NORTH CENTRAL AIRLINES

Annual Report · 1964

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Director, Flight Operations

Secretary

GENERAL OFFICES:

6201 Thirty-Fourth Avenue South, Minneapolis, Minnesota 55450

Registrar and Stock Transfer Agent Northwestern National Bank of Minneapolis Minneapolis, Minnesota

To our stockholders, employees, and friends:

MARCH 15, 1965

We are pleased to report that during 1964 North Central Airlines earned the largest profit in its 17-year history—\$617,000. This was achieved on record passenger, cargo, and mail revenues of \$29,730,000. The net profit, together with depreciation charges of \$1,704,000, developed cash flow of \$2,321,000—15 per cent more than in 1963.

The company carried 1,353,301 passengers in 1964, an increase of 11 per cent over last year's record. In December, North Central became the first regional airline to carry ten million passengers since inauguration of service. Cargo traffic for 1964 also set new marks. The 31,300,000 pounds of cargo flown—including air freight, express, and mail—was 13 per cent ahead of 1963, the company's previous best year.

Besides increasing traffic, North Central maintained an excellent operating performance, one of the most impressive in the industry. During 1964 the airline completed 99 per cent of its 14,400,000 scheduled miles, and 85 per cent of its 170,000 scheduled arrivals were on time.

The company added five Convair 440 aircraft in 1964 and one early in 1965 under its progressive plan of modernizing the Northliner fleet, which now includes 24 Convairs and 18 DC-3's. By the end of 1965, 85 per cent of the airline's seat miles will be flown with Convair equipment.

North Central continued to pursue its aggressive route development program and to support the Civil Aeronautics Board in its efforts to strengthen the regional carriers. During 1964, the Board granted North Central a nonstop route between Pierre and Huron, South Dakota, and removed certification of a trunk carrier at Huron. The C.A.B. also authorized consolidated service at several airports on our system.

To our passengers who flew the Route of the Northliners, we say "Thank you" for your continued support. We would also like to express our sincere appreciation to our stockholders and employees for the contributions they have made to the development of North Central. With the anticipated traffic growth, producing increased revenues, and a continuation of the company's cost control program, management looks forward to 1965 as another year of record profits.

Sincerety,

ARTHUR E. A. MUELLER
Chairman of the Board

HAL N. CARR
President



FINANCIAL REVIEW

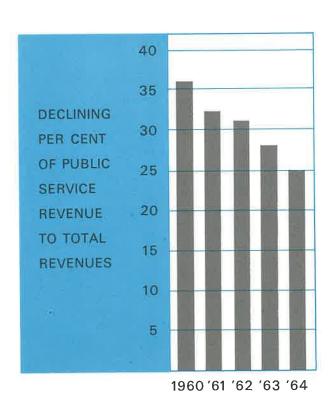
NORTH CENTRAL AIRLINES earned record profits in 1964 of \$617,359. This was an increase of 22 per cent over 1963.

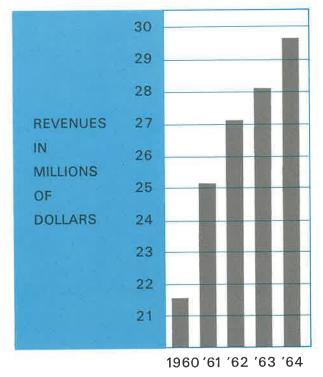
Record revenues of \$29,730,389 were also attained. Operating expenses for the year were \$27,673,472, including \$1,703,729 in depreciation charges. The result was an operating profit of \$2,056,917, and a net profit of \$617,359 after income taxes of \$886,299. These earnings, combined with depreciation, developed a cash flow of \$2,321,088 for the year.

It is significant that this profit was earned in spite of a \$578,603 decrease in public service revenues. The reduction was directly related to the company's

having returned \$600,000 in excess profits to the Federal Government under the class rate for regional carriers. This was the fourth consecutive year the company reached such a profit-sharing position, as a result of developing additional commercial revenues and increased cost control.

Because of North Central's strong financial position, a renegotiation of the company's equipment loan was accomplished in 1964, at a reduced interest rate of 5½ per cent. Additional borrowing was also secured at the same rate to purchase five more Convair 440 aircraft during the year and one early in 1965.





One of North Central's 24 Convair 440's taxies in at Chicago, O'Hare Field.

ROUTE DEVELOPMENT

DURING 1964, North Central continued its program of route development, and a number of important decisions were made by the Civil Aeronautics Board on pending applications.

