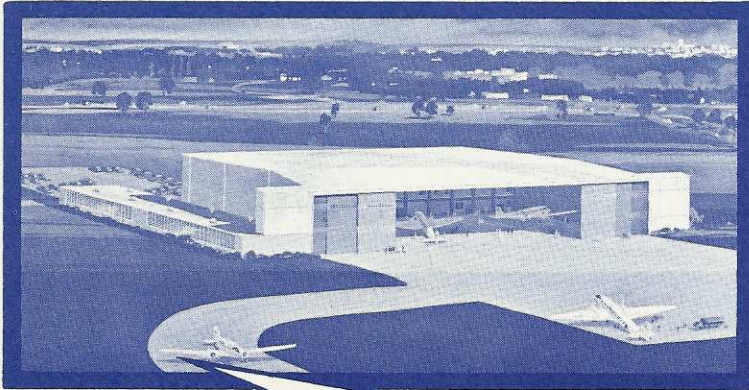
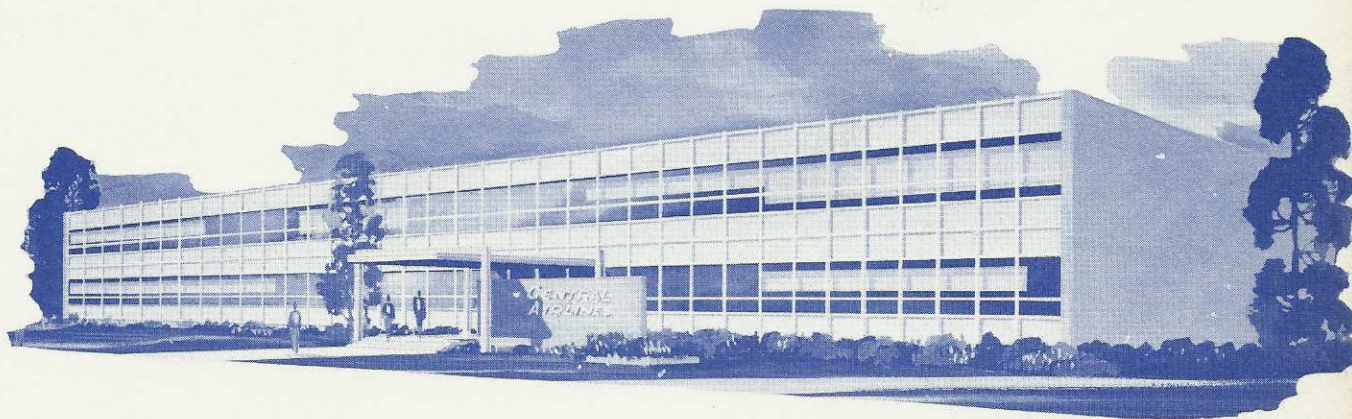


1958

ANNUAL REPORT



CENTRAL AIRLINES, INC.



DIRECTORS

***F. Kirk Johnson**
Fort Worth, Texas
Chairman

A. S. Aldridge
Fort Worth, Texas

***Fred Boston**
Enid, Oklahoma

Andrew A. Bradford
Midland, Texas

***Thomas S. Byrne**
Fort Worth, Texas

T. Patrick Carr
Fort Worth, Texas

Joe C. DeBona
Los Angeles, California

***Donald B. Ehrhart**
Fort Worth, Texas

Richard D. Fuller
Milwaukee, Wisconsin

Guy Gadbois
Beverly Hills, California

***R. E. Harding, Jr.**
Fort Worth, Texas

John M. Hollern
Minneapolis, Minnesota

***F. E. Howe**
Fort Worth, Texas

***Luther Hudson**
Fort Worth, Texas

F. Kirk Johnson, Jr.
Midland, Texas

***Keith Kahle**
Fort Worth, Texas

William W. McGhee
Fort Worth, Texas

Wm. G. Mitsch, Jr.
St. Paul, Minnesota

James M. Stewart
Beverly Hills, California

***Robert Thomas**
Fort Worth, Texas

Fritz Thompson
Borger, Texas

R. L. Wageneck
Fort Worth, Texas

Robert L. Wood
Midland, Texas

*EXECUTIVE COMMITTEE

OFFICERS

F. Kirk Johnson.....Chairman of the Board

Luther Hudson.....Vice Chairman of the Board and General Counsel

Keith Kahle.....President

F. E. Howe.....Executive Vice President and Treasurer

A. S. Aldridge.....Vice President, Traffic and Sales

R. L. Wageneck.....Vice President, Operations

C. E. Lundstrom.....Secretary and Assistant Treasurer

Alicia H. Pritchett.....Assistant Secretary

Pearl Crawford.....Assistant Secretary

Betty D. Gahagan.....Assistant Secretary

Legal Counsel: Pogue & Neal
Washington, D. C.

CENTRAL AIRLINES

HOME OFFICE: MEACHAM FIELD, FORT WORTH, TEXAS

PASSENGERS U. S. MAIL CARGO
MEACHAM FIELD • FORT WORTH, TEXAS

F. KIRK JOHNSON
CHAIRMAN
BOARD OF DIRECTORS

KEITH KAHLE
PRESIDENT

CENTRAL AIRLINES

April 7, 1959

Central Airlines Shareholders, Employees, Directors, Customers and Friends:

Central Airlines, during the fiscal year ending September 30, 1958, continued its upward climb in regard to income, passenger revenues and route expansion.

