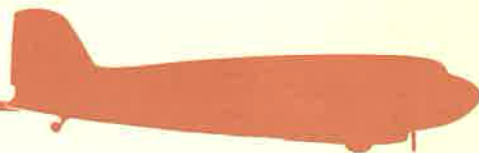


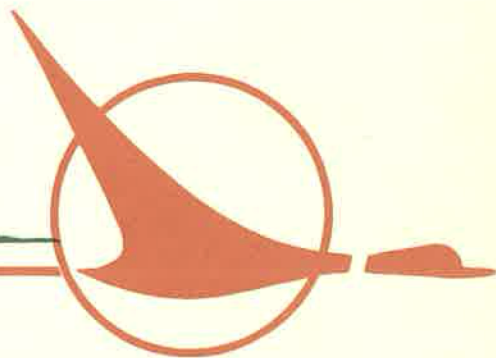
Route of the Northliners



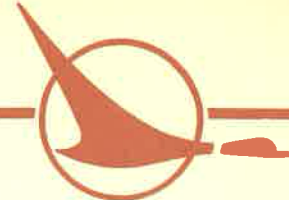
NORTH CENTRAL AIRLINES

formerly Wisconsin Central

Annual Report
1952



5 years of progress



Report to Stockholders

The year 1952 marks the passing of a milestone in the five-year history of your airline. The actual physical development during the year reached a new high, and new records in many phases of our program were attained.

Revenue and Expenses

Revenue from all sources during the year was \$3,220,722, an increase of \$1,127,711, or 54% over the previous year. Passenger revenue increased 71% from \$860,598 to \$1,470,536. Mail, express and other operating revenues increased 42%.

Operating expenses totaled \$3,307,676, resulting in an operating loss for the year of \$86,954. Net non-operating expenses were \$36,439, and the net loss, \$123,393.

This loss was caused principally by adversities in connection with the move of the maintenance base and general offices to Minneapolis. This is best indicated by the fact that operations for the first ten months of 1952 resulted in an operating loss of \$5,274.

Air Mail Compensation

Air mail compensation for the year totaled \$1,681,541, or 52% of total revenue, an increase of \$499,951 over the previous year. The company's air mail pay is based on temporary rates established by the Civil Aeronautics Board in June, 1951, and adjusted upward in March and September, 1952. The temporary rate is designed to enable the company to meet only its break-even need, while a permanent mail rate should enable the company to meet this need plus a reasonable return on investment. Accordingly, your company will endeavor to obtain a permanent mail rate in 1953, as it will enable us to stabilize our financial position and operate profitably.

Relocating the Company

Throughout the year, negotiations were carried on for the location of the headquarters of the company. The need for a change was caused by the requirements of the United States Air Force, owner of the Madison hangar which had previously served as our main base. In planning the move, consideration was given to existing and contemplated facilities at all locations on the system. Unfortunately, the notice to vacate gave us less than desirable time and occurred at an unfavorable season of the year.

In November the maintenance base and general offices were moved from Madison to the Twin Cities of Minneapolis and St. Paul. This new base was selected as it was felt it best provided existing and contemplated facilities for housing, servicing and repairing of aircraft. An agreement with the Minneapolis-St. Paul Metropolitan Airports Commission provides that as soon as possible, adequate hangar and maintenance facilities will be made available. Our move, however, created a temporary problem of housing. It was necessary to separate the maintenance functions and perform daily inspection and repairs in a public hangar; and to establish aircraft overhaul, stocks and stores at a second location. This factor, together with a loss of experienced personnel who did not desire to move to the new location,

caused a disruption in our maintenance program with resultant delay and cancellation of flights.

On January 1, 1953, a lease was concluded with Northwest Airlines for the use of a service hangar at Wold-Chamberlain Field. Since that time, steady improvement has been experienced in our maintenance service and scheduled performance. Plans are now moving forward for the erection of permanent facilities.

Management Changes

During the year 1952, several important management changes occurred. In May, Donald A. Duff was employed as Executive Vice President and General Manager. Most unfortunately, Mr. Duff was taken seriously ill and his untimely death occurred late in the year. In October, Francis M. Higgins resigned as President, and Arthur E. A. Mueller was elected to this position. On January 1, 1953, Mr. Mueller relinquished his office as President in favor of Howard A. Morey, who was also made General Manager. Mr. Morey has been active in aviation for over thirty years and has acquired extensive practical operating experience. He has been closely associated with the company, having served as a director and a member of the Executive Committee of the Board of Directors since the start of scheduled operations.

New Services

During the year the Airline's certificated unduplicated route mileage increased from 1,589 to 2,573, an increase of 62%, with service to fourteen new cities. This extended the operating pattern as far east as Detroit and as far northwest as Grand Forks. Service to these communities, with the exception of Detroit, Lansing, and Grand Rapids, Michigan; and International Falls, Minnesota, was begun during the year.

