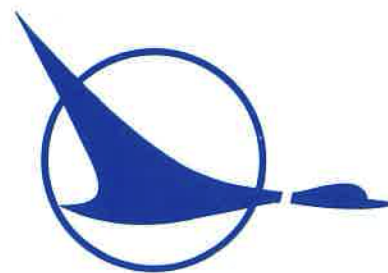




ANNUAL REPORT



1958

NORTH CENTRAL AIRLINES



# NORTH CENTRAL AIRLINES



## GENERAL OFFICES:

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

## OFFICERS:

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

REGISTRAR AND  
STOCK TRANSFER AGENT  
NORTHWESTERN NATIONAL BANK OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA

## DIRECTORS:

H. N. CARR\*  
WERNER L. CHRISTENSEN  
G. F. DeCOURSIN\*

CHARLES R. HOOD  
ARTHUR E. A. MUELLER\*  
A. L. WHEELER

K. B. WILLETT

\*Executive Committee



H. N.  
CARR



WERNER L.  
CHRISTENSEN



G. F.  
DeCOURSIN



CHARLES R.  
HOOD



ARTHUR E. A.  
MUELLER



A. L.  
WHEELER



K. B.  
WILLETT



R. H.  
BENDIO, SR.



FRANK N.  
BUTTOMER



ALVIN D.  
NIEMEYER



ARTHUR E.  
SCHWANDT



BERNARD  
SWEET

AMERICA'S LEADING LOCAL AIRLINE

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

March 10, 1959

To Our Stockholders,  
Employees and Friends:

The events which made 1958 the outstanding year in North Central's 11-year history will greatly influence the course of the airline's future growth. During the past 12 months, the company's expanded fleet of 32 DC-3 aircraft flew over 11,000,000 revenue miles and carried nearly 800,000 passengers. North Central continued to lead the local airline industry in volume of air mail, air express and number of passengers. As a result, our total revenues exceeded \$13,000,000.

As the year drew to a close, the Civil Aeronautics Board reached a final decision in the vast Seven States Area Investigation which increased the Route of the Northliners to more than 5,000 miles with service to 65 cities in nine states. This was the largest single route award the company has ever received. On January 9, 1959, a \$4,340,000 financing program was completed for the purchase of five Convair 340 aircraft and other corporate purposes. These larger, faster, more efficient airliners will be in scheduled service next month. Inauguration of Convair operation will substantially increase our earnings capacity.

Management takes this opportunity to thank its 1,500 employees for their contribution to the growth of the company, the traveling public for its loyal patronage, and its stockholders and other friends of North Central for their continued confidence and support. Our strengthened financial position, new equipment, and extended routes will make 1959 an even greater year of progress.

*Arthur E. A. Mueller*  
Arthur E. A. Mueller  
Chairman of the Board

Sincerely,  
*H. N. Carr*  
H. N. Carr  
President

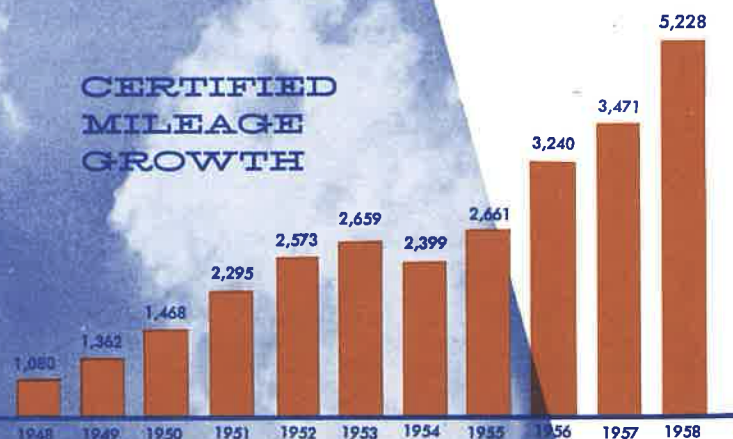




## NORTH CENTRAL'S year in review and forecast



### CERTIFIED MILEAGE GROWTH



**N**ORTH CENTRAL AIRLINES, for the fourth consecutive year, continued to lead the nation's local service industry in establishing new records in passenger, air mail, and air express traffic. In addition, a \$4,340,000 financing program, completed January 9, 1959, placed the company in the strongest financial position in its history.

Traffic generated over the nine-state system resulted in record commercial revenues of \$9,360,416, an increase of 19 per cent over 1957. Total gross revenues for the year 1958 were \$13,141,239, with a net profit of \$108,184, compared to \$80,791 in 1957. The operating profit in 1958 was \$157,850, after depreciation charges of \$583,174.

Since November 23, 1956, North Central has been operating under a temporary mail rate. Therefore, the amount of air mail revenue reported is somewhat less than the company's claim with the United States Government. Since the former permanent rate set in 1954 did not anticipate adequately the company's rapid expansion, a petition for a new permanent rate was necessary. When this rate is established, it will be retroactive to November 23, 1956.

At the request of the local service airlines, the Civil Aeronautics Board in 1956 instituted an investigation to consider adequacy of the rate of return allowed in mail rate proceedings. Since this case has not been completed, the Board in the interim increased the allowable return on investment in all future rates for local airlines from 8 per cent to 9½ per cent. A final decision in the rate of return investigation is expected this year.

Financial arrangements were completed early in 1959 for the purchase of five Convair 340 aircraft and for other corporate purposes. The program consists of two loans—the first, a \$2,000,000 working capital loan at 5½ per cent for 3½ years, and the second, a \$2,340,000 equipment loan to yield the lenders 5.13 per cent interest over seven years. Ninety per cent of this loan is guaranteed by the Federal Government. This financial program is in accordance with a resolution adopted at the annual stockholders' meeting of April 2, 1958. At that time, North Central stockholders authorized two loans totaling \$7,500,000. However, the actual borrowing involves \$3,000,000 less than was authorized, largely because the new aircraft were acquired under an extremely favorable purchase agreement.

### AGGRESSIVE ROUTE DEVELOPMENT

North Central's extensive route development program, initiated in 1954 and actively pursued since then, kept pace with the company's physical growth during 1958.

The year saw a final decision in the Seven States Area Investigation—one of the most important route cases concerning the local service industry. Because the original applications by the various airlines were combined into this far-reaching Seven States Area Case, the C.A.B. decision directly or indirectly affected every community in the West and Midwest.

Another important case before the Civil Aeronautics Board is the Great Lakes Area Investigation which could add more than 1,000 route miles and 10 Michigan cities to North Central's system. Also included in the company's applications are 1,072 miles of helicopter routes to 37 points

in the metropolitan areas of the system and proposed service to five Canadian cities in three provinces.