Central Airlines flew more revenue miles, carried more revenue passengers and cargo this year than in any previous year in its history. Results are detailed in other sections of this Annual Report. It is with pleasure that I call to your attention the 17% increase in number of revenue passengers carried, as 132,554 passengers used our facilities during the fiscal year. Central's passenger revenues were \$1,697,876, as compared to \$1,399,253., up 21%. Your company showed a 14% increase in revenue passenger miles flown in the fiscal year 1958 over 1957, and in so doing topped the 25,000,000 mile mark for the first time with 25,731,000. Plane miles flown increased 12% as we extended our services to include a new route from Kansas City, Missouri to Wichita, Kansas via Topeka, Kansas, plus increasing flight frequencies on other segments with the result that Central Airlines flew over 3,600,000 miles. A 17% increase in ton miles of mail, freight and express flown was experienced.

Contributing factors to our traffic increases were continuous training programs conducted by our senior staff members for those of our employees who have daily contact with the public - our station personnel, reservationists and stewardesses, and a broader advertising program. Central's advertising program during the year was the largest in its history, utilizing various mediums.

Central Airlines' financial statement reflects a very modest net profit for the year of \$7,071.77. It must be remembered that these financial figures are only tentative, due to the fact the company has been operating under a temporary mail rate from the Civil Aeronautics Board since April 6, 1956. It is reasonable to assume there will be improvement in these net profit figures once our final rate is established for the back period.

Central Airlines employees take pride in the position your company holds among the nation's 13 local service airlines. During the year ended September 30, 1958 your company was one of only two of the 13 local service airlines to record a decrease in total operating cost per mile over the costs for the previous year. Further, Central Airlines was one of only three of the thirteen local service airlines to record a decrease in subsidy requirements on a per mile flown basis, reducing this need 3.79¢ per mile for the year ended September 30, 1958 as compared to the year ended September 30, 1957. Also of much interest is the 208% increase in revenue passenger miles flown during 1958 over those flown during 1954. This is the largest increase of any local service airline in this period.

Dallas Rupe & Son, Inc., investment bankers of Dallas, Texas, a member of the New York Stock Exchange and Member (Associate) American Stock Exchange, began trading Central Airlines common stock on January 19, 1959 and has maintained a market in the stock. While Central Airlines stock has been publicly held for some years, this is the first time that a brokerage house has maintained a market.

During May 1958, ground-breaking ceremonies were held at Amon Carter Field, Fort Worth, Texas for Central Airlines' new hangar-maintenance base, and general office building. Pictures of these building facilities now under construction appear elsewhere in this report. The hangar and maintenance shops will have approximately 80,000, sq. ft., and the office building approximately 18,000 sq. ft. Your company and its employees have long been handicapped with our present over-crowded and inadequate facilities at Meacham Field, Fort Worth, Texas which are eighteen miles off our designated routes. It is with understandable eagerness that Central's working family looks forward to occupying the new facilities in early summer. We cordially invite all of you to visit the new facilities after we have occupied them.

Under detailed study by your management is the vital subject of the replacement aircraft for the DC-3 to be operated only on certain segments of Central's present routes. Management has not made a formal recommendation, but at this writing is finalizing a detailed study of this project for formal submission to the Board of Directors. It is anticipated that this policy decision, by the Board of Directors, will be made this spring, 1959.

During June, 1958 Central Airlines activated a new route granted by the Civil Aeronautics Board on an exemption authority basis, between Kansas City, Missouri and Wichita, Kansas, via Topeka, Kansas. Central certainly welcomes this new route and the capital city of Kansas to our system. In fact, Topeka has developed into one of our top five passenger-producing cities. On February 1, 1959 your company activated a route extension granted by the Civil Aeronautics Board, on exemption authority, from Amarillo, Texas to Lubbock, Texas, via Plainview, Texas. Central looks forward with great eagerness to the privilege of serving the Hi-Plains area.

Your company counts as its principal resource for further development and progress the continued interest and cooperation of our valued customers, stockholders, employees, Board of Directors and friends. With the cooperation of all of these vital groups, Central Airlines will continue to improve and expand its services to the traveling and shipping public.

Respectfully submitted,

Keith Kahle
Keith Kahle

FINANCIAL REVIEW

Total revenues for the year amounted to \$4,596,984. Passenger revenues totaled \$1,697,876, a 21% increase over the previous year. Total revenues for the year increased \$691,164 over 1957, an 18% increase.

Costs continued to increase and operating expenses for the year amounted to \$4,549,805, a 12% increase over the previous year. However, 376,757 more plane miles were flown this year than last, which contributed substantially to the dollar increase in operating expenses. The operating cost per mile flown increased 1% over the previous year from \$1.2607 per mile to \$1.2729 per mile this year.

Net operating income for the year after provision for income taxes, was \$7,071. In addition, the company also received, as a result of its amended temporary rate petition, the sum of \$129,074 applicable to the period April 6, 1956 through September 30, 1957.