First of the new routes to be operated was the non-stop segment between the Twin Cities and Duluth-Superior, which your management regards as a very valuable extension. Four flights daily were started over this segment February 10, and early in the summer a third round trip was added. A route between Minneapolis-St. Paul and Chicago via Winona, Minnesota; LaCrosse, Wisconsin; and Madison was put in operation on April 27 with two round trips daily to each of the intermediate cities. Service to Fargo and Grand Forks, North Dakota, via five intermediate cities was inaugurated June 22, with one trip a day scheduled in each direction. The second round trip was added September 1.

In addition to the new mileage, increased daily schedules were offered to the Wisconsin cities of Green Bay, Milwaukee, and Madison. As a result of service to new cities and heavier scheduling, daily aircraft miles reached a new record of 10,654 a day compared to 5,502 the previous year. In 1952 a total of 2,859,158 scheduled miles were flown.

Traffic Gains

A certain continuity of operation over a period of time with continued advertising and sales effort is required to develop a new route. Load factors on the new extensions, therefore, were somewhat lower than those on the established routes. Despite the 94% increase in operating mileage, the overall



NORTH CENTRAL AIRLINES INC.

formerly Wisconsin Central

General Offices: 3300 University Avenue Southeast
Minneapolis, Minnesota

DIRECTORS

H. N. CARR	FRANCIS M. HIGGINS	DONALD B. OLEN
GARNET F. DE COURSIN*	HOWARD A. MOREY*	R. B. STEWART*
HAROLD H. EMCH	ARTHUR E. A. MUELLER*	A. L. WHEELER

*Executive Committee

OFFICERS AND OFFICIALS

ARTHUR E. A. MUELLER	Chairman of the Board
HOWARD A. MOREY	President
FRANK N. BUTTOMER	Vice President—Traffic & Sales
GROVE WEBSTER	Vice President
ARTHUR E. SCHWANDT	Secretary-Treasurer
BERNARD SWEET	Asst. Treasurer
ROBERT J. CERONSKY	Operations Manager
R. H. BENDIO, SR.	Director of Maintenance and Engineering

REGISTRAR AND STOCK TRANSFER AGENT

MARSHALL & ILSLEY BANK
MILWAUKEE, WISCONSIN



system load factor showed a slight increase from 42.12% to 42.58%. This indicates that passenger traffic on the original route structure increased substantially to compensate for the deficiency of the new segments.

Passengers carried in 1952 increased 59% from 96,265 in the previous year to 153,047. Revenue passenger miles, industry measure of growth, increased 65% to a new high of 25,236,332. This means the Airline not only carried more passengers, but carried them farther.

Impressive gains were recorded in transportation of mail and express. Mail ton-miles rose from 60,292 in 1951, to 94,696 in 1952, an increase of 57%. Express increased 29% to 138,341 ton-miles as compared to 107,408 in 1951.

In the year 1950 your company ranked twelfth in relation to all local service airlines in passengers carried; in 1951, eighth; and in 1952 advanced to fifth position. All carriers had marked increases during these years, but your airline gained at a considerably faster rate.

Route Extensions

In addition to the Lake Central acquisition described later in this report, the Airline has two route extension applications pending before the Civil Aeronautics Board. One proposes service between the Twin Cities and Sioux City, and the Twin Cities and Des Moines via a number of cities in Minnesota and Iowa. The second would extend your company's operations from Chicago to Sioux City via five important cities in Illinois and Iowa. This route is presently served by another airline with a temporary certificate. Decisions on these two applications are expected within the year.

Other Important Developments

During the year, Management negotiated two important contracts which will have far-reaching beneficial effects on the Airline. In a special meeting held in September, the stockholders ratified a contract with Purdue Research Foundation whereby the company borrowed \$190,000 from the Foundation and contracted for the purchase of nine aircraft at a total cost of \$810,000. The \$190,000 was received in October and used to liquidate certain indebtedness and provide working capital. Three of the aircraft have been delivered, and the remaining six are scheduled for delivery by July 1, 1953. The aircraft fleet will then consist of nineteen DC-3's, two of which are leased from Trans World Airlines. Further information relative to the Purdue contract will be found in Note Three in the statement, "Notes to Financial Statements."

In October the stockholders approved a contract for the purchase of 96% of the outstanding stock of Lake Central Airlines, a local service carrier whose route pattern is shown on the system map. The purchase price will be the net book value of the Airline after settlement of a pending mail rate case with the government, plus the sum of \$10,000. Such price will be largely determined by the mail rate settlement obtained from the government, the net book value of the airline as of the date of the contract being inconsequential. This is subject to Civil Aeronautics Board decision which is anticipated within twelve to eighteen months. Favorable decision would materially extend your company's operations.

Last year your directors recommended a change in corporate name to better identify the company's rapidly expanding route pattern which now extends into five states. The new name "North Central Airlines, Inc." was approved by the stockholders and became effective in December, 1952.

Financing

Toward the end of the year, arrangements were completed with Brew Emch Jenkins Co. of Milwaukee, to underwrite 91,851 shares of common stock as set forth in the Purdue Research Foundation agreement. Early in February, 1953, this issue of stock was offered to the investing public and met with a favorable response; the stock was sold within a few days after the offering. Your management feels that this was reassuring, considering the fact that the offering was made in the winter months when airline securities generally are not in favor with the investing public because of seasonal factors.