### Seven States Area Decision

The Civil Aeronautics Board, on December 9, issued its final order in the Seven States Area Investigation which added more than 2,000 route miles and 18 cities to North Central's nine-state system. The decision extended the company's service in Minnesota, Wisconsin, Illinois, Iowa, Nebraska, North Dakota, and South Dakota and increased the system to more than 5,000 route miles and 65 cities.

This order confirmed the Board's tentative decision announced in its May 19 press release. The one important change in the order was that North Central will continue to serve the entire Grand Forks, North Dakota-Omaha, Nebraska route. Intermediate points on this segment are Fargo, North Dakota; Brookings, Watertown, Yankton, and Sioux Falls, South Dakota; Sioux City, Iowa, and Norfolk, Nebraska. The C.A.B. press release had indicated that the route would be severed at Sioux Falls, with North Central operating between Grand Forks and Sioux Falls, and another local service carrier between Sioux Falls and Omaha.

The order also extended the company's present Minneapolis/St. Paul-Grand Forks route to Minot, North Dakota, and added Devils Lake, North Dakota, as an intermediate point. This award is permanent.

Another permanent route was granted beyond Sioux Falls to the intermediate cities of Mitchell and Huron, South Dakota, and beyond Huron to Minot via Aberdeen, South Dakota, and Bismarck/Mandan, North Dakota, and to Minneapolis/St. Paul via Watertown or Brookings, South Dakota.

Service was authorized on a permanent basis between Sioux Falls and the Twin Cities via Worthington and Mankato, Minnesota.

A five-year temporary award extended North Central's system as far west as Rapid City, South Dakota. This route would be operated between Rapid City and Minneapolis/St. Paul via Spearfish, Pierre, Aberdeen, and Watertown or Brookings, South Dakota.

Appleton, Wisconsin, was certificated on a permanent basis on a route between Minneapolis/St. Paul and Milwaukee via Eau Claire and Marshfield, Wisconsin. In a petition for reconsideration to the Civil Aeronautics Board, the company requested that Marshfield be eliminated from the order and Appleton added as an intermediate stop on the present Twin Cities-Green Bay-Milwaukee route. North Central then asked the Board for an exemption order to permit service to this city while the petition is being considered.

New Northliner service was begun March 1, 1959 to 11 of the cities certificated in the Board's order. Nine of these were points where Braniff Airways and Western Airlines had discontinued operation under Board suspensions. Braniff was ordered suspended at Minot, Bismarck/Mandan, Aberdeen, Watertown, Mitchell, and Huron; while Western was suspended at Brookings, Spearfish, and Mankato. Two of these cities, Brookings and Watertown, were already on the North Central system. At the same time, North Central inaugurated service to Devils Lake, North Dakota; Pierre

and Rapid City, South Dakota; and Worthington, Minnesota.

### Great Lakes Area Investigation

The recommendation issued in December 1957 by counsel of the Civil Aeronautics Board's Bureau of Air Operations would increase North Central's system by 1,067 route miles and 10 additional cities in Michigan.

Included is a route between Sault Ste. Marie, Michigan, and Chicago via Cheboygan, Traverse City, Manistee, Grand Rapids, and Benton Harbor, Michigan. Another segment would be added between Sault Ste. Marie and Detroit by way of Cheboygan, Traverse City, Saginaw, Flint, and Pontiac. A further recommendation would permit service by North Central between Sault Ste. Marie and Detroit via Cheboygan, Alpena, Saginaw, and Port Huron. The company also would be authorized to serve Detroit and Milwaukee on a route including Lansing, Grand Rapids, and Muskegon.

The case is now before the C.A.B. hearing examiner, and his report is expected soon. This will be followed by a final order from the Board in the Great Lakes Area Case later this year.

### Lake Central Acquisition

The most recent action, in the program which began in October 1952 to purchase 96 per cent of the outstanding Lake Central Airlines stock, came in January 1959 when the U. S. Circuit Court of Appeals, Washington, D. C., upheld the Civil Aeronautics Board's refusal to allow the North Central-Lake Central merger.

The Board, in its decision, had said the combined area would be too large for the type of concentrated local service desired for so-called "feeder" carriers. Generally, the Lake Central system serves an area southeast of Chicago-Detroit, including Cleveland, Buffalo, and Cincinnati, as well as smaller cities in Pennsylvania, Ohio, and Indiana.

North Central has petitioned for a Writ of Certiorari in an effort to appeal the case to the U. S. Supreme Court. The writ, if granted, would require the Supreme Court to call up the records in the case for review.

### Canadian Applications

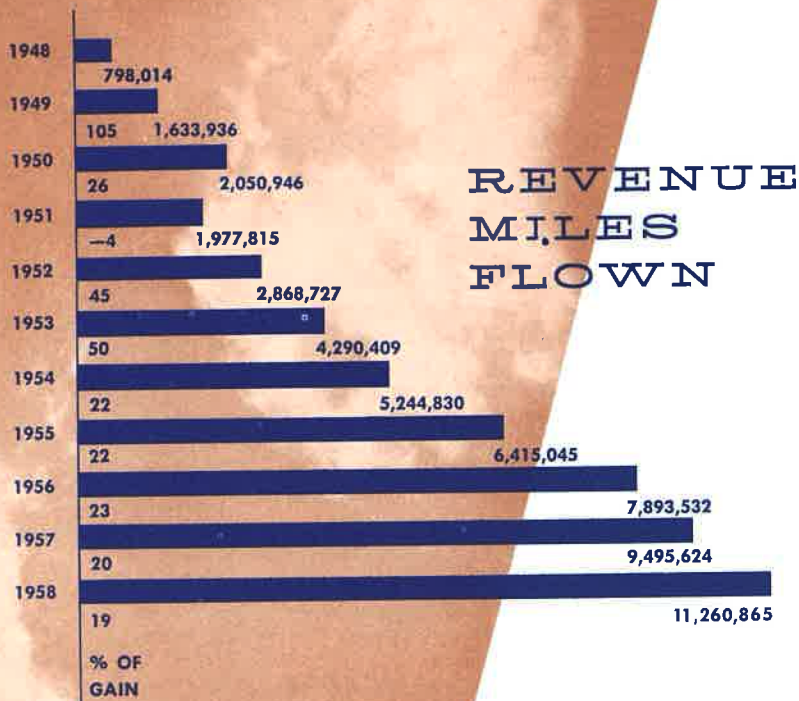
In February 1958, North Central filed applications with the Civil Aeronautics Board to extend its service on three more routes into Canada, totaling 828 miles.

The new applications propose nonstop service between the Twin Cities and Winnipeg, Manitoba; Detroit and Toronto, Ontario; and Minot, North Dakota, and Regina, Saskatchewan.

Already on file are applications for routes linking Duluth/Superior and Houghton/Hancock, Michigan, with Fort William/Port Arthur, Ontario, and International Falls, Minnesota, with Winnipeg. These segments would total 463 miles.

