



**NORTH
CENTRAL
AIRLINES**

1956
annual
report

NORTH CENTRAL AIRLINES, INC.

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

DIRECTORS

H. N. CARR*	GARNET F. DeCOURSIN*	A. L. WHEELER
WERNER L. CHRISTENSEN	ROBERT F. GROVER	K. B. WILLETT
	ARTHUR E. A. MUELLER*	

**Executive Committee*

OFFICERS

ARTHUR E. A. MUELLER	<i>Chairman of the Board</i>
H. N. CARR	<i>President and General Manager</i>
FRANK N. BUTTOMER	<i>Vice-President, Traffic and Sales</i>
R. H. BENDIO, SR.	<i>Vice-President, Maintenance and Engineering</i>
ALVIN D. NIEMEYER	<i>Vice-President, Operations</i>
ARTHUR E. SCHWANDT	<i>Vice-President, Industrial Relations</i>
BERNARD SWEET	<i>Secretary-Treasurer</i>

REGISTRAR AND STOCK TRANSFER AGENT

NORTHWESTERN NATIONAL BANK OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

NORTH CENTRAL AIRLINES, INC.
6201-34th AVENUE SOUTH
Wold-Chamberlain Field
MINNEAPOLIS 50, MINNESOTA

March 22, 1957

To Our Stockholders,
Employees and Friends:

Your company has established new passenger, air express and air mail records for the nation's 13 local airlines in 1956. North Central also widened its margin of industry leadership during the year by setting new records in plane-miles, passenger-miles and commercial revenues.

To achieve this, important improvements were made in route patterns; flight schedules were intensified; and service to the traveling public was increased 22% in 1956. With plane-mile costs reduced substantially, a new high in operational efficiency was attained.

The year 1956 was one of the most intensive periods of route development in the history of the company. North Central has on file with the Civil Aeronautics Board applications which, if approved, would expand the present system fivefold. This great investment in route development is certain to result in a larger, stronger company in the years ahead.

Management takes this opportunity to express its sincere appreciation to the 1,000 employees throughout the system for their contribution to the progress of the company during the year, to the traveling public for its loyal patronage, and to the stockholders and other friends of North Central Airlines for their enthusiastic support.

As we enter our tenth year of public service, we are proud to have established one of the most amazing records of development in commercial aviation, and look forward to a future of unprecedented growth.

Arthur E. A. Mueller
ARTHUR E. A. MUELLER
Chairman of the Board

Sincerely,

H. N. Carr
H. N. CARR
President

NORTH CENTRAL AIRLINES in 1956 again established new records in passenger, air express and air mail traffic and commercial revenues for the nation's local airline industry.

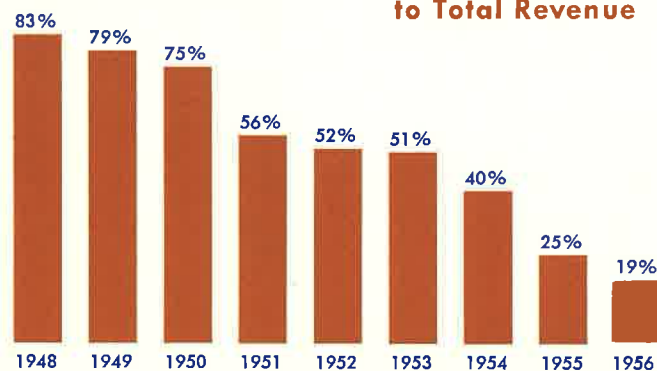
Commercial revenues totaled a record \$6,446,781 in 1956, an increase of 26% over 1955. Operating costs were reduced from 102.8¢ per plane-mile in 1955 to 99.6¢ in 1956, one of the lowest in the industry.

Despite this sharp increase in revenues and substantial reduction in costs, North Central realized a net profit after taxes of \$34,176 compared to \$128,449 in 1955. Operating profit in 1956 was \$109,182 after depreciation charges amounting to \$301,161. Income taxes were \$45,700 compared to \$18,000 in 1955. Taxes were minimized in 1955 because of losses incurred in previous years.

The 1956 net profit also reflects a \$171,133 reduction in Federal air mail subsidy, despite a 22% increase in flight service to the traveling public. This profit, based on a permanent mail rate through November 22, 1956, and a temporary rate after that date, is subject to upward adjustment when a new permanent rate is established by the Civil Aeronautics Board. The former permanent rate, set in 1954, did not adequately anticipate the company's rapid expansion or provide for income tax requirements. When the final rate is determined, it will be retroactive to November 23, 1956.

In hearings before the Civil Aeronautics Board, the local airline industry has petitioned for a review of the Board's mail-rate policy. The industry is seeking adequate compensation for its steadily expanding service and a more realistic return on investment.

Declining Per Cent of Air Mail Revenue to Total Revenue



In June, North Central announced its intention to redeem its 10-year, 6% convertible debentures on July 31, 1956—eight years in advance of the due date. All debentures were converted into common stock of the company by the redemption date.

AGGRESSIVE ROUTE DEVELOPMENT

North Central Airlines is executing one of the most aggressive route development programs in the local service industry. In terms of route miles, North Central would become the nation's largest scheduled carrier if the Civil Aeronautics Board approves the majority of the new routes for which the company has applied. The present system of 51 cities in nine states would be expanded to 145 cities in 17 states and one Canadian province. It would reach east to Buffalo, New York, south to Kansas City, Missouri, west to Denver, Colorado, and north to Port Arthur-Fort William, Ontario.

The company's applications pending before the Board propose the addition of some 12,000 miles and 94 cities to the present 3,240-mile system. This would make North Central five times larger, as shown on the accompanying map. In addition, North Central has on file with the Board long-range plans for 1,072 miles of helicopter routes serving 53 points in the metropolitan areas of the system.

A major portion of the company's effort, as well as substantial expenditures, has been directed toward the successful conclusion of these applications and the building of a larger, stronger airline. In addition to filing for several new routes in 1956, North Central participated in six major route cases before the Civil Aeronautics Board during the year. The results of this tremendous investment in route development will be realized within the next two years, with a Board decision affecting North Central occurring on an average of every 90 days.

The most recent award in this intensive expansion program occurred in January of this year when the Board selected North Central to extend service from Grand Forks, North Dakota, to Omaha, Nebraska, via Fargo, North Dakota; Watertown, Brookings, Sioux Falls and Yankton, South Dakota; Sioux City, Iowa; and Norfolk, Nebraska. This 579-mile segment increased the system 22% to 3,240 route miles and 51 cities in nine states, making the airline precisely three times larger than it was at the start of service nine years ago. The new route will be inaugurated on June 1.

