constitute the security for this loan. Among other things, the loan agreement provides that the company maintain current assets in excess of current liabilities by at least \$250,000 after April 1, 1962, exclusive of amounts due the noteholders.

2. Authorized capital stock of the company was increased on April 5, 1961 from 3,750,000 to 10,000,000 shares of common

stock. On December 1, 1961, a distribution in the nature of a stock split of four shares for every one outstanding was authorized. The effect of this transaction was to increase the number of shares outstanding from 2,161,581 to 8,646,324 and to increase the common stock account from \$429,128 to \$1,729,265 with a comparable reduction in the paid-in capital account.

3. A settlement was reached during the year with the Civil Aeronautics Board on additional mail pay for the period November 23, 1956 through December 31, 1960. The excess of the company claim over the final settlement (\$323,140) is shown as a special charge against earnings in the year 1961. In arriving at this settlement, the C.A.B. required several other adjustments, principally in the amortization of certain route development and aircraft preoperating costs, and their effects are netted in the retroactive mail pay as finally determined.

4. The company has a 40-year lease covering hangar and terminal facilities at the Chicago O'Hare International Airport. The lease at Detroit's Willow Run Airport expires in October, 1962 and is expected to be renewed. The company is currently negotiating a long-term lease with the Minneapolis-St. Paul Metropolitan Airports Commission. Management anticipates the lease cost of facilities at these three locations, including landing fees, will approximate \$550,000 per year.

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 14, 1962

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1961 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, 1961 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

	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952
Operating Revenues										
Passenger	\$15,631,735	\$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
Mail and Public Service Revenue	8,466,678	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
Other	1,112,046	886,554	790,090	657,961	504,017	324,910	194,628	148,622	114,974	71,626
TOTAL	\$25,210,459	\$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
Operating Expenses										
Direct Expenses	\$12,405,644	\$10,815,675	\$ 7,924,030	\$ 5,849,305	\$ 4,840,708	\$3,528,274	\$2,853,134	\$2,419,593	\$2,104,078	\$1,423,223
Indirect Expenses	10,766,044	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
Depreciation	1,021,474	787,177	859,102	583,174	452,993	301,161	470,169	535,557	428,308	205,192
TOTAL	\$24,193,162	\$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
Net Operating Profit (or Loss)	\$ 1,017,297	\$ 432,262	\$ 402,038	\$ 157,850	\$ 81,678	\$ 124,527	\$ 223,495	\$ 172,064	\$ (44,005)	\$ (83,972)
Amortization of Route Development Expense	(88,924)	(100,866)	(198,164)	(6,194)	(6,281)	(8,566)	(26,995)	(5,227)	(10,618)	-0-
Non-operating Income and Expenses, Net	(269,483)	(229,282)	(183,364)	(43,472)	(54,709)	(36,085)	(50,051)	(55,130)	(59,965)	(39,421)
Net Profit (or Loss) Before Taxes	\$ 658,890	\$ 102,114	\$ 20,510	\$ 108,184	\$ 20,688	\$ 79,876	\$ 146,449	\$ 111,707	\$ (114,588)	\$ (123,393)
Income Taxes	178,000	-0-	4,542	-0-	(60,103)	45,700	18,000	-0-	-0-	-0-
Net Profit (or Loss) After Taxes	\$ 480,890	\$ 102,114	\$ 15,968	\$ 108,184	\$ 80,791	\$ 34,176	\$ 128,449	\$ 111,707	\$ (114,588)	\$ (123,393)
Special Item	(323,140)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Profit (or Loss)	\$ 157,750	\$ 102,114	\$ 15,968	\$ 108,184	\$ 80,791	\$ 34,176	\$ 128,449	\$ 111,707	\$ (114,588)	\$ (123,393)



WINGS FOR MID-AMERICA



THE AIRLINE THAT GREW 168,000,000 MILES TALL!

Only thirteen years ago North Central Airlines took off on an operational flight that has carried it to remarkable heights.

Beginning with just three 9-passenger planes — logging about 1,953,000 passenger miles in 1948 — the Route of the Northliners has grown into the leading system in its class. Today it operates more aircraft, flies more miles, carries more passengers and more cargo than any other local service airline.

Proof that North Central is really going places (and more often): last year Northliners and Super Northliners flew over 168 million passenger miles. An increase of 86 times over its first year of operation.

When you want to go places, choose the airline that's going places — North Central. Now flying daily to 91 cities in 10 states and Canada — connecting with national and international airlines for world-wide destinations.



North Central's advertising portrays company's growth, service and spirit

In the fall of 1961 and carrying over into January, 1962, North Central sponsored a series of six "corporate image" advertisements which appeared in newspapers in all route cities. The objective was to build increased public understanding and recognition of the company. Each advertisement featured an interesting and important facet of North Central's character and service — presented the airline in terms other than the usual airline advertisements. The program was highly acclaimed through the North Central region.

1961 ANOTHER YEAR OF PROGRESS



In 1961, we inaugurated service to Regina, Saskatchewan, our third route into Canada . . .



. . . graduated several stewardess training classes and proudly added them to Northliner service . . .



. . . continued an aggressive, informative sales program throughout the system . . .



. . . established the "Crew of the Year" award to honor flight crews for achieving the highest standards in the performance of duty . . .



. . . welcomed many distinguished passengers on the Route of the Northliners, among them Swedish Prime Minister and Mrs. Tage Erlander.





NORTH CENTRAL AIRLINES, INC.

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