Steps are being taken to reopen the Bilateral Treaty between the United States and the Dominion of Canada. This is necessary before any action can be taken on the North Central applications.





### Chicago-Milwaukee-Twin Cities Case

The company's applications to operate nonstop flights between Minneapolis/St. Paul and Chicago, Twin Cities and Madison, Twin Cities and Milwaukee, and Madison and Chicago were filed with the Civil Aeronautics Board in 1955. The Board, in a press release issued late in 1958, indicated it has reached a decision which denied the company's applications. A final order, however, has not been issued.

### Erie-Detroit Service Case

This 173-mile route is still under investigation by the Civil Aeronautics Board, despite C.A.B. action in 1956 awarding the mileage to two other local service airlines. To maintain its status as an applicant, North Central has filed a Petition to Intervene in this case. A decision is expected in 1959.

### IMPROVED FACILITIES

North Central added many refinements in its service to the traveling public during 1958. Major changes were instituted in baggage-handling, passenger check-in procedures, communications, and reservations. A systemwide telephone courtesy program was implemented, and several airport development projects were completed during the year.

Improved methods of baggage-handling at various inter-line connecting cities brought about a considerable saving of expenses in the delivery of mishandled and misconnected luggage and a greater convenience to the traveling public.

New passenger check-in procedures at Chicago Midway Airport and General Mitchell Field, Milwaukee, now provide a faster, more efficient way of handling the thousands of passengers who pass through these terminals monthly. These procedures have materially increased the flow of traffic and decreased passenger complaints.

The company expanded its private line telephone system by adding more stations to the network, as well as a supplemental circuit in several cities. The new communications facilities have greatly speeded reservations and operations messages.

Various changes in North Central's reservations system have increased the number of passengers who can be efficiently handled to approximately 125,000 a month.

The no-show penalty plan was dropped by all scheduled airlines during 1958 because procedures proved costly to administer and resulted in considerable inconvenience both to the airlines and the passengers. However, two features of the plan—the minimum time limit for ticket pick-up and the reconfirmation rule—were retained. The airline industry will review the entire program during 1959 and consider further modifications of it.

A telephone courtesy program, unique in the airline in-

dustry, was designed to improve North Central's "voice of service." Two speech experts were hired to instruct public contact employees in proper speech, voice techniques, and telephone courtesy. These instructors traveled over North Central's system, working with personnel of the general office, the stations, and the three reservation centers. They concentrated on improving the diction, enunciation, voice modulation, and language of these employees. Individual evaluation, group instruction, check calls, tape recordings, and movies were used in the program which attracted national attention.

### SERVICE INCREASED

North Central continued to pace the nation's local airlines in service offered to the traveling public. In 1958, the company's 32 DC-3 Northliners flew 11,260,865 revenue miles—a 19 per cent increase over 1957.

Service was inaugurated between Duluth/Superior and Sault Ste. Marie April 1. Intermediate points on this segment are Ironwood, Houghton/Hancock, and Marquette, Michigan. The new service links the two campuses of the Michigan College of Mining and Technology at Houghton and Sault Ste. Marie.

The company continued to maintain one of the best performance records in the airline industry. During 1958 North Central operated with a performance factor of 98.2 (per cent of scheduled miles flown). This is the highest operating performance the company has achieved in any year since it started service in 1948. North Central's on-time performance during the year was also outstanding in the industry with 78.7 per cent of all flights arriving on schedule. This record is especially significant because of the adverse flying conditions encountered over the North Central system.

### TRAFFIC LEADERSHIP

North Central maintained its lead over the 12 other local airlines in all classes of traffic during 1958.

A total of 777,140 revenue passengers were carried on North Central's system during the year, for a 14 per cent increase over 1957 and 59 per cent above the second-ranking local service airline. Plane miles flown increased 19 per cent and passenger miles totaled 125,905,671, for an increase of 18 per cent.

North Central also led the other local airlines in charter revenue. This revenue totaled \$384,957 in 1958, a 41 per cent increase over 1957.

Northliners carried 2,900,313 pounds of air mail during 1958, an increase of 9 per cent over the previous year. This was 70 per cent ahead of the second-place local carrier. In addition, 878,986 pounds of regular surface mail were boarded, a 31 per cent increase over 1957.

Air express volume reached a record 5,319,426 pounds, surpassing 1957 by 9 per cent and the second-ranking local by 89 per cent.

August was North Central's best traffic month. The company boarded 76,011 revenue passengers, setting a new record for the local airline industry.

The three-millionth Northliner passenger boarded a flight

on August 26. The company's tremendous growth can be easily shown by the fact that the first million passengers were carried during the first 7½ years of operation, while the second million were carried in the next two years, and the third million in just 16 months.

### EQUIPMENT PROGRAM

The Civil Aeronautics Board, in January 1959, approved a government guarantee of 90 per cent of the \$2,340,000 equipment loan for the purchase of five Convair 340 aircraft and related spare parts.

The first Convair was delivered to North Central's main operations base at Minneapolis/St. Paul on January 9. Present plans call for delivery of one Convair each month until April when the last two are expected. This will bring the company's fleet to 32 DC-3 Northliners and five Convair Super Northliners by April 26 when service with the larger aircraft will be inaugurated.

The Convair 340 is a twin-engine, 44-passenger airliner, equipped with radar to seek the smoothest routes and avoid rough weather. The pressurized cabin insures passenger comfort at high altitudes and also when the plane is ascending or descending. A tricycle landing gear keeps the cabin level when the plane is on the ramp.

An integral air-stair door, forward of the left wing, is another feature of the Convair. The door folds into the fuselage when not in use. A spacious carry-on baggage rack is located on the left side, just ahead of the passenger compartment.

The Convair is the fastest aircraft ever operated by North Central. Cruising speed is 284 miles an hour at 20,000 feet, compared with 160 miles an hour for the DC-3, which operates at lower altitudes. The flight range of the Convair 340 is 2,200 miles, while the DC-3 is limited to 900 miles.

Present equipment plans call for the use of Convairs on the long-haul, high density segments of Minneapolis/St. Paul-Chicago via Eau Claire, Wausau, Green Bay, Oshkosh, and Milwaukee, Wisconsin; Duluth/Superior-Chicago nonstop; Duluth/Superior-Chicago via Green Bay and Milwaukee; Milwaukee-Chicago commuter flights; Minneapolis/St. Paul-Duluth; Madison-Chicago via Janesville/Beloit, Wisconsin; and Detroit-Chicago via South Bend, Indiana, and Battle Creek, Michigan.

Convair service will be extended to other segments as rapidly as traffic develops and airports are made adequate for Convair operation.