Personnel

One of your company's greatest assets not reflected in the balance sheet is its loyal and conscientious personnel. Now entering our sixth year, many of our employees have been with the Airline since it started. At the beginning of 1952, the company had 289 employees, and at the present time this number has increased to 525. Cordial relations were maintained throughout the year with all the employee groups, and management congratulates our personnel for their contribution to the year's achievement.

Looking at 1953

We have every reason to believe that previous traffic records will be broken in the coming year. Service between the Upper Peninsula of Michigan and Detroit will be inaugurated on April 4. Seasonal service to International Falls is planned to start in June. Additional plans include one round trip daily between Chicago and Duluth, and another flight between Chicago and the Twin Cities via LaCrosse and Winona.

Management faces the coming year with confidence and enthusiasm. Our policy will be vigorous and aggressive. We will strive to maintain a high standard of operation, further improve our position in the industry, and render the finest local airline service possible to the public.

Accomplishments reflected during the year are the result of cooperation of resourceful employees, and an understanding public whose patronage makes our continued growth possible. The Board of Directors joins management in expressing its appreciation for their support.

Respectfully yours,

Arthur E. A. Mueller

ARTHUR E. A. MUELLER
Chairman of the Board

Howard A. Morey

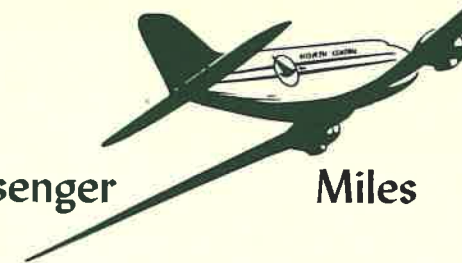
HOWARD A. MOREY
President

March 15, 1953.