At present, North Central serves 91 cities in ten Midwestern states and Canada over a 7,000-mile route system. No other regional airline and only two trunk carriers serve this many cities.



The following is a summary of the decisions rendered by the C. A. B. affecting North Central during the year and the status of applications which are still pending:

REGIONAL AIRPORT

The North Central Area Airport Investigation concerns whether or not eight combinations of cities should be served through regional airports.

In November 1964, the Board rendered a final decision in the case to become effective January 25, 1965. The Board ruled as follows:

In Wisconsin, Marshfield will be served through the Wausau airport, and Wisconsin Rapids will be served through Stevens Point until a suitable regional airport can be constructed in the future to accommodate these four cities. Appleton will be served by the Oshkosh airport and Clintonville by the Green Bay airport. Ashland, Wisconsin will receive its airline service through the Ironwood, Michigan airport. In January 1965, the C.A.B. stayed the effective date of its November order as it pertained to Appleton, Ashland, and Clintonville, pending judicial review of the Board's decision.

In the Michigan Area Airline Service Airport Investigation, the Board is considering whether or not Battle Creek and Kalamazoo should be served through an area airport. A decision on this matter is expected in 1965.

TRANSFER INVESTIGATIONS

In November 1964, the C.A.B. suspended Western Air Lines' authority to serve Huron, South Dakota, giving North Central exclusive service to this city. The Board also granted the company a direct route between Huron and Pierre, South Dakota.

In line with the C.A.B.'s plan to strengthen the regional carriers by the transfer of segments and cities from the trunk airlines to the regionals, North Central has an application on file for the suspension of United Air Lines at Saginaw/Bay City/Midland, Flint, Lansing, and Muskegon, Michigan.

OPERATING FLEXIBILITY APPLICATIONS

The C.A.B.'s program of strengthening the regional airlines includes the relaxing of operating restrictions on existing segments to permit nonstop and skipstop authority.

The company, therefore, has requested authorization between Minneapolis/St. Paul and Chicago, Illinois for (1) nonstop service; (2) one-stop via Milwaukee, Wisconsin; (3) one-stop via Madison, Wisconsin; and (4) three-stop via LaCrosse, Madison, and Milwaukee.

"USE IT OR LOSE IT" PROCEEDINGS

Service to four Michigan cities is being investigated under the Board's "use it or lose it" policy. Cities included are Pontiac, Cadillac/Reed City, and Port Huron. A final decision by the Board is anticipated early in 1965.

DETROIT-TORONTO

Renegotiation of the Bilateral Air Transport Agreement between the United States and Canada was resumed in 1964, and the provision of a Detroit-Toronto route for a U.S. carrier is under consideration. A decision on this matter is expected in 1965. North Central's application for this route will be considered by the C.A.B. after the execution of the Bilateral Agreement. North Central during 1964 applied for the following additional service to Canada: three nonstop routes - Cleveland-Toronto, Milwaukee-Toronto, and Chicago-Toronto—and a one-stop Chicago-Toronto route, via Detroit.

DETROIT-BALTIMORE

North Central's application for authority to operate between Detroit and Baltimore, with intermediate cities of Cleveland and Pittsburgh, is still pending. The 415-mile segment would add two major cities and strengthen the eastern portion of the system.

SIOUX CITY-NORFOLK-DENVER

The Company's application for a 480-mile route segment between the co-terminals of Sioux City, Iowa and Norfolk, Nebraska and the terminal point of Denver, Colorado is still before the C.A.B. If this route is approved, appreciable strength would be gained on the western part of the airline, and another major city—Denver—would be added to the system.

OMAHA-ST. LOUIS

North Central has an application on file for a 400-mile segment from Omaha to St. Louis, via the intermediate cities of Chillicothe and Moberly, Missouri. Besides adding another major city—St. Louis—to the system, it would give North Central its first entry into Missouri.

OMAHA-KANSAS CITY

The company is proposing service to three new cities in its application for a 169-mile segment south of Omaha. The cities are: Falls City, Nebraska; Atchison, and Kansas City, Kansas. This would add the State of Kansas to North Central's system.

RAPID CITY-OMAHA

The company's amendment to the Omaha-Kansas City application requests a route between Norfolk, Nebraska and Rapid City, South Dakota, with nonstop authority between Rapid City and Omaha. The amendment is still on file with the C.A.B.