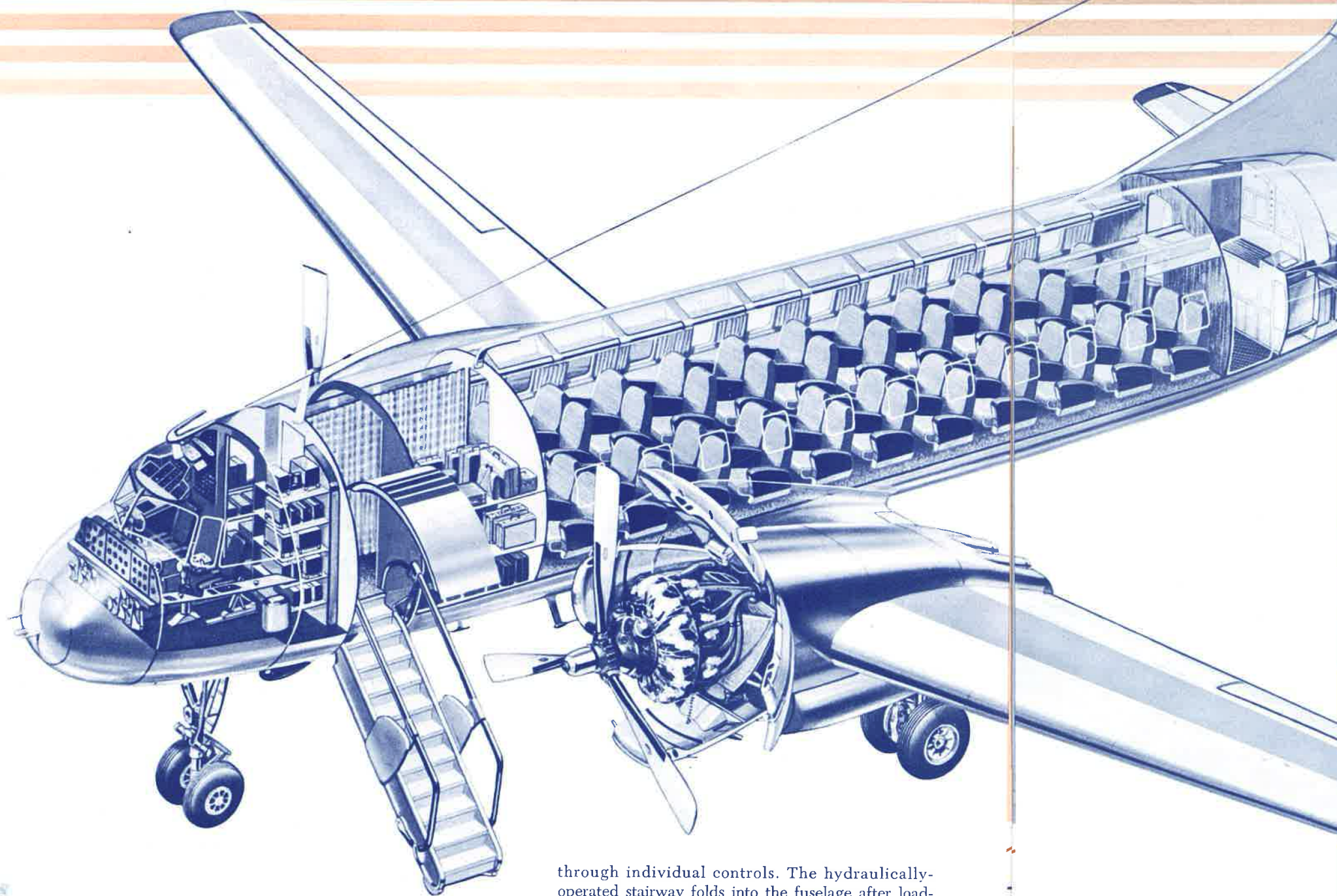
The new Convairs will make DC-3's available for service on the segments granted in the Seven States Area decision. Currently, the present fleet is adequate to serve the expanded system, but future route awards in pending cases may necessitate the acquisition of additional DC-3's, as well as Convairs.

### FORECAST

North Central's progress in 1958 and the important events which increased the company's capacity for growth should enable it to carry one million passengers in 1959. This would further extend its leadership in the local service industry and make it possible for the airline to realize record earnings.