In January, 1958, the company paid the five percent preferred stock dividend due preferred stockholders of record January 1, 1958, in the amount of \$8,165.

Current Assets at September 30, 1958, totaled \$1,233,310 and Current Liabilities totaled \$1,144,607, including \$120,000 due within one year on long term debt.

The company's long term debt at this year end amounted to \$273,000. This obligation is secured by the company's eleven owned aircraft and is being retired at the rate of \$10,000 per month.

TRAFFIC AND SALES

Continuance of the company's growth and progress during this year is evidenced by the substantial increases in revenue miles flown, revenue passengers carried, revenue passenger miles flown, percentage of available seats used, and cargo ton miles flown.

The company carried 132,554 revenue passengers during the year, up 17% from the 113,377 passengers carried the previous year. The percentage of seats utilized increased to 34.1% from the 33.5% recorded in 1957. The number of revenue plane miles flown increased 12%, from 3,234,585 in 1957 to 3,611,342 in 1958. The number of available seat miles increased from 67,631,000 to 75,525,000 an increase of 12%. Revenue passenger miles flown increased 14% in 1958 to 25,731,000 from 22,627,000 in 1957. The number of cargo ton miles flown increased from 81,296 in 1957 to 95,181 in 1958, an increase of 17%.

MAIL RATE STATUS

The company has been operating on a temporary mail rate since April 6, 1956. This rate is intended to provide only the company's "break even need", (the difference between commercial revenues and operating expenses), and does not provide for return on investment.

It is reasonable to assume that reported financial results for the period since April 6, 1956, and including this year under review, will be improved when a final mail rate for that period is established.

FLIGHT EQUIPMENT

The company operates a fleet of fourteen Douglas DC-3 aircraft. Eleven of these aircraft are owned and three are being leased from the United States Navy.

NEW HEADQUARTERS FACILITIES

Construction of a new and modern hangar and maintenance facility and general office building was begun in May, 1958 at Amon Carter Field, Fort Worth. It is anticipated that these new facilities will be occupied during early summer, 1959.

The company's present inadequate headquarters are located at Meacham Field, formerly Fort Worth's commercial airport, eighteen miles from Amon Carter Field where all of the company's flights originate and terminate.

The new headquarters, which were designed by the company, are being erected by the City of Fort Worth at a cost of approximately \$1,400,000, and are leased to the company for twenty-six years from date of occupancy.

SERVICE TO TOPEKA, KANSAS

Service to Topeka, the capital city of Kansas, on a route segment extending between Wichita, Kansas and Kansas City, Missouri, was activated June 16, 1958. This service is being provided under temporary exemption authority granted May 19, 1958.

SERVICE TO PLAINVIEW AND LUBBOCK, TEXAS

Service to Plainview and Lubbock, Texas, on a route segment extending south from Amarillo, Texas, was activated February 1, 1959. This service is being provided under temporary exemption authority granted January 26, 1959.

NEW ROUTE APPLICATIONS

Kansas-Oklahoma Case

This is one of a series of large area investigations instigated by the Civil Aeronautics Board to consider changes, deletions and additions to the local service airline systems of the nation. Central Airlines and three other local service airlines are applicants for new routes in this case and four trunk lines are involved in issues of suspension of trunk line services to be replaced by local service at thirteen cities.

The Civil Aeronautics Board also placed in issue the investigation of the possibility of operation by only a single local service carrier in the area bound by Kansas City and St. Louis on the north and by Wichita, Tulsa, and Fort Smith on the south. Central Airlines and Ozark Airlines presently conduct local service operations in this area.

Central's applications in this area investigation not only cover new routes, but also proposed a realignment of present route segment designations and liberalized operating authority for limited-stop flights between terminal points, which, if granted, will permit Cen-

Kansas-Oklahoma Case continued

tral a very desirable operating flexibility.

The route segments as designated in Central's proposals, including re-alignment of present routes and addition of new routes, are as follows:

Segment 1. Between the terminal point Amarillo, Tex., the intermediate points Borger, Tex., Oklahoma City, Okla., and the terminal point Tulsa, Okla.

Segment 2. Between the terminal point Wichita, Kans., the intermediate points Ponca City, Enid, Oklahoma City, Lawton-Fort Sill and Duncan, Okla., and the terminal point Dallas-Fort Worth, Tex.

Segment 3. Between the terminal point Fort Worth, Tex., the intermediate points Dallas, Tex., McAlester, Okla., Fort Smith, Ark., Muskogee, Tulsa, Bartlesville, and Ponca City, Okla. (or the alternate intermediate points Bartlesville and Ponca City, Okla.), and the terminal point Wichita, Kans.

Segment 3a. Between the terminal point Fort Worth, Tex., the intermediate points Dallas and Sherman-Denison, Tex., Ardmore and Ada, Okla., and (a) beyond Ada, the terminal point Tulsa, Okla., and (b) beyond Ada, the terminal point Oklahoma City, Okla.

Segment 4. The terminal point Tulsa, Okla., the intermediate points Fayetteville, Fort Smith, Hot Springs, and Little Rock, Ark., and the terminal point Memphis, Tenn.