MONTANA-NORTH DAKOTA-SOUTH DAKOTA ROUTES

North Central has before the C.A.B. an application which would add 1,376 route miles to its system, including 12 cities in Montana, North Dakota, and South Dakota.

TRAFFIC GROWTH

NORTH CENTRAL HAD THE GREATEST passenger and cargo loads in its 17-year history during 1964.

The 1,353,301 passengers carried on the Route of the Northliners was an increase of 11 per cent over 1963. Some 230,232,714 passenger miles were flown, a gain of 13 per cent. During December 1964, the company carried its ten millionth passenger since starting operations in 1948, and was the first regional airline to reach this mark. A new single-day boarding record was set on December 18 when 5,454 passengers were carried.

The total cargo flown in 1964, which includes air freight, express, and mail, was 31,345,523 pounds—13 per cent over the previous record in 1963. Air freight reached an all-time high for North Central when 14,064,515 pounds were carried. This is an

impressive 31 per cent increase. Freight ton miles flown were 1,514,659 last year. The five additional Convair 440's purchased in 1964 helped boost the cargo capacity of North Central's fleet, resulting in these record loads. As more Convairs are acquired, cargo increases will be even greater in 1965.

The company also experienced gains in charter flights during 1964. North Central operated 307 charter flights in 1964, compared with 229 in 1963, for a gain of 34 per cent. Over 7,500 passengers flew on Northliner charters in 1964. This was 46 per cent more than last year.

Since inaugurating scheduled service in 1948, North Central has carried 10,061,477 passengers and flown 1,644,525,963 passenger miles without fatality or injury to passengers or crew members.



North Central's passenger traffic increased 11 per cent in 1964.



More than 31 million pounds of cargo were carried.

OPERATING PERFORMANCE

NORTH CENTRAL CONTINUED to maintain its high operating performance in 1964, as 99 per cent of its 14,406,757 scheduled miles were flown. The airline also achieved an outstanding on-time record, despite the fact that much of the system experiences severe weather in winter months. Of the company's 169,505 flight arrivals in 1964, 85 per cent were on time.

An important element contributing to the airline's excellent operating performance is its impressive maintenance record. In 1964, less than one-tenth of

one per cent of North Central's scheduled flights were cancelled because of mechanical problems. New and improved ground equipment was a key factor in getting the aircraft started on frigid mornings after overnighting in sub-zero temperatures.

In addition to its regularly scheduled flights, the airline operated 766 extra sections to handle passenger traffic at peak times. Some 115,723 miles were flown by these extra sections.

IMPROVED SERVICES

NORTH CENTRAL made substantial improvements in the services offered to its passengers during 1964. In line with its equipment modernization program, the company purchased five more pressurized, Convair 440 aircraft during the year and one early in 1965, bringing the Northliner fleet to 24 Convairs and 18 DC-3's. This permitted increased Convair schedules and the inauguration of Convair service to several cities.

Further consolidation of facilities and improvements in equipment were made in the company's Reservations Center at Milwaukee. As a result, the center now processes nearly 60 per cent of North Central's total reservations bookings. In 1964, Minneapolis, St. Paul, Duluth, Minnesota and Superior, Wisconsin were connected by long distance lines to



Green Bay was one of five cities on North Central's system which completed new terminal facilities during the year.



New electric ticketing machines were introduced to speed passenger check-ins.



The Traffic and Sales Department developed new lighted window displays and a series of multi-color posters.

the Reservations Center, thus bringing to those cities the advantage of immediate seat-availability information.

Another improvement which will facilitate passenger handling at the ticket counters was the installation of new electric ticketing machines. This equipment permits the inclusion of routing, fare, tax, credit card number, station validation, and date of issuance information in one single operation. In addition, this machine has also reduced ticketing costs.

The company joined other air carriers in 1964 in a nation-wide cooperative program for locating misdirected baggage and speeding its return to the passenger. This central electronic operation, located in

Chicago, is called the Airline Baggage Recovery Clearing House.

To increase the passenger capacity of its Convairs, the company began a conversion program in 1964 to add four more seats to each aircraft. When the project is completed, each Convair will accommodate 48 passengers; and the total available Convair seats will be increased nine per cent.

An improved method of communication between operations headquarters and aircraft crews in flight was established last year. The system combines reliable short-range radio with long distance telephone lines and permits direct coordination between flight control and crews. During 1964, Distance Measuring

Equipment was installed in all North Central Convairs. This device provides an additional aid to flight crews in determining the distance of the aircraft from known locations.