Meanwhile, Civil Aeronautics Board action on several other route cases is imminent. Following is the status of North Central's applications in those cases:

Lake Central Acquisition

The U. S. Circuit Court of Appeals in Chicago on March 5, 1957, upheld North Central's contract for the purchase of 96% of the stock of Lake Central Airlines. This reverses a District Court judgment declaring that the contract had been breached. The judgment was sought by a minority employee group of Lake Central Airlines who had entered into a secondary agreement to purchase the stock, subject to the prior rights of North Central. The Civil Aeronautics Board Examiner last fall recommended the purchase, and the acquisition now awaits approval by the Board, which had deferred decision pending outcome of the appeal.

The merger would extend North Central's system east to Buffalo, New York, and add 1,986 route miles and 28 cities to the Northliner system.

Seven States Area Investigation

A Bureau Counsel of the Civil Aeronautics Board recommended in February, 1957, that North Central Airlines extend service to a number of cities in the vast Seven States Area. The investigation is being conducted by the Board to determine the need for improved and additional airline service in the states south and west of North Central's present system.

North Central's applications in this case propose over 6,000 route miles reaching as far west as Denver and south to Kansas City, with service to 47 additional cities. This is a complicated case involving a number of airline applicants, and the Examiner's recommendation is not expected until the end of this year, followed by a final decision sometime in 1958.

Great Lakes Area Investigation

Public hearings in the Great Lakes Area Investigation will be conducted next month. Like the Seven States case, the Great Lakes Investigation will determine the need for improved air service in the region embracing the five Great Lakes. Here North Central proposes a network of routes which would (1) link 15 Michigan cities with their major metropolitan markets of Detroit, Michigan; Chicago, Illinois; and Milwaukee, Wisconsin; (2) provide local service between Chi-

cago and Cleveland, Ohio, and (3) improve nonstop service between Detroit and Cleveland; Detroit and Toledo, Ohio; Detroit and Lima, Ohio; and between Toledo and Columbus, Ohio. These routes involve some 1,500 additional miles.

Duluth Air Service Case

The Examiner's recommendation is expected momentarily on an application to provide nonstop service between the Twin Ports (Duluth, Minnesota-Superior, Wisconsin) and Chicago, Milwaukee, Madison and Green Bay. Also being considered with this application is a route between the Twin Ports and Sault Ste. Marie, Michigan, via Ironwood, Hancock-Houghton and Marquette, Michigan.

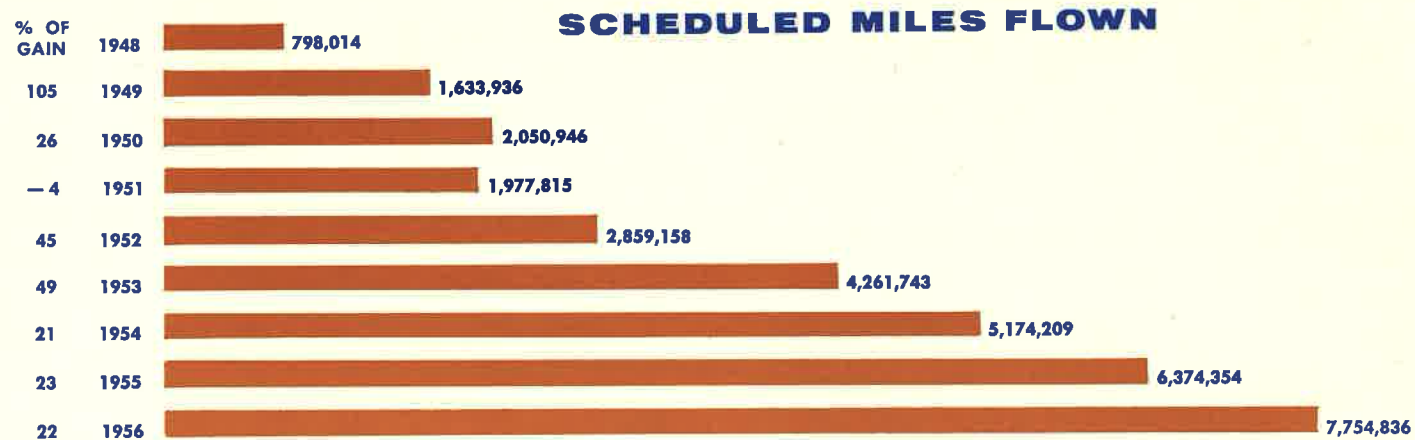
The Bureau Counsel in the case recommended in December that North Central be awarded the nonstop authority, that service be extended to Sault Ste. Marie and that Northwest Airlines' authority to serve the Twin Ports be permanently suspended.

This case marks the first time a metropolitan area has strongly urged the permanent suspension of a trunkline in favor of a local service carrier. At the public hearing in Duluth last August, a host of civic witnesses testified unanimously in favor of nonstop authority for North Central and permanent suspension of Northwest at the Twin Ports (Northwest was temporarily suspended there in 1952 when North Central inaugurated service between the Twin Ports and the Twin Cities).

North Central is now required to make a minimum of four stops on all flights between Duluth-Superior and Chicago. Nonstop authority would improve the Twin Ports' airline service considerably, increase use of North Central's service, and materially strengthen route structure. The nonstop flights would be operated in addition to the present service. A final decision by the Board is expected this summer.

Chicago-Milwaukee-Twin Cities Case

Early last year the company filed application for authority to operate nonstop flights between the Twin Cities (Minneapolis-St. Paul, Minnesota) and Chicago, Twin Cities and Madison, Twin Cities and Milwaukee and between Madison and Chicago. This nonstop authority is held exclusively by Northwest Airlines. Four trunklines have also applied to operate between Chicago and the Twin Cities. All applications have been consolidated into a single proceeding, and public hearings will be held in May.



Port Arthur-Fort William

Steps are being taken to re-open the bi-lateral treaty between the United States and Canada which is required for action on an application to extend service to Port Arthur-Fort William, Ontario, from Duluth-Superior and from Hancock-Houghton.

Chicago-Detroit Route

The U. S. Court of Appeals in Washington, D. C., in November upheld the Civil Aeronautics Board decision in which the Board in February, 1955, awarded North Central Airlines the local service route between Chicago and Detroit. The Board's decision was challenged by an unsuccessful applicant for the route. This route is now a part of North Central's permanent system.