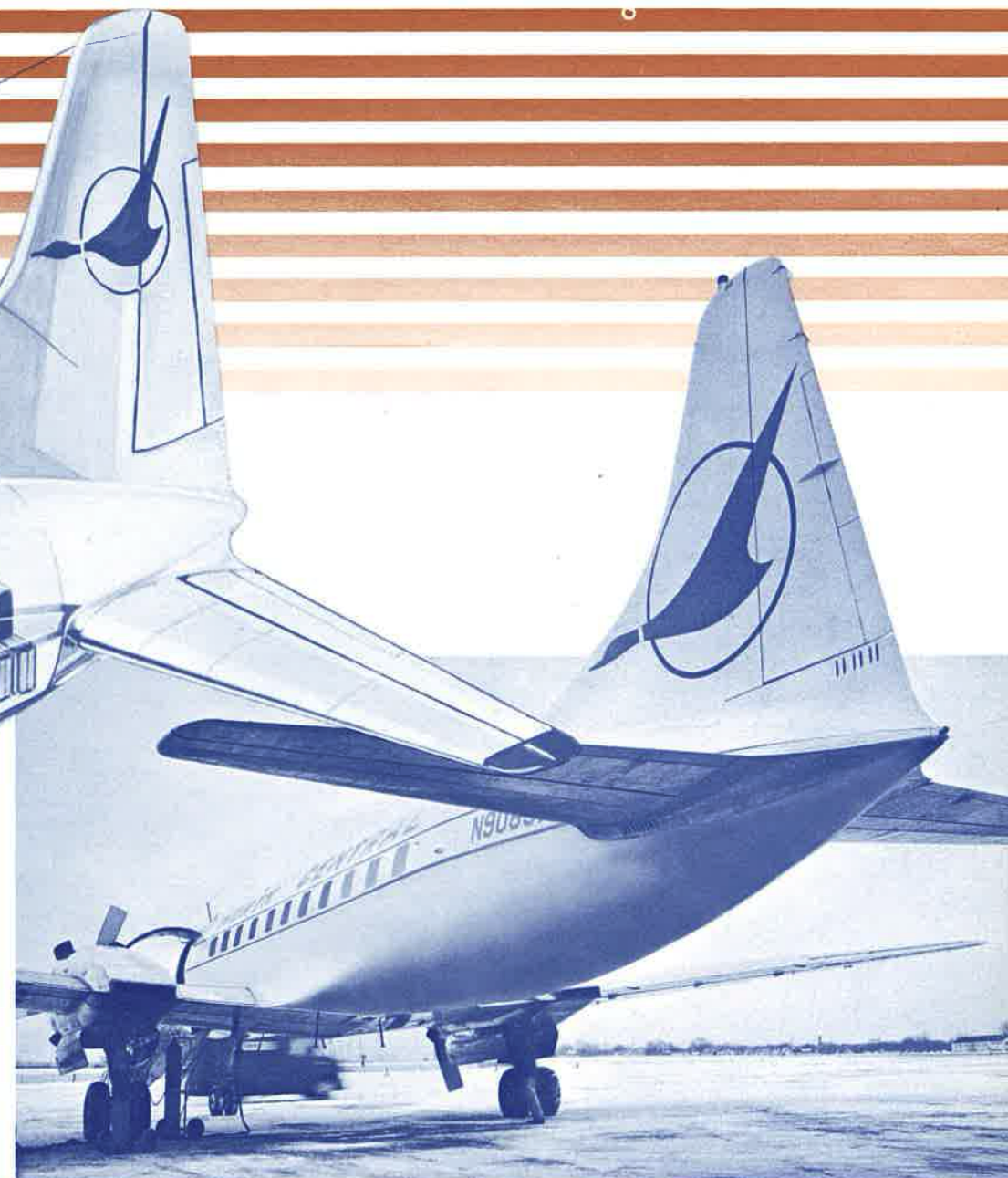


# CONVAIR 340



The Convair 340, North Central's third major equipment change in 11 years of scheduled operation, features weather radar to seek the smooth routes and pressurization to insure passenger comfort at high altitude and when ascending or descending. More than 20 cubic feet of fresh air per minute, conditioned for temperature, is supplied to each passenger

through individual controls. The hydraulically-operated stairway folds into the fuselage after loading. A spacious carry-on baggage rack is located ahead of the passenger compartment on the left side. The increased wingspan—105 feet, 4 inches—coupled with a new flap system, gives the Convair outstanding performance for operation into smaller airports. North Central's special exhaust system modification reduces the Convair engine noise level by more than 40 per cent.

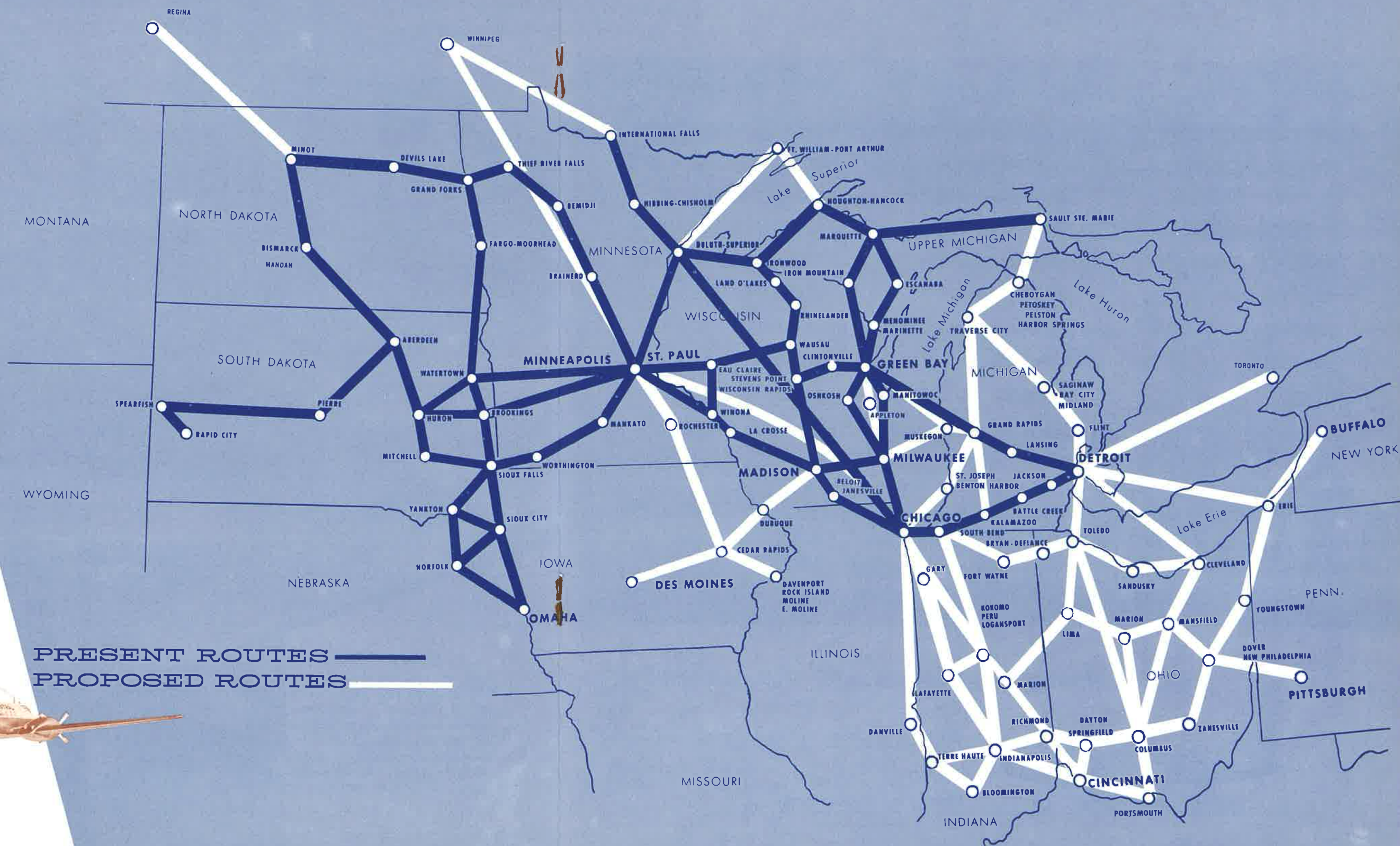


View of the Convair 340 looking toward the 28-foot tail section. Tricycle landing gear keeps cabin level when aircraft is at rest.



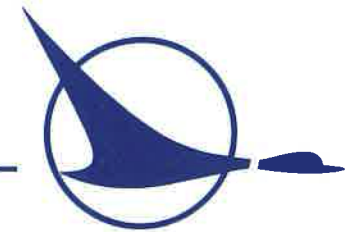
Main passenger cabin, richly furnished with 44 wide, upholstered seats, thick carpeting, individual controls for air conditioning.