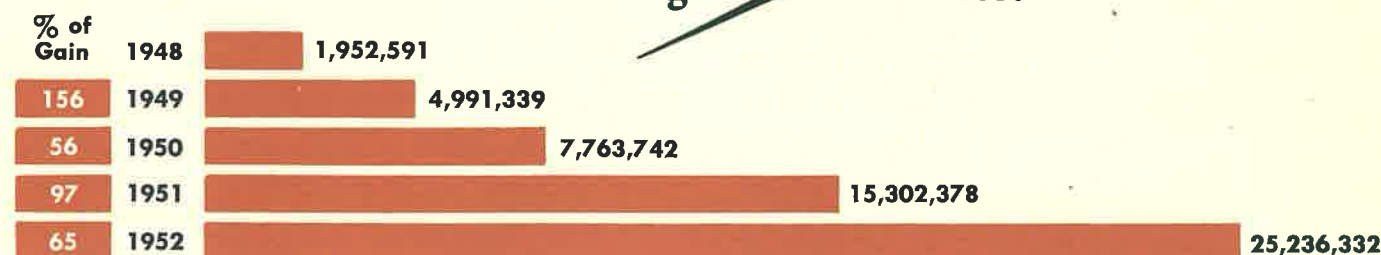
5 years of progress

1948*

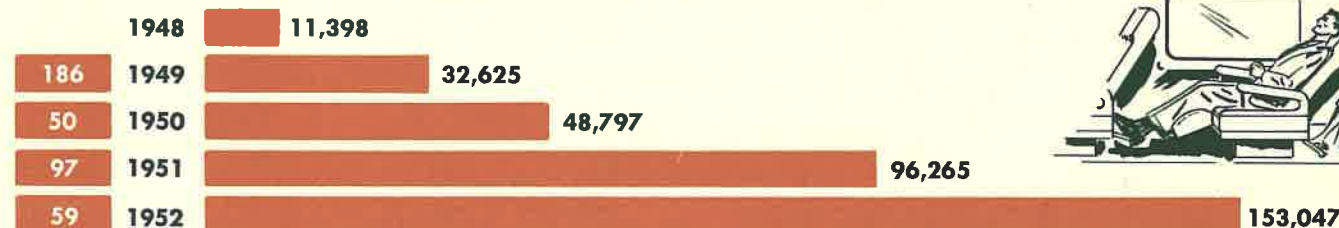
1952



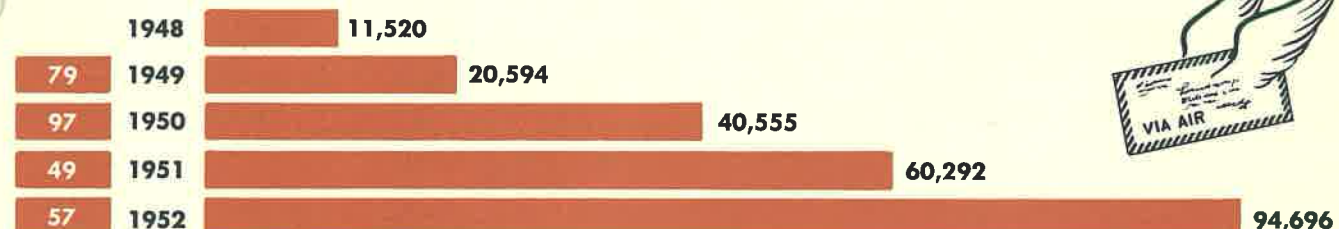
Revenue Passenger Miles



Number of Revenue Passengers



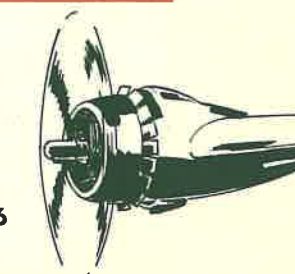
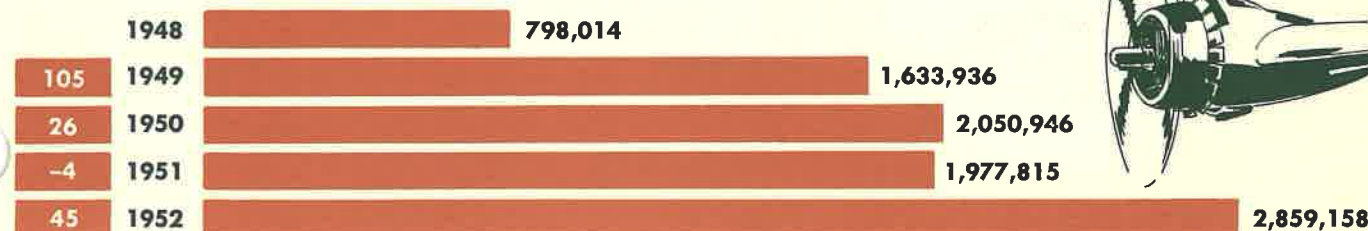
Ton-Miles of Mail



Ton-Miles of Express



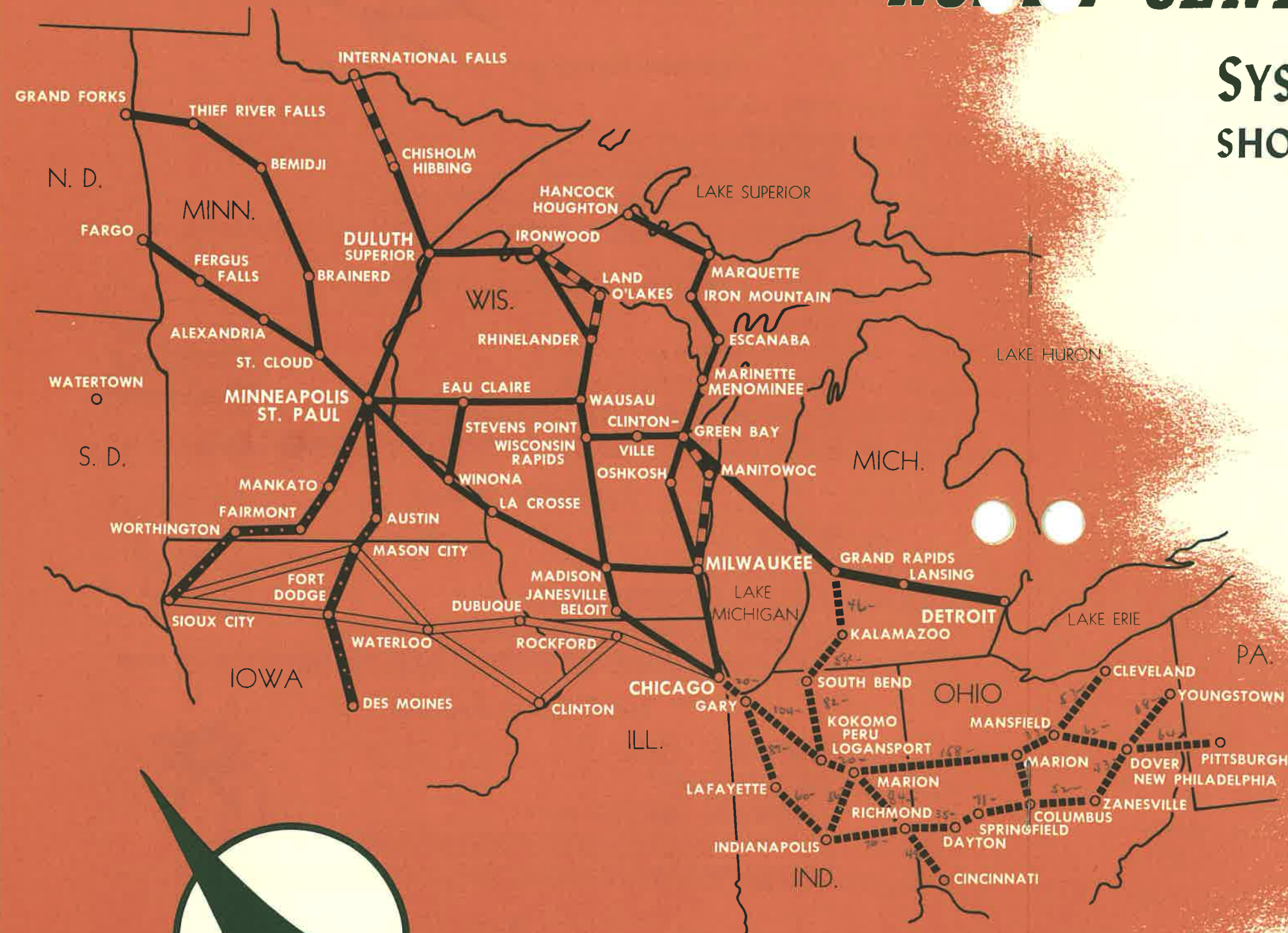
Scheduled Miles Flown



*Operations commenced February 24, 1948

NORTH CENTRAL AIRLINES INC.