Segment 5. Between the terminal point Kansas City, Mo., the intermediate points Springfield, Mo., Harrison, Ark., Little Rock, Ark., and the terminal point Memphis, Tenn.

Segment 6. Between the terminal point Fort Worth, Tex., the intermediate points Dallas and Paris, Tex., Fort Smith and Fayetteville, Ark., and (a) beyond Fayetteville, the alternate intermediate points Joplin and Springfield, Mo., and the terminal point Kansas City, Mo., and (b) beyond Fayetteville, the alternate intermediate points Harrison, Ark., and Springfield, Mo., the intermediate point Fort Leonard Wood-Rolla, Mo., and the terminal point St. Louis, Mo., with the right to serve Fort Leonard Wood-Rolla on either the flights serving Springfield or the flights serving Harrison.

Segment 7. Between the terminal point St. Louis, Mo., the intermediate points Springfield and Joplin, Mo., and (a) Pittsburg, Kans., and the terminal point Wichita, Kans., and (b) beyond Joplin, the terminal point Tulsa, Okla.

Segment 8. Between the terminal point Tulsa, Okla., the intermediate point Bartlesville, Okla., and (a) beyond Bartlesville, the terminal point Kansas City, Mo., and (b) beyond Bartlesville, the intermediate points Tri-City and Topeka, Kans., and the terminal point Kansas City, Mo.

Segment 9. Between the terminal point Kansas City, Mo., the intermediate points Topeka, Manhattan/Ft. Riley/Junction City and Salina, Kans., and (a) beyond Salina, the intermediate points Hays and Goodland, Kans., and the terminal point Denver, Colo., and (b) beyond Salina, the intermediate point Hutchinson, Kans., and (a) beyond Hutchinson, the terminal point Wichita, Kansas., and (b) beyond Hutchinson, the intermediate points Great Bend, Kans., Colorado Springs, Colo., and the terminal point Denver, Colo.

Segment 10. Between the terminal point Wichita, Kans., the intermediate points Dodge City and Garden City, Kans., Lamar, Pueblo and Colorado Springs, Colo., and the terminal point Denver, Colo.

Segment 11. Between the terminal point Omaha, Nebr., the intermediate points Lincoln, Nebr., and Manhattan/Ft. Riley/Junction City, Kans., and (a) beyond Manhattan/Ft. Riley/Junction City, the terminal point Wichita, Kans., and (b) beyond Manhattan/Ft. Riley/Junction City, the intermediate points Salina and Hutchinson, Kans., and the terminal point Wichita, Kans.

Segment 12. Between the terminal point Denver, Colo., the intermediate points Colorado Springs, Pueblo, and Lamar, Colo., Guymon, Okla., Liberal Kans., (or Liberal, Kans., and then Guymon, Okla.) and Enid, Okla., and the terminal point Oklahoma City, Okla.

Segment 13. Between the terminal point Amarillo, Tex., the intermediate points Borger, Tex., Guymon, Okla., Liberal, Wichita, and Topeka, Kans., and the terminal point Kansas City, Mo.

to be known as route No. 81."

Evidentiary hearings in this case have been completed and a final decision by the Civil Aeronautics Board may be expected in late 1959.

Southwestern Area Case

The Civil Aeronautics Board has indicated that another local service area investigation, tentatively entitled the Southwestern Area Case, probably encompassing most of Texas, southern Oklahoma, parts of New Mexico and Colorado, is to be set for hearing. No dates have been established for activation of this case but present indications are that the case will become active during the year 1959. Central is readying detailed applications in this area in addition to the following applications already on file:

(a) Between Fort Worth/Dallas, Texas, and the terminal points El Paso, Texas, Albuquerque, New Mexico, and Amarillo, Texas, via such intermediate points as the Civil Aeronautics Board may designate but specifically to Abilene, Midland/Odessa, and Lubbock, Texas.

(b) Between Amarillo, Texas, and El Paso, Texas, via Clovis, Roswell and Alamogordo, New Mexico.

(c) Between Duncan, Oklahoma, and Abilene, Texas, via Wichita Falls, Texas.

(d) Between Oklahoma City, and Amarillo, Texas, via Lawton-Ft. Sill, Oklahoma, Wichita Falls, Lubbock, and Plainview, Texas.