SERVICE INCREASED 22%

North Central Airlines offered more service to the traveling public in 1956 than in any previous year. The DC-3 Northliner fleet flew 7,754,836 miles, an increase of 22% over 1955. Since no new routes were inaugurated in 1956, this increase reflects the strides made during the year in the development of the present system, by improvements in route patterns and intensification of flight schedules.

Service to Chicago's second airport, new O'Hare Field, was inaugurated on April 29, 1956. The number of daily flights between the two Chicago airports and Milwaukee now stands at 51, one of the world's most frequent flight schedules.

Another round-trip flight between Chicago and the Twin Cities was inaugurated during the year, along with additional service between the Twin Cities and Duluth-Superior, between Chicago and Detroit and

between Chicago-Milwaukee and a number of intermediate Wisconsin cities. New early morning service to the metropolitan cities was instituted by overnighting aircraft at selected intermediate points for morning flight origination, and new limited-stop flights have substantially improved service over a number of important routes.

In terms of flight operations, North Central Airlines attained "trunkline" proportions in 1956. The airline currently operates nearly 100 daily flights—about 650 take-offs and landings for an average of one operation every 90 seconds.

Major improvements in facilities and procedures during the year have resulted in increased operational reliability and better passenger service. Airport expansion and additional radio navigational aids have enabled North Central to provide better service at several smaller cities during marginal weather conditions. More than half the cities on the system have begun major airport improvement programs which will be completed in 1957 and 1958. These include lengthening runways and constructing new runways, laying additional taxiways, installing instrument landing systems, building modern passenger terminals, and purchasing additional acreage to protect approaches for future expansion.

To expedite operations and reservations communications, new automatic "selective" teletype circuits were installed system-wide, and a private line telephone between the Twin Cities and Chicago via key cities was placed in operation. To better handle the rapidly growing passenger reservations traffic, the Chicago Reservations and System Space Control offices were transferred to more suitable quarters where equipment and procedures are designed for greater efficiency and speed.

The Confirmed Ticket Pick-up policy (proof of ticket purchase before confirming a passenger's reservation) is helping to reduce the "no-show" and late-cancellation problem. This procedure was put into effect by the entire scheduled airline industry in September.

North Central has plans to increase flights to the Wisconsin cities now threatened with loss of service by the Chicago and Northwestern railroad. The railroad has petitioned to discontinue 21 trains, including several between Chicago and Madison, Chicago and the Twin Cities, Chicago and Milwaukee, Madison and Milwaukee, and Milwaukee and Green Bay—all routes currently served by North Central.

TRAFFIC LEADERSHIP

North Central again established new traffic records for the nation's 13 local airlines in 1956 and further strengthened its position of industry leadership.

A total of 549,654 revenue passengers flew the Route of the Northliners in 1956, representing an increase of 28% over the 1955 total of 430,445 passengers and a lead of 36% over the second-place local carrier. North Central's passenger business would have been even greater if the weather conditions had not been unusually severe during the four winter months of the year. In addition to scheduled service, North Central carried 2,121 passengers on 113 charter trips, 10 of which involved more than one aircraft.

Air express shipments rose to 4,959,925 pounds, a gain of 15% over 1955 and 66% more than the second local airline.

Air mail volume reached a record 2,174,801 pounds, an 18% increase. This exceeds the second-place carrier by 29%. In addition to air mail, North Central advanced 581,062 pounds of regular mail which is ordinarily carried via surface transportation. This type of mail is carried on selected flights over the interpeninsular Michigan route and between the Twin Cities and Duluth-Superior, and over all routes during the Christmas postal rush.

While the amount of scheduled service (plane-miles) increased 22% in 1956, revenue passenger-miles increased 24% to 83,052,834. Load factor (percentage of seats occupied) rose from 50 to 52%.

In July more persons boarded North Central flights at Milwaukee than those of any other airline, marking the first time a local carrier has surpassed the trunklines at a major terminal. A new single-day system passenger record was set on October 13 when 2,315 passengers enplaned.

Monthly system traffic records were 56,467 revenue passengers in August and 39,422 ton-miles of air express and 20,665 ton-miles of air mail in October.

EQUIPMENT PLANS

The company today operates 24 aircraft, all Douglas DC-3's, four more than a year ago at this time. Three of the additional aircraft, operated on long-term lease, were obtained last summer to meet the constantly growing passenger traffic demands. The other was purchased this year in preparation for route expansion.

Average daily aircraft utilization rose sharply from six hours and 46 minutes in 1955 to a record seven hours and 40 minutes in 1956, reflecting near maximum equipment efficiency and the high frequency of service North Central is providing its cities.