SYSTEM MAP SHOWING PROPOSED EXTENSIONS



March, 1953

Certificated routes. All routes thus shown are now served, except the Green Bay-Detroit segment. Service between these cities, with intermediate stops at Grand Rapids and Lansing, will be inaugurated April 4.

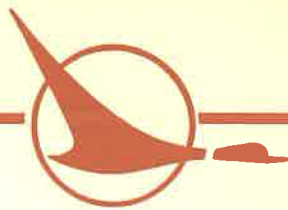
Certificated routes not activated due to inadequate airports or operated on a seasonal basis (June 1-Sept. 30).

Routes proposed on Docket No. 4052. This application underwent public hearing in Nov., 1952, and decision by the Civil Aeronautics Board is pending.

Routes proposed on Docket No. 5888. This application awaits public hearing and CAB decision.

Lake Central Airlines, Inc. The purchase of this airline by North Central awaits approval by the CAB.

49
76
46
54
82
124
87
60
98
676
100-720
Blue-C
Kalamazoo



Balance Sheet

ASSETS

CURRENT ASSETS			
Cash.....	\$	62,908.62	
Accounts receivable			
United States Government.....	\$	210,688.56	
Traffic.....		181,218.25	
Other.....		62,603.13	454,509.94
Inventories—at cost			
Parts and supplies.....		63,474.11	
Gasoline and oil.....		6,035.41	69,509.52
Prepaid expenses and sundry deposits.....		40,185.47	\$ 627,113.55
INVESTMENTS—AT COST			
Aeronautical Radio, Inc.....		1,000.00	
Airlines Clearing House, Inc.....		101.00	1,101.00
OPERATING PROPERTY AND EQUIPMENT			
Flight equipment (equipment costing approximately \$648,000.00 pledged as security for notes payable).....		1,137,987.61	
Ground equipment.....		219,574.35	
Hangar and office building.....		62,427.23	
Furniture and fixtures.....		45,962.67	
Total—at cost.....		1,465,951.86	
Less depreciation to date.....		388,325.47	1,077,626.39
DEFERRED CHARGES			
Certificate renewal expense.....		8,533.67	
Route development expense.....		6,311.39	
Other.....		55,708.92	70,553.98
			<u>\$1,776,394.92</u>

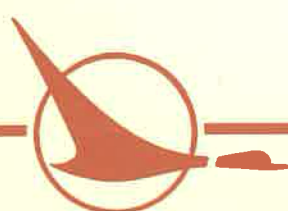
December 31, 1952

LIABILITIES

CURRENT LIABILITIES			
Notes payable (secured by pledge of flight equipment)			
8% installment notes, including interest.....	\$	156,799.84	
Current maturities of long term 5% installment notes.....	51,750.00	\$	208,549.84
Accounts payable.....		655,621.60	
Unearned transportation revenue.....		24,754.95	
Income taxes withheld from employees.....		47,922.72	
Accrued liabilities			
Salaries and wages.....	101,917.75		
Taxes (other than income taxes).....	12,242.34		
Other.....	38,245.02	152,405.11	\$1,089,254.22
NONCURRENT LIABILITIES			
5% notes payable, secured by pledge of flight equipment, due in monthly installments including interest starting on October 1, 1953.....		280,000.00	
Less current maturities.....		51,750.00	228,250.00
CAPITAL			
Common stock			
Authorized, 750,000 shares of \$1.00 par value; issued 208,149 shares.....		208,149.00	
Paid-in in excess of par value of stock issued, less organization and capital stock expense written off.....	479,681.82	687,830.82	
Earned surplus (deficit).....		228,940.12	458,890.70
			<u>\$1,776,394.92</u>

The accompanying notes to financial statements are an integral part of this balance sheet.

NORTH CENTRAL AIRLINES INC.



Statement of Income

Year Ended December 31, 1952

TRANSPORTATION REVENUE		
Mail.....	\$1,681,541.47	
Passenger.....	1,470,536.00	
Express.....	55,861.17	
Excess baggage and other.....	12,783.22	\$3,220,721.86
OPERATING EXPENSES		
Flying operations.....	910,778.83	
Flight equipment maintenance.....	483,291.68	
Ground operations.....	631,215.95	
Ground and indirect maintenance.....	288,406.96	
Passenger service.....	137,651.63	
Traffic and sales.....	313,469.88	
Advertising and publicity.....	60,030.18	
General and administrative.....	277,638.21	
Provision for depreciation and obsolescence.....	205,192.44	3,307,675.76
Operating loss.....		86,953.90
OTHER INCOME		
Incidental revenue and cash discounts earned.....		2,981.67
		83,972.23
OTHER DEDUCTIONS		
Interest.....	25,732.48	
Amortization of debt expense.....	1,177.34	
Amortization of extension and development expense.....	6,325.77	
Sundry.....	6,185.00	39,420.59
NET LOSS.....		\$ 123,392.82

The accompanying notes to financial statements are an integral part of this statement of income.