Service to Pueblo, Colorado

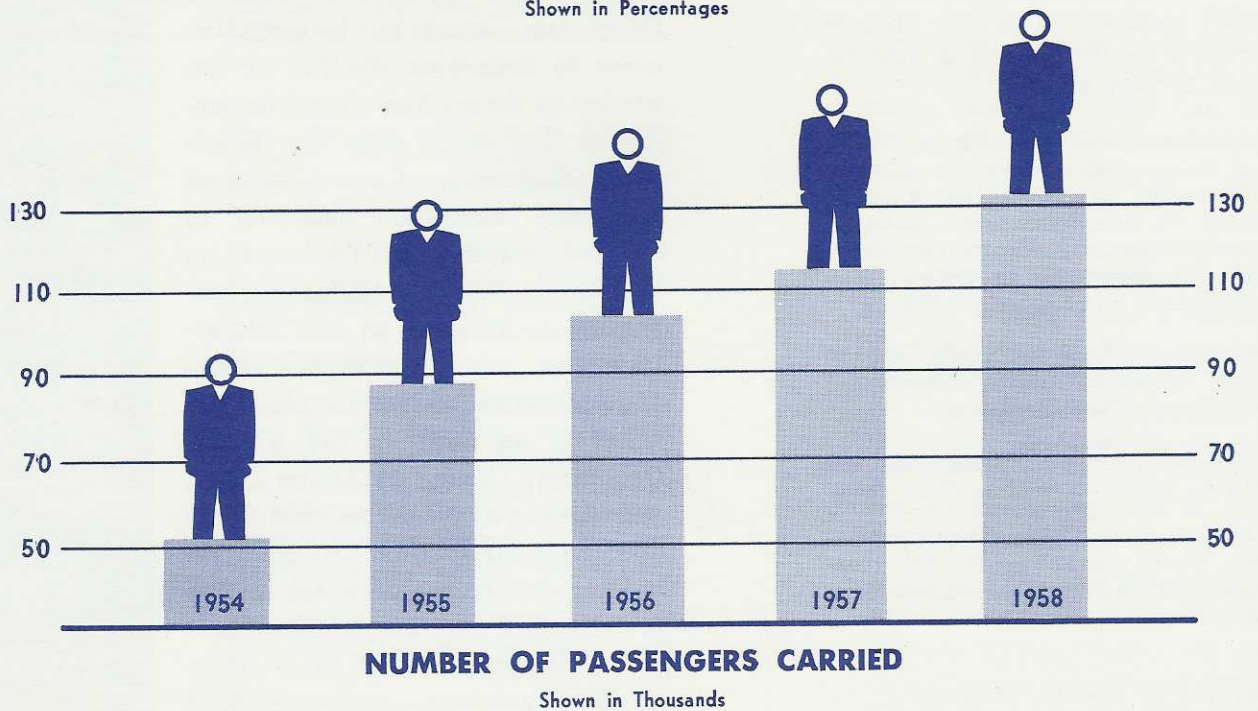
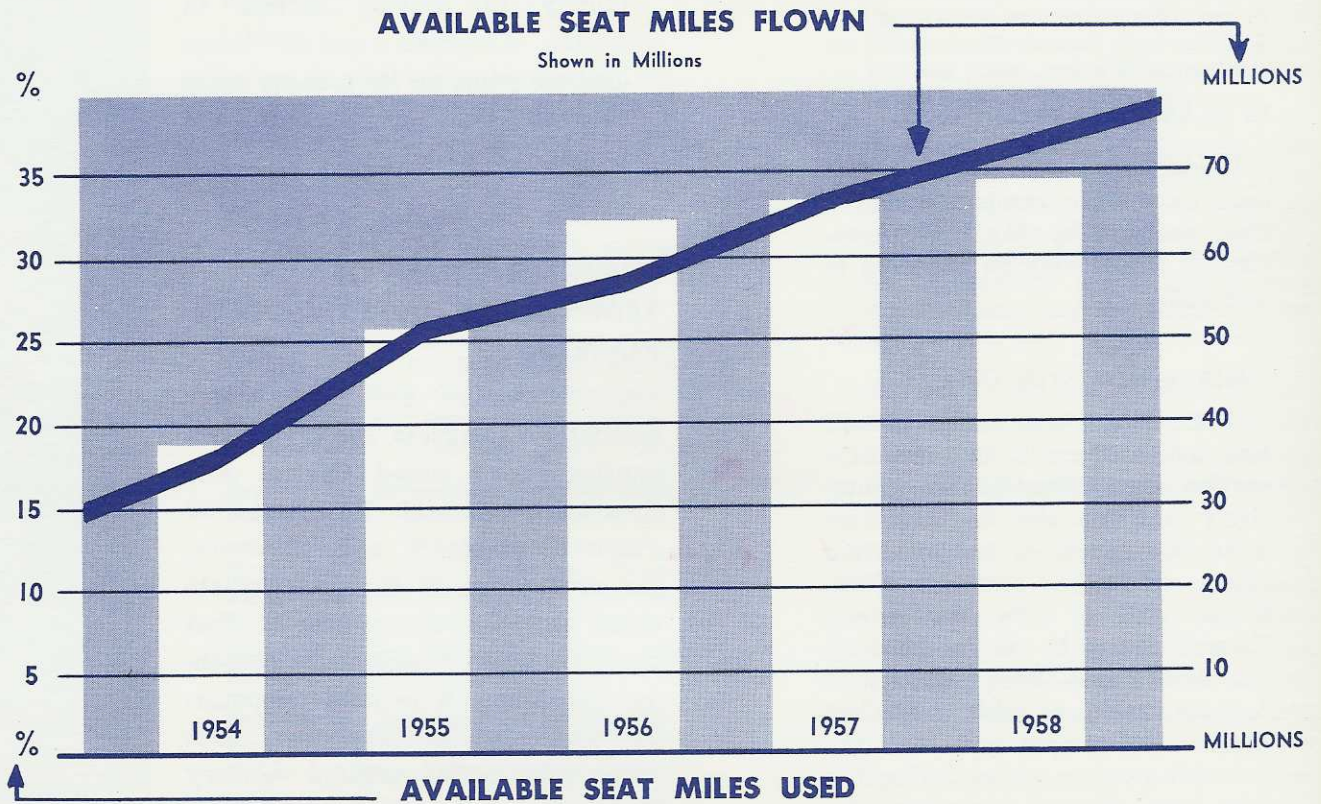
Central has pending before the Civil Aeronautics Board an applica-

tion for temporary exemption authority to provide service to Pueblo, Colorado, as an intermediate point on its present route between Colorado Springs and Lamar, Colorado.