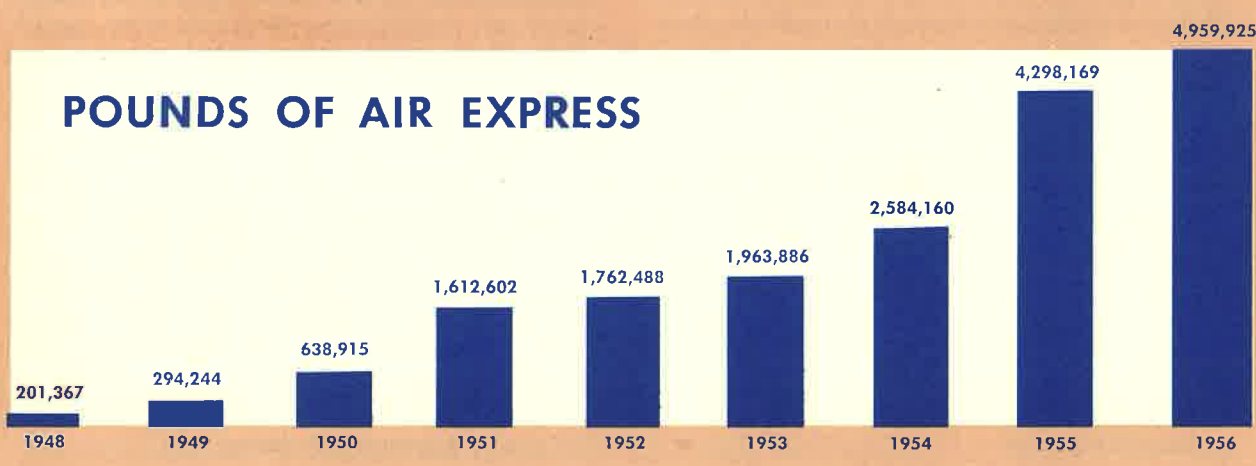
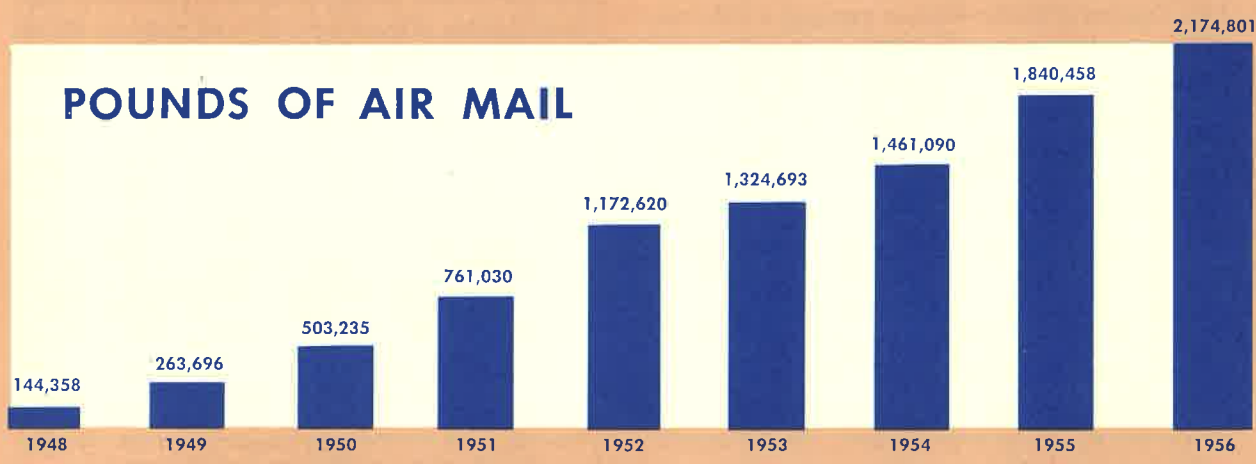
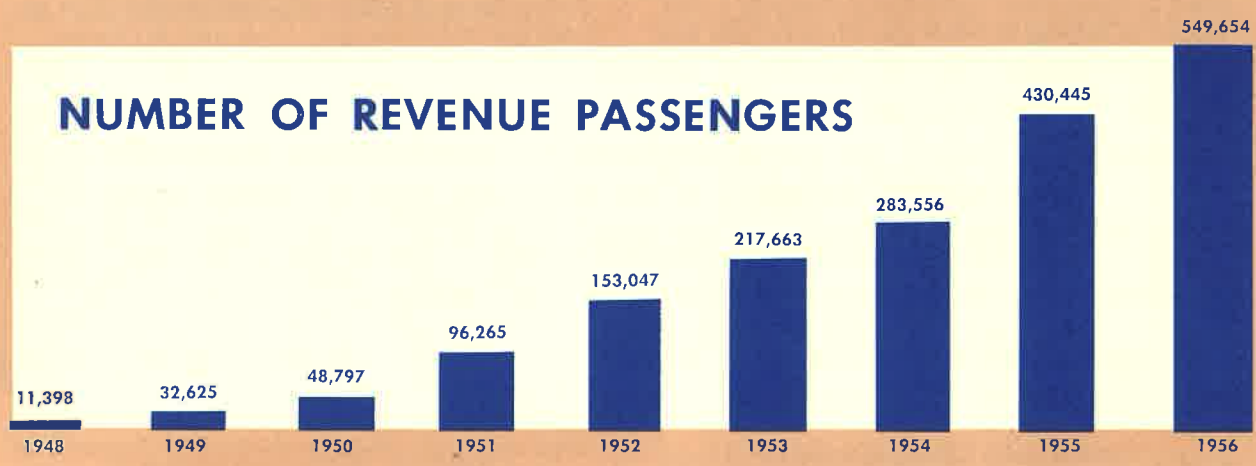
For over a year, management has conducted an intensive equipment-replacement study. Decision on the purchase of new aircraft is dependent primarily upon developments in the company's route program. Should the Civil Aeronautics Board award the nonstop routes for which North Central has applied, the company would negotiate immediately for purchase of several new aircraft, not only to operate the nonstop routes but also to augment service on present routes. Additional DC-3's would be purchased from time to time in accordance with traffic growth. The DC-3's and new aircraft would serve as an "interim" fleet until a suitable replacement is available.

FORECAST

As a result of the company's aggressive route development program, North Central Airlines will experience unprecedented growth in 1957 and 1958. In addition to system expansion, the company anticipates dramatic improvements in present route certification, for example, the nonstop rights for which it has applied. These developments will enable the company to improve and expand service, operate more efficiently and at the same time, increase commercial revenues considerably.