Statement of Capital Accounts

Year Ended December 31, 1952

	Capital stock common \$1.00 par value	Paid-in in excess of par value of stock issued	Total
COMMON STOCK			
Common stock—January 1, 1952.....	\$208,149.00	\$492,632.36	\$700,781.36
Capital stock expense written off.....	-0-	12,950.54	12,950.54
COMMON STOCK—DECEMBER 31, 1952.....	\$208,149.00	\$479,681.82	\$687,830.82
EARNED SURPLUS (DEFICIT)			
Earned surplus (deficit)—January 1, 1952.....			\$105,547.30
Net loss for the year ended December 31, 1952.....			123,392.82
EARNED SURPLUS (DEFICIT)—DECEMBER 31, 1952.....			\$228,940.12

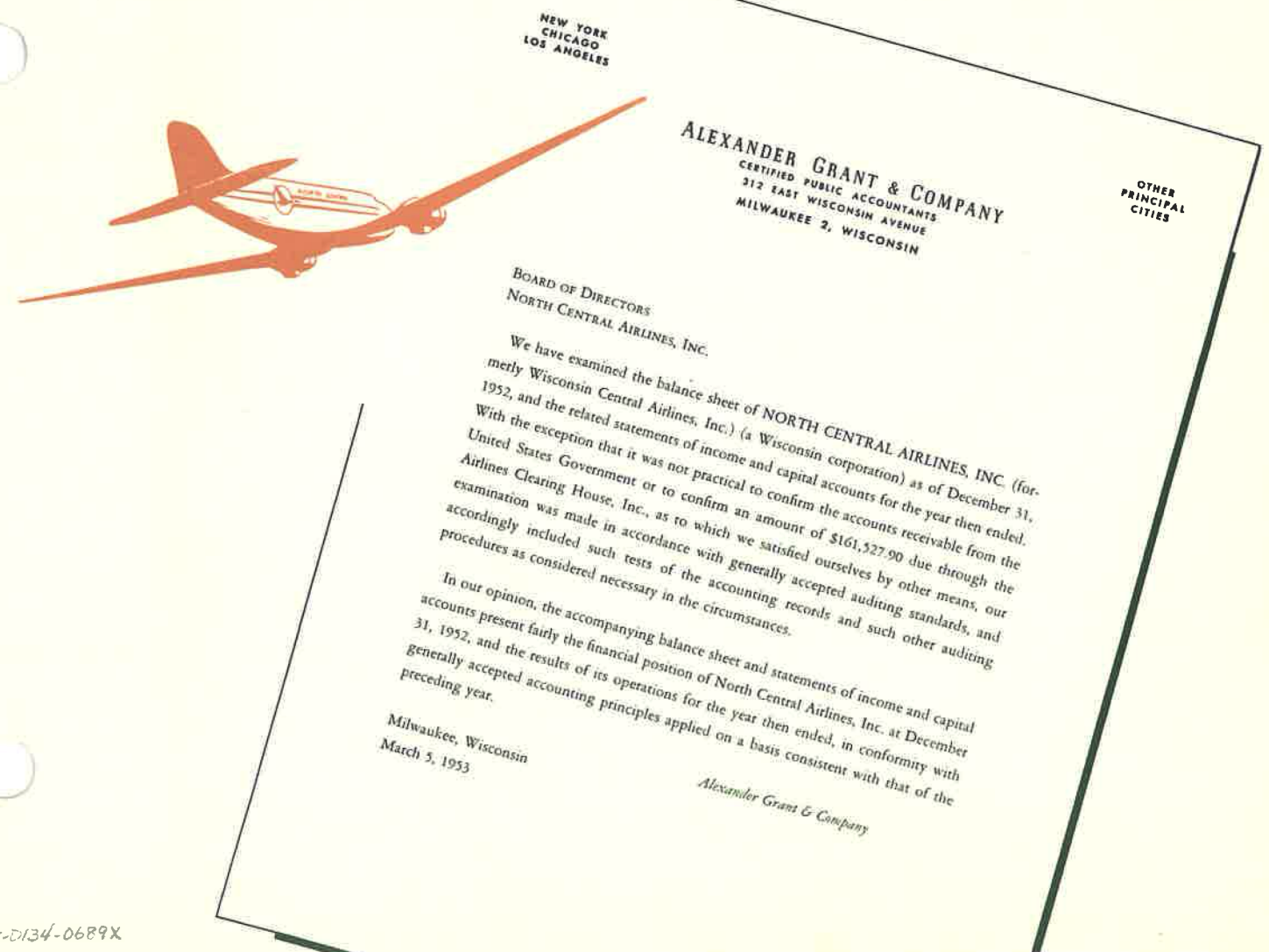
The accompanying notes to financial statements are an integral part of this statement of capital accounts.