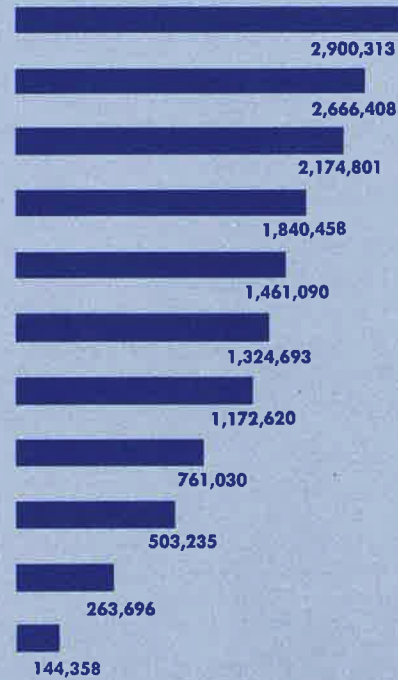
# AMERICA'S LEADING LOCAL AIRLINE



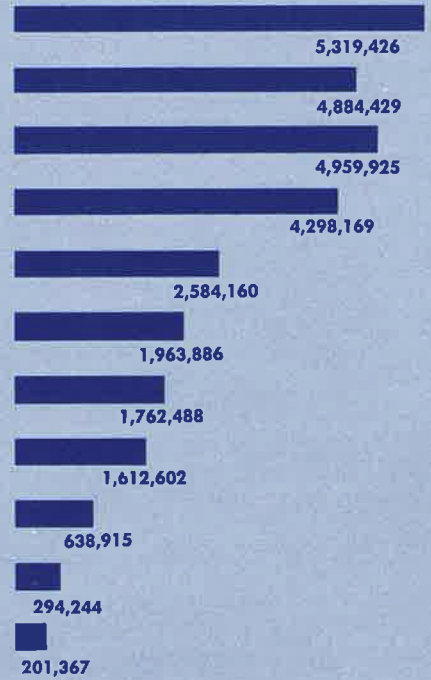
## REVENUE PASSENGERS



## AIR MAIL ... in pounds



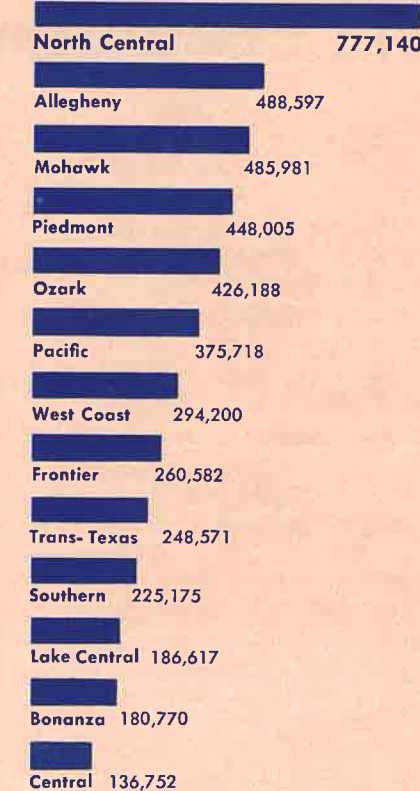
## AIR EXPRESS ... in pounds



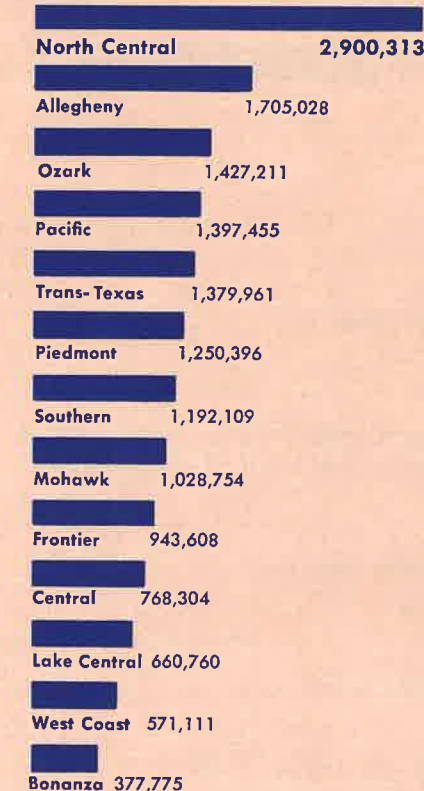
11 YEARS OF CONTINUOUS PROGRESS

NORTH CENTRAL AIRLINES

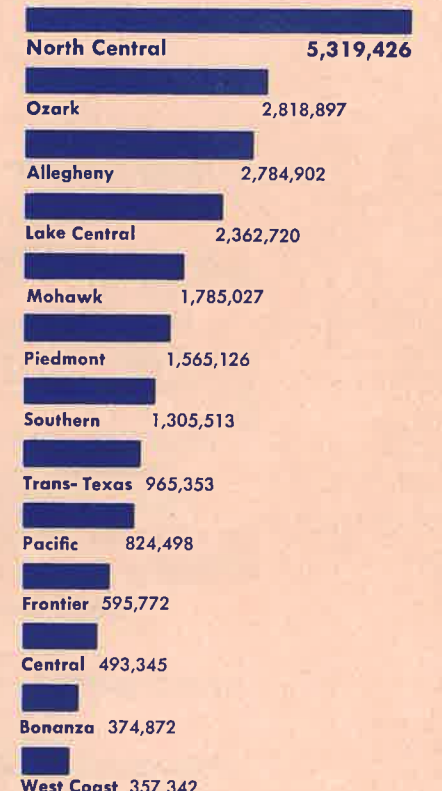
## REVENUE PASSENGERS



## AIR MAIL ... in pounds



## AIR EXPRESS ... in pounds



FIRST IN PASSENGERS, 1958

FIRST IN AIR MAIL, 1958

FIRST IN AIR EXPRESS, 1958





# NORTH CENTRAL AIRLINES, INC.



## BALANCE

## SHEET

### ASSETS

DECEMBER

31 1958

### LIABILITIES

#### CURRENT ASSETS

Cash .....		\$ 178,508	
Accounts receivable			
Mail .....	\$ 314,260		
Mail — additional claim (Note 1) .....	475,232		
Traffic .....	1,255,154		
Other .....	<u>181,104</u>	2,225,750	
Inventories — at the lower of cost (determined by the first-in, first-out method) or market			
Parts and supplies .....	253,615		
Gasoline and oil .....	<u>16,943</u>	270,558	
Prepaid expenses and sundry deposits .....		<u>83,357</u>	
Total current assets .....		2,758,173	

INVESTMENTS — AT COST ..... 10,601

#### OPERATING PROPERTY AND EQUIPMENT

Flight equipment (Note 4) .....	4,595,893		
Ground equipment .....	495,059		
Hangar buildings and improvements to leased property .....	155,032		
Furniture and fixtures .....	<u>160,721</u>		
Total — at cost .....	5,406,705		
Less depreciation to date .....	<u>3,110,292</u>	2,296,413	

#### DEFERRED CHARGES

Route development expense .....	295,895		
Other .....	<u>28,873</u>	324,768	
		<u>\$5,389,955</u>	