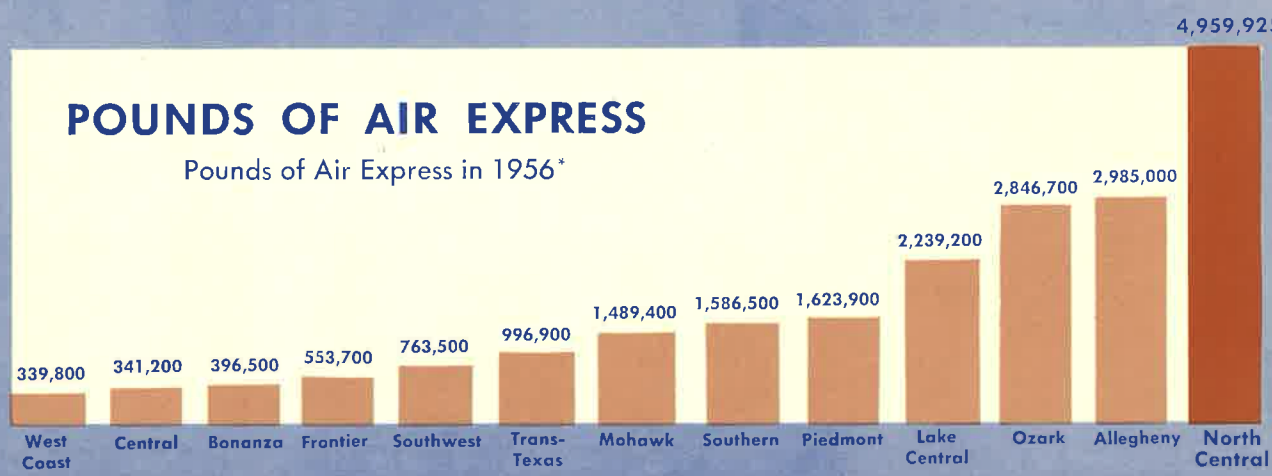
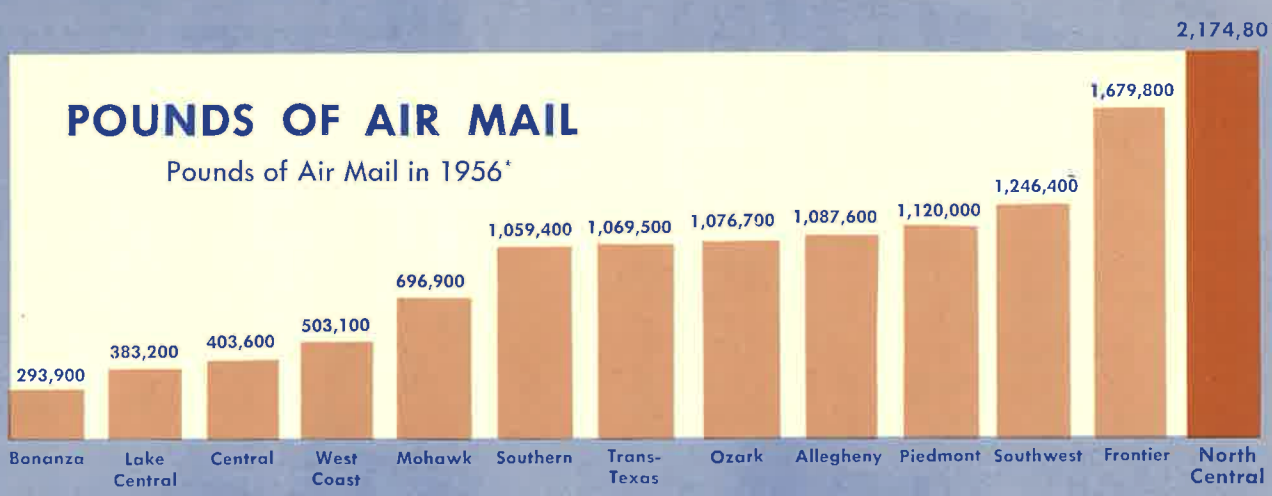
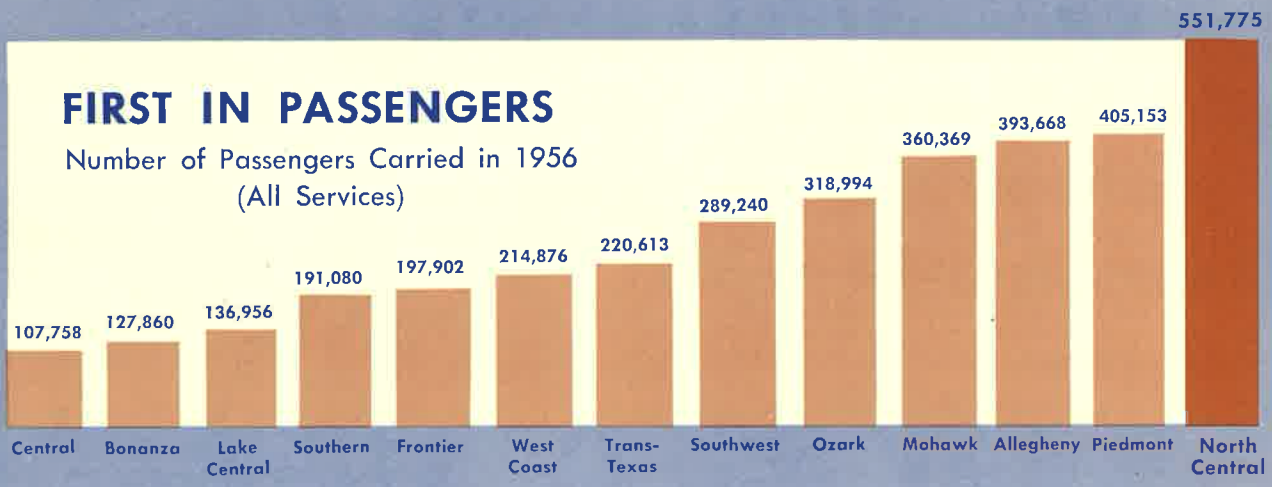
North Central will establish new industry records in commercial revenues again in 1957. The company's two-millionth passenger will be carried in May, and passenger traffic over the system as now constituted is expected to approach the 700,000 mark for 1957. With this high volume of traffic, continued efficiency of operations and important route improvements, the company will be in a position to strengthen its financial condition substantially during 1957.

NINE YEARS OF PROGRESS



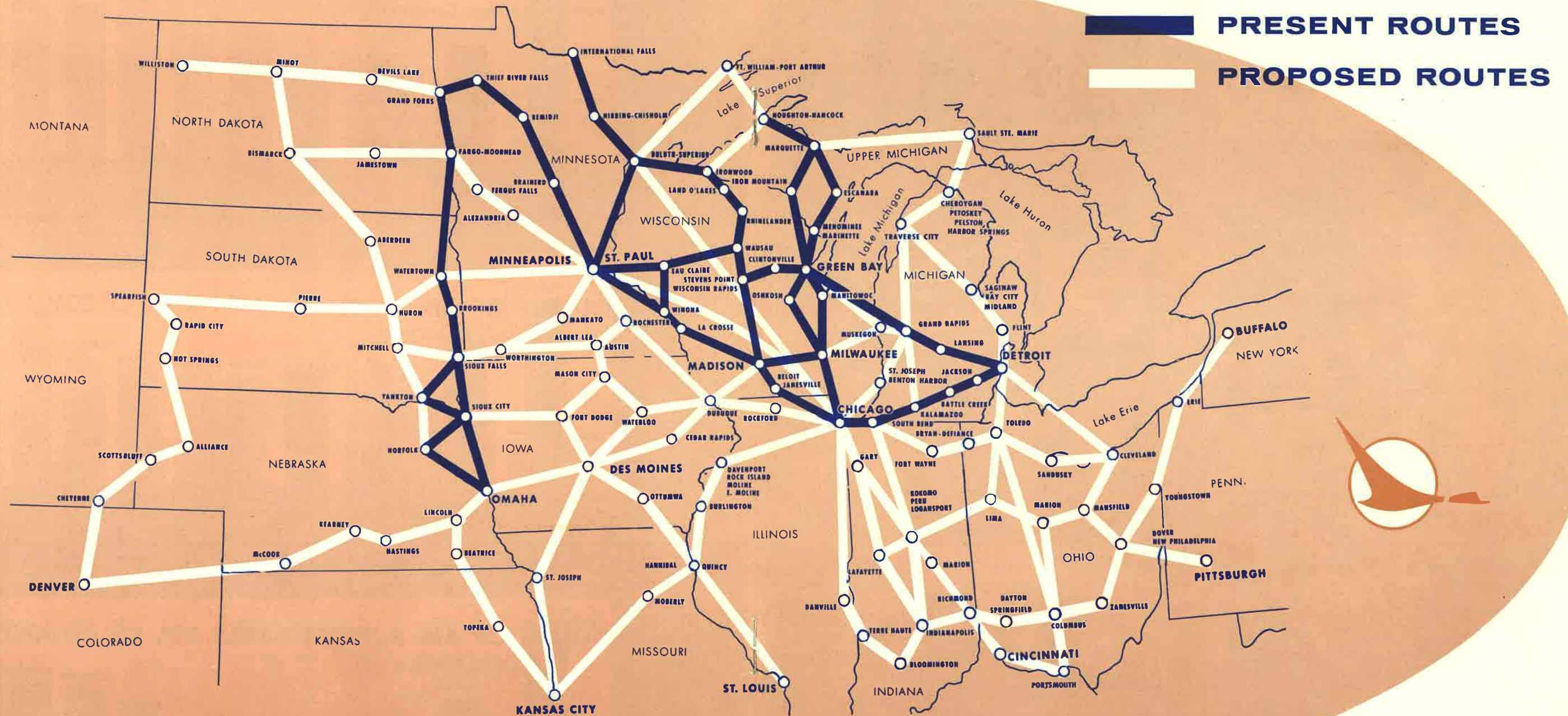
Operations commenced February 24, 1948.