INVESTIGATION OF TEMPORARY INTERMEDIATE POINTS

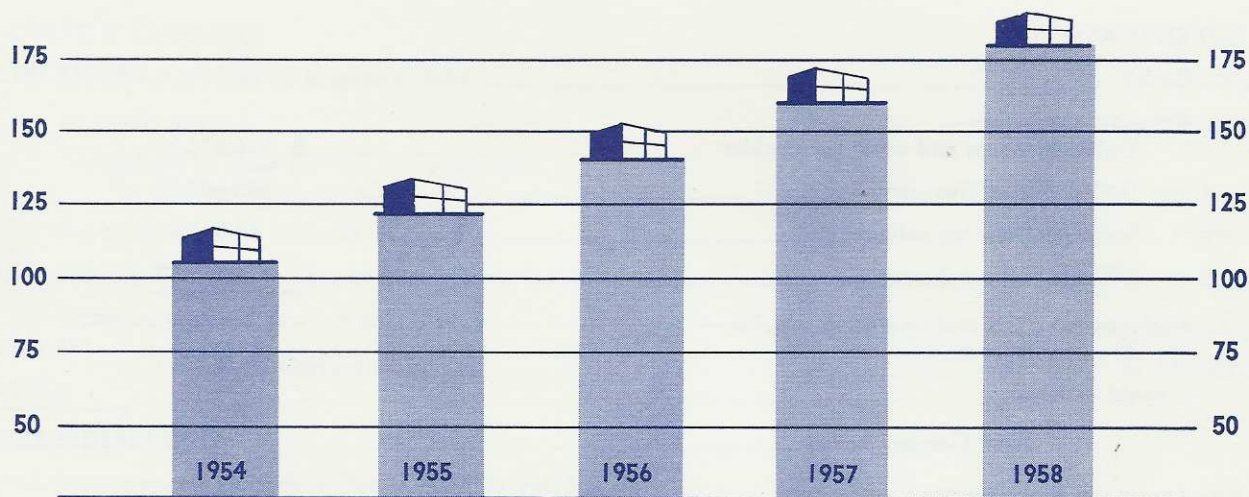
On November 21, 1955, under mandate of Congress, the Civil Aeronautics Board issued Central Airlines a permanent Certificate of Public Convenience and Necessity. However, seven of the intermediate cities on Central's routes at that time, because of inadequate passenger boardings, were only temporarily certificated for three years. That three year period expired January 19, 1959 and the Civil Aeronautics Board has issued an investigation order to determine whether or not service to these cities should be continued. The seven cities are Woodward, Oklahoma (Central received temporary exemption authority to suspend service to Woodward on January 14, 1957 and permanent suspension is at issue on the Kansas-Oklahoma case), Stillwater, Oklahoma (continued service to Stillwater is an issue in the Kansas-Oklahoma Case), McAlester, Ada and Ardmore, Oklahoma, and Paris and Sherman-Denison, Texas. No hearing dates have been set in this investigation and the company continues to serve each of these cities, except Woodward, pending a final decision in this matter by the Civil Aeronautics Board.