#### CURRENT LIABILITIES

Notes payable			
5½% note to bank payable on demand (Note 4) .....	\$ 100,000		
Current maturities of long-term notes .....	287,926		
5½% unsecured notes (Note 5) .....	<u>162,500</u>	\$ 550,426	
Accounts payable			
Trade .....	1,210,279		
Traffic .....	<u>1,016,189</u>	2,226,468	
Unearned transportation revenue .....		71,793	
Income taxes withheld and other employee payroll deductions ..		95,308	
Accrued liabilities			
Salary and wages .....	469,272		
Taxes (other than income taxes) .....	31,347		
Other .....	<u>251,078</u>	751,697	
Total current liabilities .....		3,695,692	

#### NONCURRENT LIABILITIES

5% notes payable to bank, due in monthly installments to December 10, 1960 (Note 4) .....	485,000		
Other notes payable, secured by pledge of certain equipment, due in monthly installments .....	<u>129,888</u>		
	614,888		
Less current maturities .....	<u>287,926</u>		
	326,962		
Deferred rent payable .....	<u>14,600</u>		
Total noncurrent liabilities .....		341,562	

#### CAPITAL

Common stock — authorized, 3,750,000 shares of \$.20 par value; issued 1,998,070 shares .....	399,614		
Paid-in in excess of par value of stock issued .....	<u>817,518</u>		
	1,217,132		
Retained earnings .....	<u>142,794</u>		
Less 13,250 shares of common stock reacquired and held in the treasury — at cost .....	1,359,926		
	<u>7,225</u>	1,352,701	
		<u>\$5,389,955</u>	

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



# STATEMENT OF EARNINGS

Year ended December 31, 1958

TRANSPORTATION REVENUE		
Passenger .....	\$8,702,455	
Mail .....	3,780,823	
Express .....	164,615	
Excess baggage .....	73,455	
Non-scheduled transport service .....	384,957	
Other .....	34,934	\$13,141,239
OPERATING EXPENSES		
Flying operations .....	4,191,826	
Flight equipment maintenance .....	1,657,479	
Other maintenance .....	815,676	
Passenger service .....	703,598	
Aircraft and traffic servicing .....	3,629,142	
Promotion and sales .....	839,866	
General and administrative .....	562,628	
Depreciation (Note 2) .....	583,174	12,983,389
Operating profit .....		157,850
OTHER DEDUCTIONS		
Interest .....	43,472	
Extension and development .....	6,194	49,666
INCOME TAXES (Note 3) .....		
NET EARNINGS .....		\$ 108,184

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

# STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1958

Retained earnings — January 1, 1958 .....	\$ 34,610
Net earnings for the year ended December 31, 1958 .....	108,184
RETAINED EARNINGS — DECEMBER 31, 1958 .....	\$142,794

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

## NOTES TO FINANCIAL STATEMENTS

- It is the policy of the Civil Aeronautics Board to provide a scheduled airline on a temporary mail rate (the company has been on such rate since November 23, 1956) with sufficient mail pay to meet its break-even need and also to provide for a reasonable return on recognized investment. In accordance with this policy the company has determined that for 1958 an amount of \$287,505 of additional mail pay will be applicable under these two categories. An amount of \$475,232 is shown as an account receivable at December 31, 1958, which amount includes the 1958 item and \$187,727 which is the unpaid portion of the 1957 and 1956 break-even need and return on investment.
- The amount of depreciation included in the accompanying statement of earnings is approximately \$33,000 greater than the related amount allowable for tax purposes because the change in useful lives of aircraft and engines was made on the company's books of account at a date later than a similar change was made by the Internal Revenue Service.
- A net operating loss carry-over from a prior year is sufficient to eliminate taxable income for 1958. Accordingly, no provision has been made for Federal and State income taxes.
- On January 9, 1959 the company borrowed \$2,000,000 from two banks for a working capital loan which is repayable with interest at 5½% in monthly installments totaling \$480,000 per year, with a final payment of \$370,000 due on June 15, 1962. As security for the loan the company has pledged twenty-three DC-3 aircraft including related flight equipment.

- Among other things, the loan agreement provides that the company maintain current assets (excluding unapproved mail pay claims) that are at least equal to current liabilities excluding any liability to the banks under the working capital loan or the equipment loan mentioned in Note 5. At the time of effecting the new loan, the balance of \$585,000 due at December 31 to one of the participating banks was repaid.
- The company has contracted to purchase five Convair-340 aircraft, spare engines, and other parts, with the total price not to exceed \$2,325,000. Additional Convair spare parts will be acquired costing \$275,000, resulting in a total expenditure of approximately \$2,600,000. These aircraft will be delivered during the first four months of 1959. As down-payment, the company gave the seller five unsecured 5½% notes totaling \$162,500. Each note of \$32,500 will be paid at the time of delivery of each aircraft. The company has arranged with two banks to borrow an amount not to exceed \$2,340,000 to finance the purchase of this equipment which is to be pledged as security for the indebtedness. In addition, the United States Government has guaranteed 90% of the loan with such guarantee not to exceed \$2,106,000. The loan is repayable in semi-annual installments to January 1, 1966 with interest at 5.125% and a guarantee fee of 0.375%.
  - The Circuit Court of Appeals for the District of Columbia has determined that the company should not be allowed to acquire 80,054 shares (96%) of the outstanding capital stock of Lake Central Airlines, Inc. The company's legal counsel is preparing a petition for certiorari to be filed in the United States Supreme Court for a review of the above decision.

# PRO-FORMA BALANCE SHEET

December 31, 1958\*

ASSETS		LIABILITIES	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash .....	\$1,593,508	Notes Payable .....	\$ 710,426
Accounts Receivable .....	2,225,750	Accounts Payable .....	2,226,468
Inventories .....	270,558	Unearned Transportation .....	71,793
Prepaid Expenses .....	83,357	Payroll Taxes Payable .....	95,308
Total Current Assets .....	4,173,173	Accrued Liabilities .....	751,697
INVESTMENTS .....	10,601	Total Current Liabilities .....	3,855,692
OPERATING PROPERTY AND EQUIPMENT (NET) .....	2,296,413	LONG-TERM DEBT .....	1,581,962
DEFERRED CHARGES .....	324,768	DEFERRED RENT .....	14,600
	\$6,804,955	CAPITAL .....	1,352,701
			\$6,804,955

\*After giving effect to \$2,000,000 working capital loan from which proceeds were received on January 9, 1959. (See footnote 4 to Financial Statements.)

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. as of December 31, 1958 and the related statements of earnings and retained earnings 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.