Five communities served by North Central completed new terminal buildings: Green Bay and Manitowoc/Sheboygan, Wisconsin; Hibbing/Chisholm, Minnesota; Grand Forks, North Dakota; and Port Arthur/Fort William, Ontario, Canada. The company and several other airlines are planning to move to Detroit Metropolitan Airport when enlarged terminal facilities are completed in 1965. Planning and construction continues on new terminal buildings at Saginaw/Bay City/Midland, Michigan; Bismarck/

Mandan, North Dakota; and Madison, Wisconsin.

The Traffic and Sales Department conducted an aggressive program of sales and service during 1964. North Central's sales force made 19,770 personal sales calls, besides giving speeches and participating in civic meetings and educational programs. Over 60 film presentations were made to 1,600 airline reservations people throughout the United States. A new lighted window display and a series of multicolor travel posters were developed to promote the areas served by the Route of the Northliners. As part of this new program, North Central increased its advertising in the Wall Street Journal and other newspapers throughout its system.



This modernized DC-6B of Lloyd Aereo Boliviano (LAB) is one evidence of North Central's progress in rehabilitating the Bolivian airline.

THE BOLIVIAN PROJECT

NORTH CENTRAL'S FIELD STAFF in Bolivia continued to make progress in 1964 in assisting the airline, Lloyd Aereo Boliviano (LAB). The United States Agency for International Development awarded the company an \$800,000 contract in 1963 to provide managerial and technical assistance to LAB for a two-year period.

The company's general objectives are to develop LAB into a safe, reliable, self-supporting operation that can yield maximum public transportation benefits for domestic and international travelers in Bolivia.

With North Central's assistance, improvements are being made in many areas of LAB's operation. Some of these achievements are: increased pilot proficiency, greater aircraft utilization, modernization of tools and equipment, increased maintenance production, establishment of approved accounting and purchasing procedures, and better utilization of personnel in all departments. These accomplishments are aimed at reducing costs. At the same time, advertising, sales, and public relations activities have been initiated in an effort to promote traffic; and substantial increases in LAB's passenger and cargo boardings have resulted.

With the continuance of the improved management and operations program established by North Central, LAB should soon be able to contribute to Bolivia's economic progress, while attaining a profitable operation.

MANAGEMENT DEVELOPMENT

IN SEPTEMBER 1964, H. P. E. Skoglund was elected to North Central's Board of Directors. Mr. Skoglund is President of North American Life and Casualty Company, Minneapolis. He is a director of a number of corporations and also Chairman of the Board of Regents of St. Olaf College in Northfield, Minnesota. His extensive business experience will be important to North Central's further development.

The Board of Directors also named two Assistant

Secretaries of the company during 1964. These are: Delmar F. Drumm, Staff Assistant to the Chairman of the Board; and Jerrold Scoutt, Jr., North Central's legal counsel in Washington, D.C.

During the year North Central continued its executive development program designed to make available from within the organization managerial personnel necessary to accommodate the company's future growth.

TOWARD THE FUTURE

NORTH CENTRAL'S RECORD profits for 1964 are an indicator of the company's earnings potential. The airline has achieved the best financial position in its entire history. New routes, elimination of unprofitable segments and cities, further cost control, and more Convair aircraft will all contribute to a successful future and continued record earnings in 1965.

The company's flight equipment program is progressing according to schedule. Convairs are being added as rapidly as the airports on the system are improved to accommodate the larger aircraft and traffic develops to justify their use. By the end of 1965, 85 per cent of the total seat miles will be with Convairs; and by the Spring of 1966, this will increase to over 90 per cent. North Central's experience with the Convair indicates that this aircraft will continue to produce increased revenues from passenger and cargo traffic.

Management is optimistic about the effect the Civil Aeronautics Board's policy of strengthening the regional carriers will have on North Central. The Board's program includes: relaxation of operating restrictions to permit nonstop and skip-stop authority, the "use it or lose it" policy of eliminating marginal cities, the regional airport concept, and the transfer of routes and cities from trunk airlines to regional carriers. North Central anticipates future gains as a result of this program and will continue to file applications related to these policies.