FIVE YEARS GROWTH



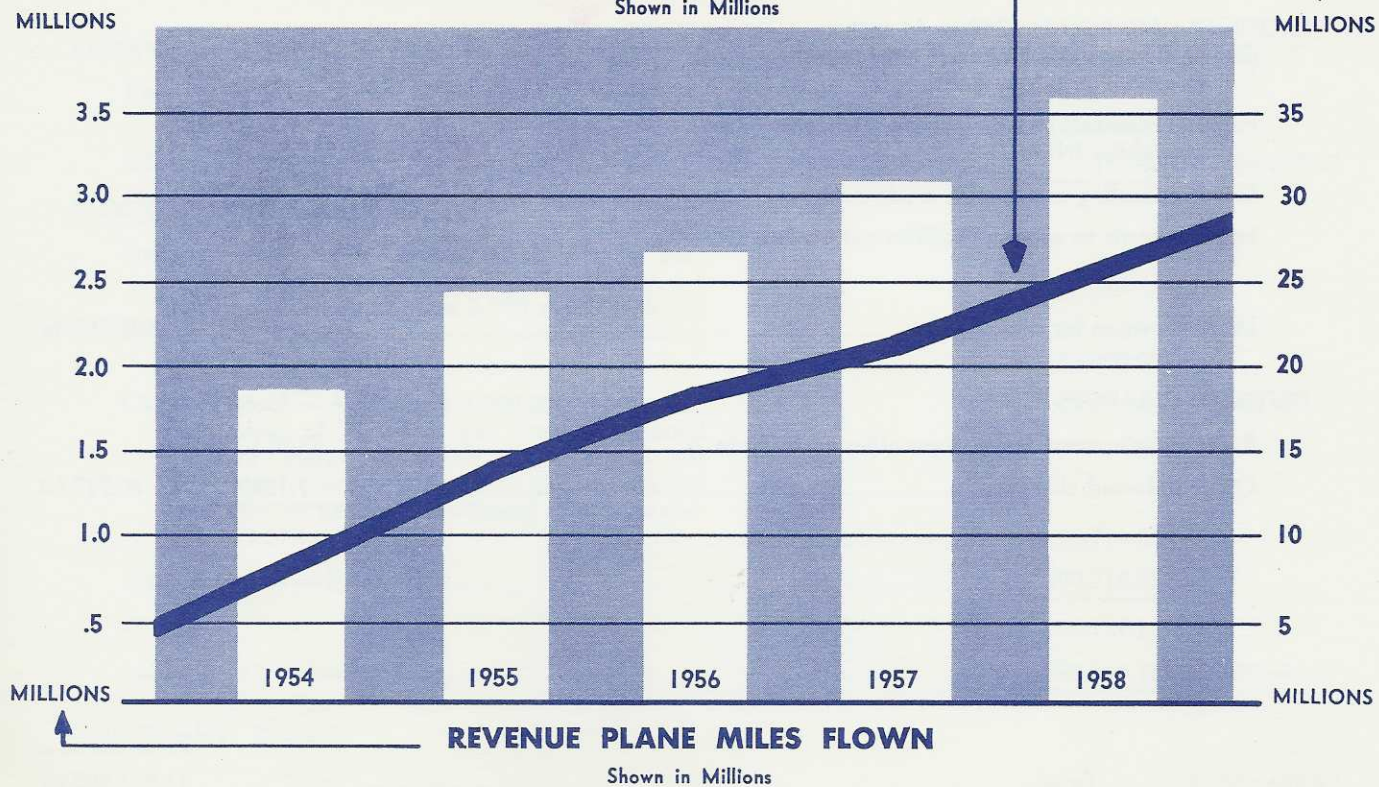
CARGO — Mail • Express • Freight

Shown in Thousands of Ton-Miles



REVENUE PASSENGER MILES FLOWN

Shown in Millions



BALANCE SHEET

SEPTEMBER 30, 1958

ASSETS

CURRENT ASSETS

Cash.....		\$ 265,181.28
Accounts receivable—		
Traffic balances and other receivables.....	\$ 356,096.39	
United States Government.....	443,605.92	
State gasoline tax refunds.....	13,046.51	
Officers and employees.....	6,911.67	819,660.49
Replacement parts and operating supplies—		
At average cost.....		143,221.58
Prepaid expense.....		5,247.49
Total Current Assets.....		<u>\$1,233,310.84</u>

INVESTMENTS AND SPECIAL DEPOSITS

Security investments and advances.....	\$ 2,070.00	
Special deposits.....	325.00	2,395.00

PROPERTY AND EQUIPMENT — At cost

(Eleven Douglas DC-3 aircraft mortgaged
to secure long-term debt)

Flight equipment, including spare parts and assemblies (Note 1).....	\$1,269,861.12	
Other operating and service equipment.....	246,680.27	
Improvements to ground facilities not owned.....	21,410.48	
	<u>\$1,537,951.87</u>	
LESS: Provision for depreciation.....	1,032,196.42	505,755.45

DEFERRED CHARGES

Route development and preoperating costs (Note 2).....	\$ 73,071.15	
Other deferred charges.....	7,156.45	80,227.60

Total.....		<u><u>\$1,821,688.89</u></u>
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CENTRAL AIRLINES, inc.

LIABILITIES

CURRENT LIABILITIES

Current maturities of long-term debt.....	\$ 120,000.00
Accounts payable.....	508,360.44
Obligations to other carriers and passengers for transportation or refund.....	267,895.49
Air travel contract deposits.....	11,900.00
Provision for pension fund payment (Note 3).....	21,000.00
Other current and accrued liabilities.....	<u>215,451.79</u>
Total Current Liabilities.....	\$1,144,607.72

LONG-TERM DEBT

Note payable to bank — Due in monthly installments of \$10,000 with interest at 5% per annum — Secured by chattel mortgage on the eleven Douglas DC-3 aircraft owned by the Company.....	\$ 273,000.00
LESS: Current maturities.....	<u>120,000.00</u>
	153,000.00

RESERVES AND DEFERRED CREDITS

Reserves for maintenance and overhaul of leased flight equipment.....	\$ 27,273.60
Other deferred credits.....	<u>7,316.00</u>
	34,589.60

STOCKHOLDERS' EQUITY (Note 4)

Preferred stock — 5% Cumulative, non-voting, con- vertible to common stock and callable for redemption — Authorized 5,000 shares with par value of \$100 per share — Issued and outstand- ing 1,633 shares.....	\$ 163,300.00
Common stock — Authorized 1,000,000 shares with par value of 25 cents per share — Unissued 477,122 shares, of which 85,000 shares are reserved for conversion of 5% preferred stock and sale to employees — Issued and outstand- ing 522,878 shares.....	130,719.50
Capital surplus — Exhibit C.....	<u>390,718.25</u>
	\$ 684,737.75
LESS: Deficit — Exhibit B.....	<u>(195,246.18)</u>
	489,491.57