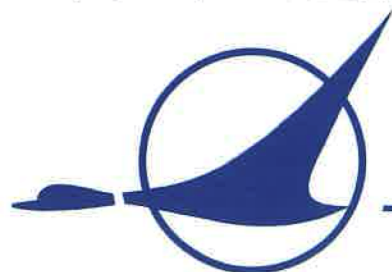
In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of North Central Airlines, Inc. at December 31, 1958 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Milwaukee, Wisconsin  
February 16, 1959

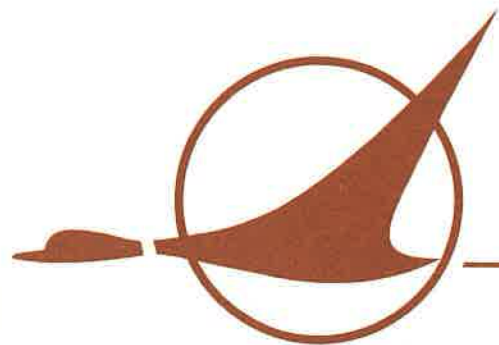
Alexander Grant & Company

	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
Operating Revenues											
Passenger .....	\$ 8,702,455	\$ 7,372,333	\$6,137,216	\$4,933,487	\$3,351,782	\$2,303,738	\$1,470,536	\$ 860,599	\$ 427,278	\$ 271,576	\$ 113,648
Mail .....	3,780,823	2,925,645	1,522,211	1,689,890	2,328,921	2,468,685	1,681,542	1,181,596	1,355,145	1,036,243	580,968
Express .....	164,615	146,287	149,640	126,476	75,630	68,117	55,861	45,173	18,637	8,364	5,963
Excess Baggage .....	73,455	54,986	40,506	30,477	20,975	15,739	12,783	5,643	2,419	1,519	1,012
Non-scheduled Transport Service .....	384,957	273,077	119,419	28,711	46,734	25,436	-0-	-0-	-0-	-0-	-0-
Other Revenue .....	34,934	29,667	15,345	8,964	5,283	5,682	2,982	5,781	2,953	8,301	2,133
TOTAL .....	\$13,141,239	\$10,801,995	\$7,984,337	\$6,818,005	\$5,829,325	\$4,887,397	\$3,223,704	\$2,098,792	\$1,806,432	\$1,326,003	\$ 703,724
Operating Expenses											
Flying Operations .....	\$ 4,191,826	\$ 3,455,867	\$2,578,253	\$2,007,381	\$1,695,384	\$1,413,489	\$ 939,931	\$ 612,060	\$ 476,572	\$ 361,254	\$ 200,030
Flight Equipment Maintenance .....	1,657,479	1,384,841	960,021	845,753	724,209	690,589	483,292	275,469	267,105	229,946	127,966
Indirect Maintenance .....	815,676	644,693	287,978	342,276	373,222	368,406	293,682	157,014	136,205	111,736	51,164
Passenger Service .....	703,598	560,934	443,243	325,669	256,872	211,520	140,983	82,967	16,096	6,791	3,294
Aircraft and Traffic Servicing .....	3,629,142	3,095,105	2,400,946	1,866,574	1,485,796	1,320,671	898,372	575,368	458,618	347,628	218,162
Promotion and Sales .....	839,866	621,829	456,537	369,452	270,129	228,028	122,724	101,881	37,697	25,696	19,033
General and Administrative .....	562,628	504,055	431,671	367,236	316,092	270,391	223,500	159,580	129,794	120,850	80,919
Depreciation .....	583,174	452,993	301,161	470,169	535,557	428,308	205,192	143,722	120,329	99,599	54,645
TOTAL .....	\$12,983,389	\$10,720,317	\$7,859,810	\$6,594,510	\$5,657,261	\$4,931,402	\$3,307,676	\$2,108,061	\$1,642,416	\$1,303,500	\$ 755,213
Net Operating Profit (or Loss) .....	157,850	81,678	124,527	223,495	172,064	(44,005)	(83,972)	(9,269)	164,016	22,503	(51,489)
Amortization of Route Development Expense .....	(6,194)	(6,281)	(8,566)	(26,995)	(5,227)	(10,618)	-0-	-0-	(65,015)	(86,292)	(73,525)
Non-operating Income and Expenses, Net .....	(43,472)	(54,709)	(36,085)	(50,051)	(55,130)	(59,965)	(39,421)	15,536	(6,888)	(12,094)	(3,030)
Net Profit (or Loss) before Taxes .....	108,184	20,688	79,876	146,449	111,707	(114,588)	(123,393)	6,267	92,113	(75,883)	(128,044)
Income Taxes .....	-0-	(60,103)	45,700	18,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Profit (or Loss) .....	\$ 108,184	\$ 80,791	\$ 34,176	\$ 128,449	\$ 111,707	\$ (114,588)	\$ (123,393)	\$ 6,267	\$ 92,113	\$ (75,883)	\$ (128,044)

NORTH CENTRAL AIRLINES







# 1958

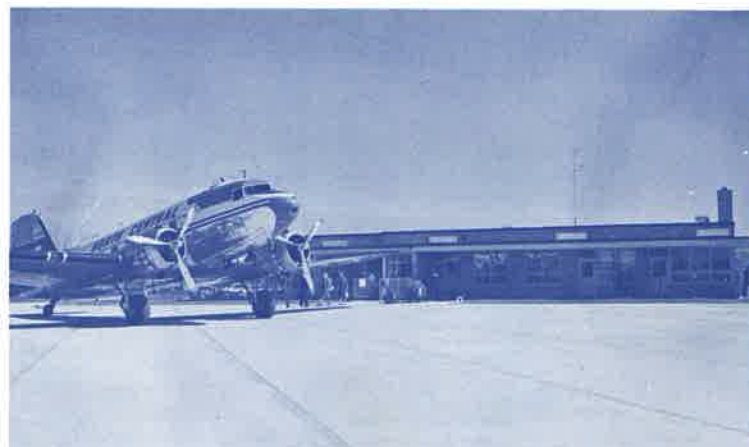
## ANOTHER YEAR OF PROGRESS



In 1958, we celebrated our 10th anniversary at Clintonville



... trained and graduated many new stewardesses



... welcomed new, modern terminals in several cities on the Northliner system



... extended our route from Duluth to Sault Ste. Marie



... started construction on a Convair maintenance hangar at Minneapolis/St. Paul.



**LOCKHEED  
10-A**

Capacity: nine passengers, Captain, First Officer. Cruising speed: 145 mph. Range: 713 miles. Powerplant: Twin Pratt & Whitney Wasp 400-hp. engines. Gross weight: 10,500 pounds.



**DOUGLAS  
DC-3**

Capacity: 26 passengers, Captain, First Officer, Stewardess. Joined fleet 1950, replaced Lockheed 1951. Cruising speed: 160 mph. Range: 900 miles. Powerplant: Twin Wright Cyclone 1200-hp. engines. Gross weight: 25,346 pounds.



**CONVAIR  
340**

Capacity: 44 passengers, Captain, First Officer, Stewardess. Added to fleet 1959. Cruising speed: 284 mph. at 20,000 feet. Cabin pressurized and air conditioned. Radar-equipped. Range: 2,200 miles. Powerplant: Twin Pratt & Whitney R-2800 engines, 2,400-hp. each. Gross weight: 47,000 pounds.