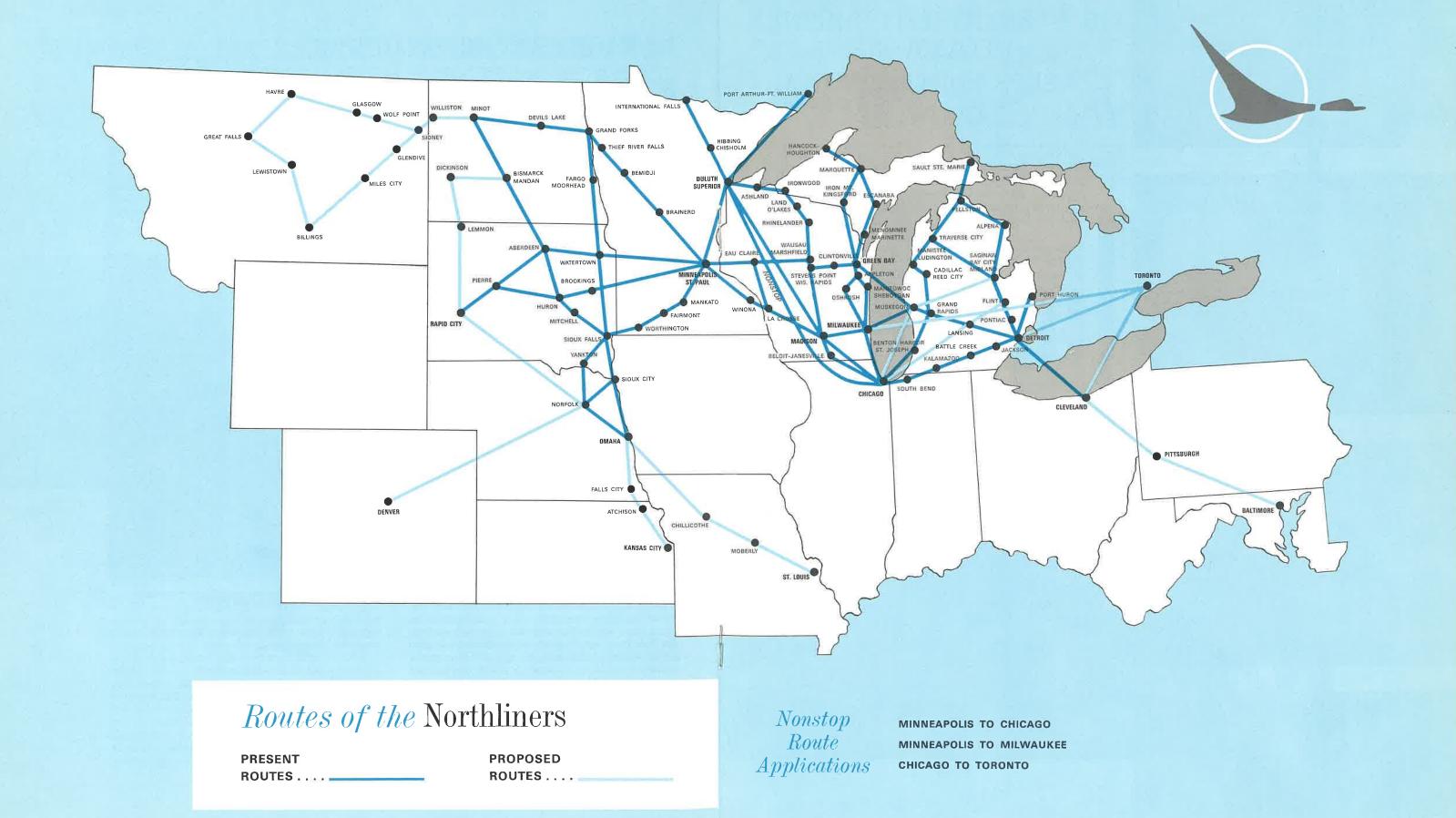
North Central management is pursuing the possibility of mergers with other regional carriers. The company's strong financial position and its leadership in the regional airline industry give assurance



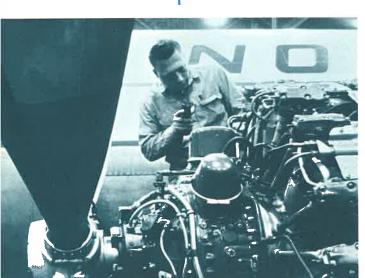
North Central has the largest flight-crew corps of any regional airline.

that any future merger would substantially benefit the company.

Even though the gains in all categories of traffic in 1964 were substantial and produced record profits, 1965 will be an even greater year for the airline. With improvements in the company's route structure and the scheduling of more Convairs, North Central anticipates further traffic increases. The additional revenue from this growth, along with the company's continued cost control program, should result in record profits again in 1965.