AMERICA'S LEADING LOCAL AIRLINE



*Totals for airlines other than North Central are based upon actual figures for the first nine months of 1956 and estimates for the last quarter of the year. North Central's are actual figures for the entire year.

NORTH CENTRAL AIRLINES



1956

ANOTHER YEAR OF PROGRESS



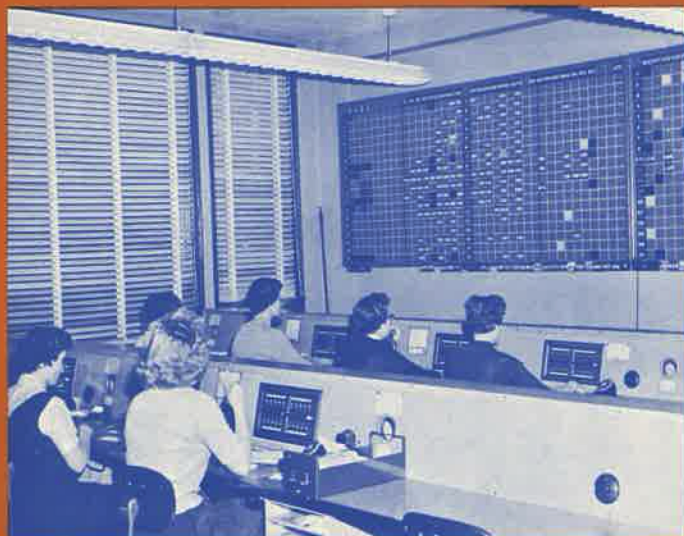
One of the world's most intensive schedules



7,754,836 miles in 1956 — 10 million miles this year



Symbolizing North Central's nine years



Streamlined reservations system



Twenty-two flights daily serving Duluth-Superior



First among local airlines in passengers, mail and express



Another stewardess class graduates



General offices at Wold-Chamberlain Field, Minneapolis-St. Paul



Seventy flight operations daily at Chicago Midway Airport





NORTH CENTRAL AIRLINES, INC.

BALANCE SHEET

DECEMBER 31, 1956

ASSETS

CURRENT ASSETS

Cash	\$ 196,932	
Accounts receivable		
United States Government.....	\$318,937	
Traffic	690,376	
Other	102,074	1,111,387
Inventories — at the lower of cost (determined by the first-in, first-out method) or market		
Parts and supplies.....	188,938	
Gasoline and oil	15,729	204,667
Prepaid expenses and sundry deposits.....	127,761	\$1,640,747

INVESTMENTS — AT COST

Capital stock of Aeronautical Radio, Inc. and Airlines Clearing House, Inc.	1,101	
Revenue bonds of City of Minneapolis, Metropolitan Sports Area.....	1,000	2,101

OPERATING PROPERTY AND EQUIPMENT

Flight equipment (equipment costing approximately \$2,760,000 pledged as security for note payable)	3,185,074	
Ground equipment	445,426	
Hangar building and improvements to leased property.....	129,724	
Furniture and fixtures.....	103,457	
Total — at cost	3,863,681	
Less depreciation to date.....	2,130,159	1,733,522

DEFERRED CHARGES

Route development expense.....	153,768	
Other	26,230	179,998
		<u>\$3,556,368</u>

LIABILITIES

CURRENT LIABILITIES

Notes payable		
Payments due within twelve months		
4¾% note payable.....	\$225,000	
Other notes payable.....	11,060	\$ 236,060
Accounts payable		
Trade	512,955	
Traffic	725,116	1,238,071
Taxes on income for the year ended December 31, 1956.....		27,100
Unearned transportation revenue.....		63,136
Income taxes withheld from employees.....		49,331
Accrued liabilities		
Salaries and wages.....	230,916	
Taxes (other than income taxes).....	19,010	
Other	221,370	471,296
		\$2,084,994

NONCURRENT LIABILITIES

4¾% note payable, secured by pledge of flight equipment, due in monthly installments to March 10, 1959.....	500,000	
Less payments due within twelve months.....	225,000	275,000
Other notes payable secured by pledge of certain equipment, due in monthly installments.....	26,321	
Less payments due within twelve months.....	11,060	15,261
Deferred income taxes.....		18,600
		308,861

CAPITAL

Common stock — authorized, 750,000 shares of \$1 par value; issued and outstanding, 396,614 shares.....	396,614	
Paid-in in excess of par value of stock issued.....	812,080	1,208,694
Earned surplus (deficit) *		46,181*
		<u>1,162,513</u>
		<u>\$3,556,368</u>

*denotes red figure.