NOTES TO FINANCIAL STATEMENTS (December 31, 1952)

- The company is operating under a temporary certificate of public convenience and necessity granted by the Civil Aeronautics Board for a period of five years terminating on September 30, 1955.
- Mail revenue for the period since June 14, 1951 has been based on amended temporary rates established by the Civil Aeronautics Board.
- The company has an agreement with the PURDUE RESEARCH FOUNDATION to purchase nine DC-3 aircraft at a total price of \$810,000.00. The Foundation is financing the purchase of the aircraft, and, in addition, has loaned the company the amount of \$190,000.00 which was used to liquidate the indebtedness of \$100,000.00 to Equitable Reserve Association and to provide working capital. The indebtedness to the Foundation will total \$1,000,000.00, will bear interest at 5% per annum, and the principal will be payable in varying monthly installments, such payments to start not later than October 1, 1953. The amount of monthly principal payments shall be an amount not less than the allowable monthly depreciation of aircraft in scheduled service, plus the monthly net income realized from charter or lease of aircraft not in scheduled service. The agreement also provides that no dividends will be declared or paid except out of earnings accruing after January 1, 1954. At December 31, 1952 the company had taken delivery of one aircraft, with one additional aircraft being delivered in January, 1953.
- The company has an agreement with FRONTIER AIRMOTIVE, INC., NATIONWIDE AIRLINES, INC., JOHN V. WEESNER and W. W. WEESNER, to purchase 80,054 shares, or approximately 96% of the capital stock of LAKE CENTRAL AIRLINES, INC. The purchase price of the stock will be equivalent to the net book value of Lake Central Airlines, Inc. plus \$10,000.00 as of the date of settlement of all United States Government mail rate claims and the book value will include the award to be received from such settlement. Approval of this agreement has not yet been granted by the Civil Aeronautics Board.
- Commitments for purchase of flight equipment parts and supplies aggregated approximately \$144,000.00 at December 31, 1952.
- During the month of October, 1952, the company moved its maintenance base and general offices from Madison, Wisconsin to Minneapolis, Minnesota. At December 31, 1952 the company has expended the amount of \$30,567.00 for such move and expenditures subsequent to that date are expected to be nominal. These expenses are being amortized over the period ending on December 31, 1954.
- In February, 1953, the company sold an additional 91,851 shares of common stock. The proceeds to the company for such sale were approximately \$258,000.00.

Comparative Operating Statistics

	1952	1951	1950	1949	1948
Operating Revenues					
Passenger.....	\$1,470,536.00	\$ 860,598.47	\$ 427,278.43	\$ 271,575.86	\$113,648.51
Mail.....	1,681,541.47	1,181,596.40	1,355,145.00	1,036,243.00	580,968.00
Express.....	55,861.17	45,172.61	18,636.56	8,363.95	5,962.67
Excess Baggage.....	12,783.22	5,643.14	2,418.65	1,519.04	1,012.27
TOTAL.....	\$3,220,721.86	\$2,093,010.62	\$1,803,478.64	\$1,317,701.85	\$701,591.45
Operating Expenses					
Flying Operations.....	\$ 910,778.83	\$ 591,244.85	\$ 459,643.25	\$ 350,180.45	\$190,630.20
Flight Equipment Maintenance.....	483,291.68	275,469.03	267,105.13	229,945.55	127,966.18
Ground Operations.....	631,215.95	417,329.17	418,593.97	321,057.28	201,761.50
Ground & Indirect Maintenance.....	288,406.96	153,247.64	133,142.06	110,236.03	50,414.32
Passenger Service.....	137,651.63	80,588.72	14,160.56	6,791.19	3,294.22
Traffic and Sales.....	313,469.88	182,929.45	38,138.56	26,964.07	16,749.99
Advertising and Publicity.....	60,030.18	65,295.07	30,069.09	20,302.56	15,682.92
General and Administrative.....	277,638.21	198,235.10	161,234.03	138,423.88	94,069.39
Depreciation and Obsolescence.....	205,192.44	143,722.21	120,329.42	99,598.50	54,645.15
TOTAL.....	\$3,307,675.76	\$2,108,061.24	\$1,642,416.07	\$1,303,499.51	\$755,213.87
Net Operating Income (or Loss).....	(86,953.90)	(15,050.62)	161,062.57	14,202.34	(53,622.42)
Amortization of Route Development Expense.....	-0-	-0-	(65,014.65)	(86,291.77)	(73,525.07)
Other Income or Expenses, Net.....	(36,438.92)	21,317.61	(3,935.17)	(3,793.61)	(896.51)
Net Profit or (Loss).....	\$ (123,392.82)	\$ 6,266.99	\$ 92,112.75	\$ (75,883.04)	\$ (128,044.00)



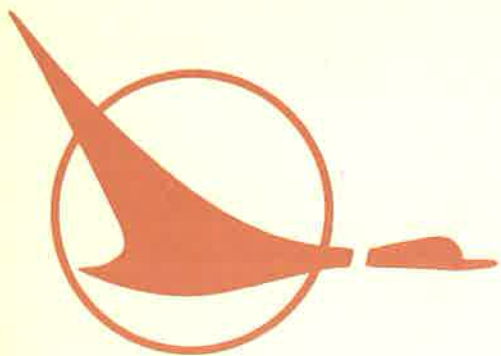
BOARD OF DIRECTORS
NORTH CENTRAL AIRLINES, INC.