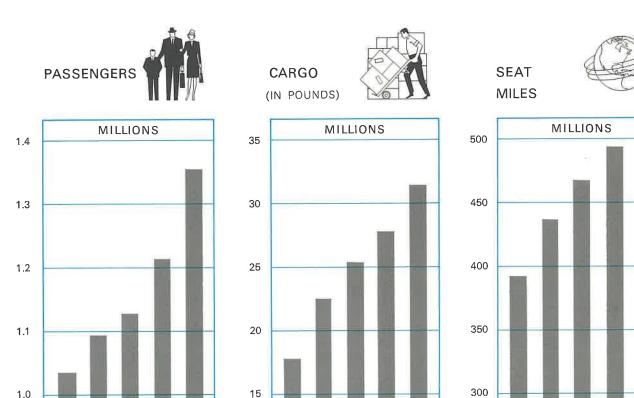
TEAMWORK KEEPS NORTH CENTRAL GROWING

- North Central's well trained personnel take pride in providing exceptional service to their passengers. Many kinds of specialists are needed to keep the Northliners flying. Every employee plays an important part in making North Central a leader in the industry.
- 1 New uses for the company's 1401 IBM data processing equipment provide improved methods for carrying out the cost control program.
- 2 Thorough and exacting maintenance helps North Central retain its outstanding record in performance, reliability, and safety.
- 3 The efforts of efficient ground operations personnel contribute substantially to maintaining North Central's excellent operating performance.
- **4** The consolidated reservations center at Milwaukee handles 60 per cent of the company's reservations.
- 5 Added to the Convair pre-flight check is newly installed Distance Measuring Equipment, which improves navigation precision.
- 6 Employee teamwork makes North Central's aircraft a welcome sight across 10 Midwest states and Canada.



5

ANOTHER FIVE YEARS OF RECORD PROGRESS



North Central's passengers and cargo have increased each year. During 1964, the company experienced an 11 per cent increase in passenger traffic and a 13 per cent gain in cargo. The public was offered 513,226,000 available seat miles in 1964. This is more than in any other year of the company's history. North Central became the first

1960 '61 '62 '63 '64

regional airline in the country to carry 10 million passengers since inauguration of service. Five additional Convair 440's joined the Northliner fleet in 1964. With the acquisition of more Convairs in 1965, North Central should realize even greater gains in passenger and cargo traffic.

1960 '61 '62 '63 '64



1960 '61 '62 '63 '64

North Central Airlines, Inc.

BALANCE SHEET, December 31, 1964



ASSETS

CURRENT ASSETS

Cash		\$ 1,253,874
Accounts receivable		
Public service revenue (Note 1)	\$ 863,163	
Traffic	2,499,066	
Other	451,037	3,813,266
Flight equipment parts, at average cost (less deterioration reserves of \$276,041)		951,414
Maintenance and operating supplies		277,354
Prepaid expenses and sundry deposits		786,610
Total current assets		7,082,518
OPERATING PROPERTY AND EQUIPMENT—at cost Flight equipment (Note 2) Ground equipment Hangar buildings and improvements to leased property Furniture and fixtures Less accumulated depreciation	14,285,169 1,376,434 626,950 357,418 16,645,971 7,215,851	9,430,120
DEFERRED CHARGES Route development costs	127,648 205,366 70,593	
Other	56,260	459,867
		\$16,972,505

LIABILITIES

CURRENT LIABILITIES		
Current maturities of long-term debt		\$ 1,348,065
Accounts payable		
Trade		
Traffic	1,690,118	2,775,408
Unearned transportation revenue		161,465
Taxes withheld or collected as agents		368,792
Income taxes (Note 5)		538,777
Accrued liabilities		
Salaries and wages ১ ১ ১ ১ ১ ১ ১ ১ ১ ১ ১ ১	737,180	
Payroll and property taxes	122,866	
Other	594,907	1,454,953
Total current liabilities		6,647,460
LONG-TERM DEBT (Note 2)		
Notes payable to banks	6,631,000	
Other notes payable, collateralized in part by pledge of certain equipment, payable in monthly installments	330,115	
5½% subordinated debentures	851,500	
~	7,812,615	
Less current maturities	1,348,065	6,464,550
CONTINGENT LIABILITY (Note 3)		-
STOCKHOLDERS' EQUITY		
Common stock—authorized, 10,000,000 shares of \$.20 par value; issued and outstanding, 8,732,038 shares	1,746,408	
Paid-in capital	295,246	
·	2,041,654	
Retained earnings	1,818,841	3,860,495
		\$16,972,505

The accompanying notes are an integral part of this statement.