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

STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1956		
TRANSPORTATION REVENUE		
Passenger	\$6,137,216	
Mail	1,522,211	
Express	149,640	
Excess baggage	40,506	
Non-scheduled transport service	119,419	\$7,968,992
OPERATING EXPENSES		
Flying operations	2,521,949	
Flight equipment maintenance	960,021	
Ground operations	1,346,628	
Ground and indirect maintenance	277,790	
Passenger service	436,808	
Traffic and sales	1,262,569	
Advertising and publicity	216,648	
General and administrative	536,236	
Provision for depreciation and obsolescence	301,161	7,859,810
Operating profit		109,182
OTHER INCOME		
Incidental revenue and cash discounts earned		15,345
		124,527
OTHER DEDUCTIONS		
Interest	30,522	
Extension and development expenses	8,566	
Sundry	5,563	44,651
Earnings (before taxes on income)		79,876
TAXES ON INCOME		
Federal normal tax and surtax	43,650	
State income taxes	2,050	45,700
NET EARNINGS		\$ 34,176

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

STATEMENT OF EARNED SURPLUS (DEFICIT)*

YEAR ENDED DECEMBER 31, 1956		
Earned surplus (deficit)*—January 1, 1956	\$ 80,357*	
Net earnings for the year ended December 31, 1956	34,176	
EARNED SURPLUS (DEFICIT)*—DECEMBER 31, 1956	\$ 46,181*	

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

NOTES TO FINANCIAL STATEMENTS—December 31, 1956

1. Mail revenues through November 22, 1956, were based on permanent rates established by the Civil Aeronautics Board with revenues subsequent to that date based on temporary rates which were approved retroactively by the Board in March, 1957. Accordingly, there is included in income the amount of \$34,400 representing estimated additional air mail revenue allocable to 1956 as a result of the new rates being in effect from November 23. Income taxes of \$18,600 were provided for this additional revenue and included as a deduction in determining net earnings. However, since these taxes are not payable until 1958, they have been shown as a non-current liability on the balance sheet.
2. Effective January 1, 1956, the company revised depreciation rates on aircraft, engines and radio equipment to reflect extended estimates of useful lives from three years to four years. As a result depreciation expense for 1956 was approximately \$88,600 less than it would have been, if the rates in effect during prior years had been continued. The revisions will have the effect of increasing depreciation provisions after 1956. This change is in conformity with industry practice as other airlines have, from time to time, changed their depreciation rates to more accurately reflect the anticipated future life of equipment.
3. As collateral security for the loan from Northwestern National Bank the company has pledged twenty DC-3 aircraft. Pursuant to the loan agreement, the company should maintain current assets that are at least equal to current liabilities. However, for the purposes of this computation, liabilities will not include any indebtedness to the bank under the loan agreement.
4. During 1956 the company proposed to redeem its 6% debentures. However, all of the holders of such securities exercised their right to convert to one share of capital stock of the company for each \$3 principal amount of debenture. Accordingly, 65,054 shares of capital stock were issued with an increase of \$65,054 in the capital stock account and \$117,616 in the paid-in-surplus account after reductions in the latter account of \$502 representing cash payments in lieu of fractional shares and the write-off of prepaid debenture expense of \$12,128.
5. The company's stock option plan provides that 60,000 shares of common stock be made available for purchases by employees with options to be granted from time to time by the Board of Directors. During 1956, six officers exercised options previously granted and purchased 15,000 shares of capital stock. This resulted in an increase of \$15,000 in the capital stock account and \$27,188 in the paid-in surplus account.
6. The Internal Revenue Service has examined the company's Federal income tax returns for the years 1953-1955. The only issue is the estimated useful lives for computing the depreciation provisions for aircraft and engines. The company considered three years as the useful life of such assets while the Service contends that the useful life should be five years. A deficiency of \$204,260 has been proposed which is being contested by the company and settlement is anticipated at a lesser amount. It is important to note that any deficiency paid will be recovered in future years through lowered income taxes as a result of larger depreciation deductions than originally anticipated.
7. The company has an agreement to purchase 80,054 shares or approximately 96% of the capital stock of Lake Central Airlines, Inc., for approximately \$80,000. The sellers claimed breach of contract on the part of the company and sold the stock to third parties. These third parties sued the company to have the original contract set aside, but, in a decision rendered by the Seventh Circuit Court of Appeals, the contract was determined to be binding and the company's position upheld.
An examiner for the Civil Aeronautics Board has recommended that the company be allowed to acquire the Lake Central capital stock. However, a decision in this matter has not yet been rendered by the Board.
8. In February, 1957, the company purchased one DC-3 aircraft for \$87,500. This purchase was financed by a bank loan of \$125,000 to cover acquisition, standardization and modification costs.

COMPARATIVE OPERATING STATISTICS

	1956	1955	1954	1953	1952	1951	1950	1949	1948
Operating Revenues									
Passenger	\$6,137,216	\$4,933,487	\$3,351,782	\$2,303,738	\$1,470,536	\$ 860,599	\$ 427,278	\$ 271,576	\$ 113,648
Mail	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
Express	149,640	126,476	75,630	68,117	55,861	45,173	18,637	8,364	5,963
Excess Baggage	40,506	30,477	20,975	15,739	12,783	5,643	2,419	1,519	1,012
Non-scheduled Transport Service	119,419	28,711	46,734	25,436	-0-	-0-	-0-	-0-	-0-
TOTAL	\$7,968,992	\$6,809,041	\$5,824,042	\$4,881,715	\$3,220,722	\$2,093,011	\$1,803,479	\$1,317,702	\$ 701,591
Operating Expenses									
Flying Operations	\$2,521,949	\$1,959,481	\$1,654,155	\$1,378,220	\$ 910,779	\$ 591,245	\$ 459,643	\$ 350,180	\$ 190,630
Flight Equipment Maintenance	960,021	845,753	724,209	690,589	483,292	275,469	267,105	229,946	127,966
Ground Operations	1,346,628	1,102,295	941,297	854,545	631,216	417,329	418,594	321,057	201,762
Ground and Indirect Maintenance	277,790	333,608	365,761	362,024	288,407	153,248	133,142	110,236	50,414
Passenger Service	436,808	320,195	252,160	207,489	137,652	80,589	14,161	6,791	3,294
Traffic and Sales	1,262,569	921,705	651,665	557,885	313,470	182,929	38,139	26,964	16,750
Advertising and Publicity	216,648	185,111	139,796	116,451	60,030	65,295	30,069	20,303	15,683
General and Administrative	536,236	456,193	392,661	335,891	277,638	198,235	161,234	138,424	94,069
Depreciation and Obsolescence	301,161	470,169	535,557	428,308	205,192	143,722	120,329	99,599	54,645
TOTAL	\$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 Income (or Loss)	109,182	214,531	166,781	(49,687)	(86,954)	(15,050)	161,063	14,202	(53,622)
Amortization of Route Development Expense	(8,566)	(26,995)	(5,227)	(10,618)	-0-	-0-	(65,015)	(86,292)	(73,525)
Other Income or Expenses, Net	(20,740)	(41,087)	(49,847)	(54,283)	(36,439)	21,317	(3,935)	(3,793)	(897)
Net Income or (Loss) Before Taxes	79,876	146,449	111,707	(114,588)	(123,393)	6,267	92,113	(75,883)	(128,044)
Income Taxes	45,700	18,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Income or (Loss)	\$ 34,176	\$ 128,449	\$ 111,707	\$ (114,588)	\$ (123,393)	\$ 6,267	\$ 92,113	\$ (75,883)	\$ (128,044)

ROUTE OF THE NORTHLINERS

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.