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. (formerly Wisconsin Central Airlines, Inc.) (a Wisconsin corporation) as of December 31, 1952, and the related statements of income and capital accounts for the year then ended. With the exception that it was not practical to confirm the accounts receivable from the United States Government or to confirm an amount of \$161,527.90 due through the Airlines Clearing House, Inc., as to which we satisfied ourselves by other means, 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 considered necessary in the circumstances.

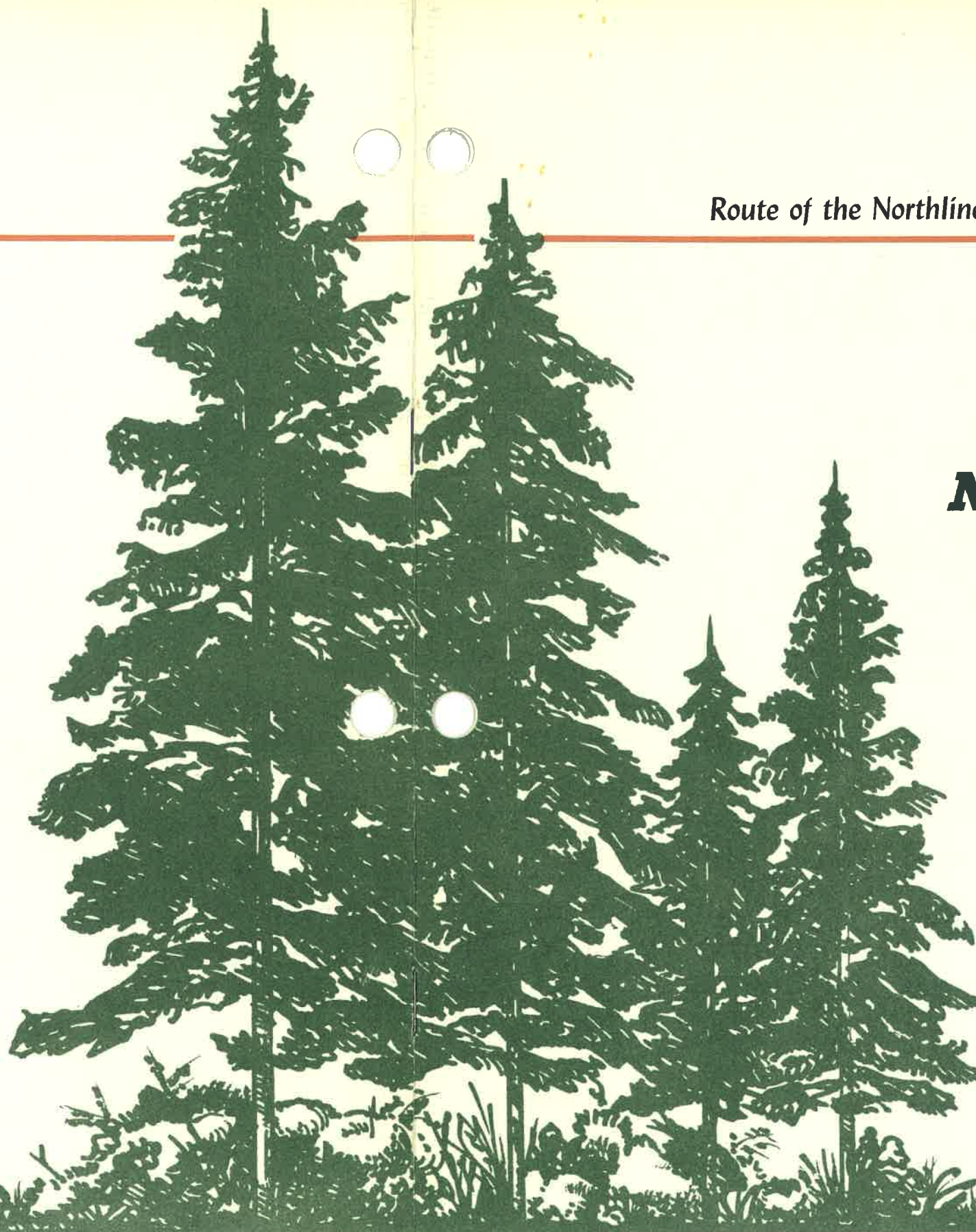
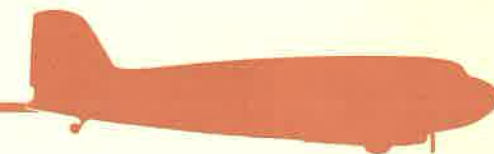
In our opinion, the accompanying balance sheet and statements of income and capital accounts present fairly the financial position of North Central Airlines, Inc. at December 31, 1952, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Milwaukee, Wisconsin
March 5, 1953

Alexander Grant & Company



Route of the Northliners



***NORTH CENTRAL
AIRLINES***

formerly Wisconsin Central

*Annual Report
1952*

5 years of progress