North Central Airlines, Inc.



617,359

Statement of Earnings/Year ended December 31,1964

TRANSPORTATION REVENUE	
Passenger	\$20,002,281
Mail	476,454
Public service revenue (after excluding \$600,000	
profit-sharing to Government) (Note 1)	7,289,982
Freight and express	1,370,356
Excess baggage	140,315
Non-scheduled transport service	358,200
Other	92,801
	29,730,389
OPERATING EXPENSES	
Flying operations	
Maintenance . , . ,	
Passenger service	
Aircraft and traffic servicing	
Promotion and sales	
General and administrative	
Depreciation and amortization (including \$77,514 of	
extension and development expenses)	27,673,472
Operating profit	2,056,917
OTHER (INCOME) AND DEDUCTIONS	
Interest	
Prior years' adjustment (Note 1)	
Sundry—net	553,259
Earnings before income taxes	1,503,658
INCOME TAXES (Note 5)	
States	
Federal, less current year investment credit—\$47,201	886,299

The accompanying notes are an integral part of this statement.

Statement of Retained Earnings / Year ended December 31, 1964

Retained earnings—December 31, 1963	1	1,201,482
Net earnings for the year	18 16 <u>.</u>	617,359
Retained earnings—December 31, 1964 and an analysis and a second and a	w 0. ¶	1,818,841

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 1964

1. PUBLIC SERVICE REVENUE—Under the profit sharing provision of the class rate a settlement was reached during the year with the Civil Aeronautics Board for 1961 which resulted in a net charge to income of \$86,000. Years 1962 through 1964 are open to review by the C.A.B. and the company has provided \$258,500 for possible 1962 and 1963 adjustments. Of this amount, \$200,000 is included in this statement of earnings as prior years adjustments and the balance was provided for in 1963.

The \$242,817 shown as prior years' adjustment consists of the above profit sharing adjustments of \$286,000 less deferred investment tax credits for 1962 and 1963 in the amount of \$44,000.

2. LONG-TERM DEBT—Debt originating primarily from the acquisition of flight equipment and related spare parts aggregates \$7,812,615. The equipment and parts are pledged as security to two banks under the loan agreement in existence. The unpaid balance of \$6,631,000 consists of two 5½% notes with balances of \$5,631,000 and \$1,000,000. Final payments are due in 1969 in which year monthly payments aggregating \$1,381,000 become payable. Interest on all notes is payable monthly; principal is payable in varying monthly installments. Among other provisions, the company is required to maintain current assets of at least \$1,000,000 in excess of current liabilities, exclusive of the amount due noteholders.

The 5½% subordinated convertible debentures are subject to redemption in whole or in part at the election of the company at any time prior to maturity, June 1, 1978. The holders have the option to convert the principal into common stock at stipulated conversion prices during the same period. These debentures are subordinate as to principal and interest on notes payable.

3. LONG-TERM LEASES AND CONTINGENCIES—The company has major lease commitments at Chicago's O'Hare Field, Minneapolis/St. Paul Metropolitan Airport, and Detroit's Willow Run and Metropolitan Wayne County Airports, O'Hare's lease expires in 1999, Minneapolis in 1978 and 1989, Willow Run in 1967 and Wayne County in 1989. Management anticipates the annual cost of these locations, including landing fees, to approximate \$600,000.

Under the provisions of current union contracts, the company is obligated to provide paid vacations to its employees which constitutes a continuing liability of approximately \$400,000.

4. PENSION PLANS—The company contributes annually to a Pilots' Retirement Plan which was established in 1956. The contribution charged against income for the year 1964 amounted to \$417,985 and at December 31, 1964, all unfunded past service liability had been paid.

As of January 1, 1964, a pension plan was established for salaried employees not covered under union contract. Funding requirements and other expenses for 1964 totaled \$97,526. Unfunded past service requirements are estimated by management

5. INCOME TAXES—Federal and Minnesota income tax returns have been examined through 1963 and there exists no unpaid assessments resulting therefrom. A refund claim is currently pending with the State of Wisconsin for 1961-1963.

The current year's provision of \$886,299 is based upon earnings before the deduction of the \$200,000 described in Note 1, above.