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1956 and the related statements of earnings and earned surplus 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.

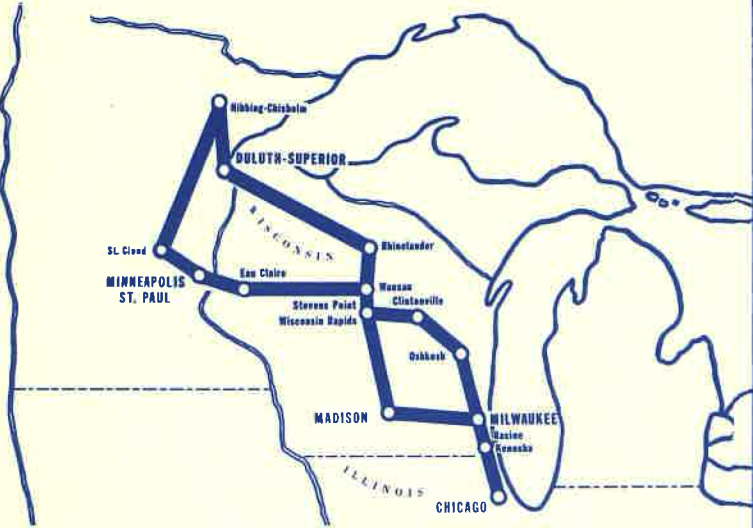
In our opinion, the accompanying balance sheet and statements of earnings and earned surplus present fairly the financial position of North Central Airlines, Inc. at December 31, 1956 and the results of its operation for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Milwaukee, Wisconsin
March 22, 1957

Alexander Grant & Company

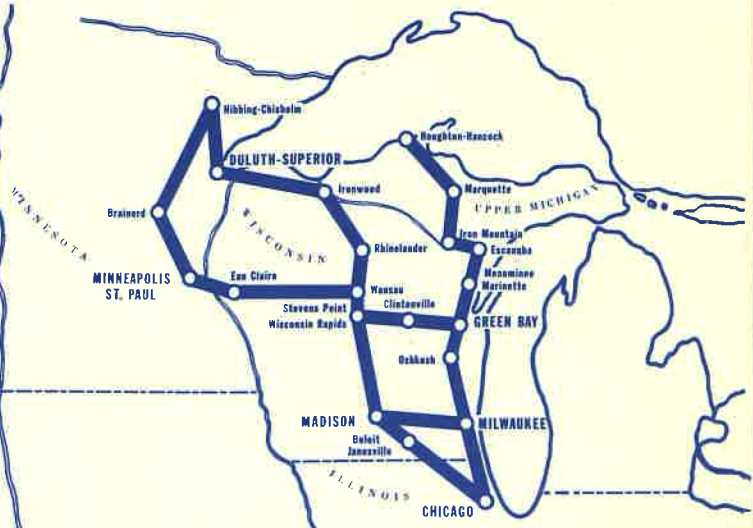
SYSTEM EXPANDS THREEFOLD IN NINE YEARS

1948



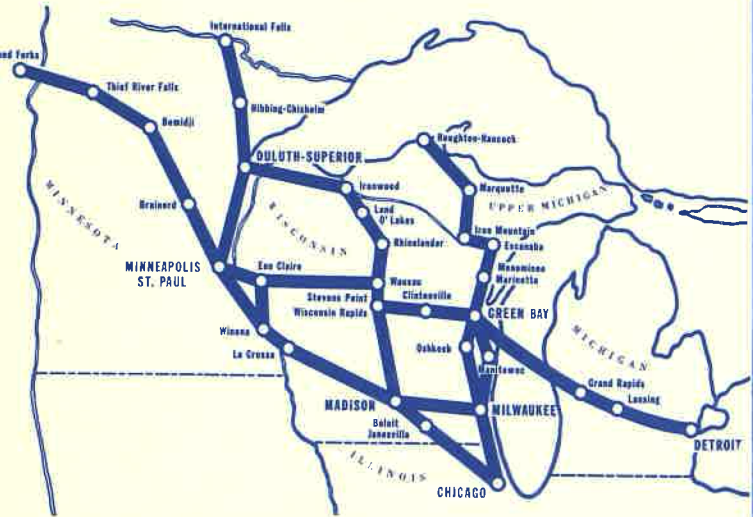
1,080 Route Miles Serving
19 Cities in Three States

1951



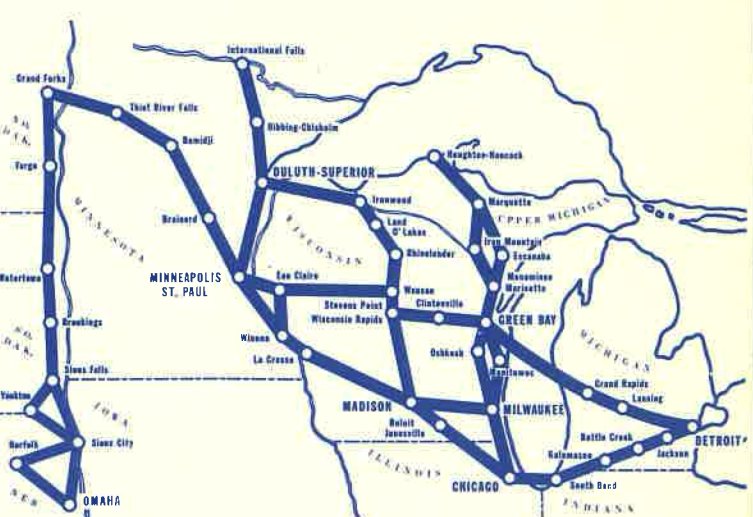
1,526 Route Miles Serving
28 Cities in Four States

1954



2,399 Route Miles Serving
39 Cities in Five States

1957



3,240 Route Miles Serving
51 Cities in Nine States





NORTH CENTRAL AIRLINES, INC.