ALEXANDER GRANT & COMPANY

Certified Public Accountants 811 East Wisconsin Avenue Milwaukee 2, Wisconsin

Stockholders and Directors North Central Airlines, Inc.

We have examined the balance sheet of NORTH CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1964 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. Since it was not practicable to confirm receivables from United States Government departments and agencies, we satisfied ourselves with respect to such receivables by means of other auditing procedures.

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, 1964 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.

Alexander Grant & Company

Milwaukee, Wisconsin February 17, 1965

FIVE-YEAR FINANCIAL SUMMARY

		1000	4000	1061	1000
OPERATING REVENUES	1964	1963	1962	1961	1960
Passenger	\$20,002,281	\$18,064,524	\$16,799,514	\$15,631,735	\$12,660,869
Mail and Public Service Revenue	7,766,436	8,335,335	8,992,093	8,466,678	8,054,111
Other	1,961,672	1,701,350	1,367,944	1,112,046	886,554
TOTAL	\$29,730,389	\$28,101,209	\$27,159,551	\$25,210,459	\$21,601,534
OPERATING EXPENSES					
Direct Expenses	\$13,666,142	\$13,100,309	\$12,873,796	\$12,405,644	\$13,815,675
Indirect Expenses	12,303,601	11,805,781	11,570,053	10,766,044	9,653,514
Depreciation and Amortization	1,703,729	1,521,376	1,190,630	1,110,398	888,043
TOTAL DO	\$27,673,472	\$26,427,466	\$25,634,479	\$24,282,086	\$21,357,232
Operating Profit		1,673,743	1,525,072	928,373	244,302
Non-operating Income and Expenses, Net	(553,259)	(392,380)	(335,014)	(269,483)	(229,282)
Net Profit Before Taxes	\$ 1,503,658	\$ 1,281,363	\$ 1,190,058	\$ 658,890	\$ 15,020
Income Taxes.	886,299	775,652	655,725	305,776	
Net Profit After Taxes	\$ 617,359	\$ 505,711	\$ 534,333	\$ 353,114	\$ 15,020
					-







He'll do anything for you.

Get you to a business appointment hundreds of miles away...fresh and relaxed. Bring you back the same day. No problem. Herman brings air-travel accessibility to 91 cities in 10 midwestern states and Canada.

When Midwest business calls, III NORTH CENTRAL AIRLINES





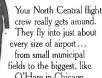
Talk about repeat business! This North Central stewardess could be on a first-name basis with most of her passen

NORTH CENTRAL'S NATIONAL ADVERTISING PROGRAM

Promotes North Central's service to business travelers and shippers from all over the United States

A series of advertisements currently appearing in the Wall Street Journal remind businessmen that North Central links all metropolitan areas with the 91 cities it serves in the Midwest. The ads are designed to emphasize the capabilities of the airline's experienced personnel and the company's efficient operating performance.

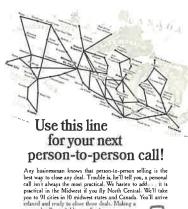
We can introduce you to the world's foremost authorities on airports



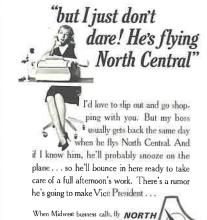
crew really gets around. They fly into just about O'Hare in Chicago.

Versatile, Skillful, On-the-ball, It's all a part of what makes up Northliner service to 91 cities in 10 midwestern states and Canada.

When Midwest business calls, fly NORTH
CENTRAL
AIRLINES



When Midwest business calls, fly NORTH CENTRAL AIRLINES



Safety

THE NATIONAL SAFETY COUNCIL'S coveted Award of Honor was presented to North Central in 1964 for having no fatal accidents during the previous year, and an accident rate lower than the average for its group in the preceding three years. The airline has won a safety citation every year since it began scheduled operations in 1948.

North Central was also given the "Marsh & McLennan Safety Award" in 1964. This award was based on the company's management participation in accident-prevention activities, selfinspection programs, training of personnel in accident prevention, and a minimum of three years' statistical data attesting to its safe operation. North Central received the award in recognition of its safety record which the insurance brokerage firm called "one of the most enviable in the airline industry."

Since inaugurating service February 24, 1948, North Central has carried 10,061,477 passengers and flown 1,644,525,963 passenger miles without a single fatality or injury to passengers or crew members.







NORTH CENTRAL AIRLINES, INC.

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