CONTINGENT (Note 7)

Total.....	<u>\$1,821,688.89</u>
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STATEMENTS

STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED SEPTEMBER 30, 1958

OPERATING REVENUE

Passenger.....	\$1,697,876.79
Mail (Note 5).....	2,751,209.00
Express and Freight.....	69,901.38
Excess Baggage.....	16,369.24
Other.....	61,628.44
Total Operating Revenue.....	<u>\$4,596,984.85</u>

OPERATING EXPENSE

Operations.....	\$2,959,683.02
Maintenance and Repair.....	818,343.79
Traffic and Advertising.....	331,627.71
General and Administrative.....	298,955.53
Depreciation.....	110,160.39
Amortization of route development and preoperating costs (Note 2).....	31,035.39
Net Operating Income.....	<u>\$ 47,179.02</u>

OTHER INCOME

Profit on retirement and sale of equipment.....	\$ 370.85
Miscellaneous.....	1,106.42
	<u>\$ 1,477.27</u>
	<u>\$ 48,656.29</u>

OTHER DEDUCTIONS

Interest expense.....	\$ 13,576.09
Route development and preoperating costs on route application denied (Note 2).....	26,236.63
Miscellaneous.....	699.64
	<u>40,512.36</u>

Net Income Before Provision For Income Taxes.....	<u>\$ 8,143.93</u>
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PROVISION FOR INCOME TAXES (Note 6).....	<u>1,072.16</u>
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Net Income For the Year.....	<u>\$ 7,071.77</u>
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ADDITIONS FOR SPECIAL ITEMS

Mail revenue adjustment — For the period April 6, 1956 to September 30, 1957 (Note 5).....	\$ 129,074.32
Prior years expenses — Accounting for repairable flight equipment spare parts (Note 1).....	\$ 5,469.00
Other — Net.....	(8.21)
	<u>5,460.79</u>
Net Income To Deficit.....	<u>\$ 141,606.88</u>

DEFICIT — October 1, 1957.....	<u>(328,688.06)</u>
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	<u>\$ (187,081.18)</u>
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Dividends paid on 5% preferred stock.....	<u>8,165.00</u>
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DEFICIT — September 30, 1958.....	<u>\$ (195,246.18)</u>
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The accompanying notes are an integral part of these financial statements.

CENTRAL AIRLINES, inc.

STATEMENT OF CAPITAL SURPLUS FOR THE YEAR ENDED SEPTEMBER 30, 1958

CAPITAL SURPLUS — October 1, 1957.....	\$ 390,718.25
CAPITAL SURPLUS — September 30, 1958.....	\$ 390,718.25

NOTES TO FINANCIAL STATEMENTS

NOTE 1—PROPERTY AND EQUIPMENT

The Company has changed its policy in accounting for repairable flight equipment spare parts and assemblies by providing depreciation of the cost of these parts and assemblies to residual value over a period of thirty-six months from January 1, 1957. This change in policy has resulted in a net decrease in expense of the preceding period in the amount of \$5,469 and a net increase in the amount of \$3,034 for the year ended September 30, 1958.

NOTE 2—ROUTE DEVELOPMENT AND PREOPERATING COSTS

Route development and preoperating costs include \$29,894 applicable to preoperational expenditures by the Company for new routes for which applications have been made and are pending at September 30, 1958.

Route development and preoperating costs for approved routes are being amortized over periods of thirty-six months from the commencement of operations of such routes. The unamortized portion of these costs amounted to \$43,177 at September 30, 1958.

Route development and preoperating costs in the amount of \$26,237, applicable to route applications denied by the Civil Aeronautics Board during the year under review, have been charged to expense.

NOTE 3—PROVISION FOR PENSION FUND PAYMENT

On April 23, 1958, an agreement was entered into between the Air Line Pilots Association, International, (Representing pilots in the service of the Company) and the Company, providing for a proposed retirement plan, effective March 1, 1958, for pilots in the service of the Company.

The terms of the formal retirement plan have not been placed in final form at the report date; however, provision in the amount of \$21,000 has been made for the estimated amount of the Company's contribution to this plan for the effective period March 1, 1958, to September 30, 1958.

NOTE 4—STOCKHOLDERS' EQUITY

Preferred stock of the Company provides for the right to convert such stock at par value for shares of common stock

at the conversion price of \$5.00 per share of common stock during the period January 1, 1959, to December 31, 1960. The Company has reserved 80,000 shares of the authorized common stock to protect the conversion right of the preferred stockholders. This reserved stock may be sold for the purpose of calling for redemption such outstanding preferred stock.

The Company has reserved 5,000 shares of its unissued common stock for sale at a price of \$2.00 per share to employees who meet certain requirements as to length of service with the Company.

NOTE 5—MAIL REVENUES

Mail revenues in the approximate amount of \$6,150,250 have been accrued for the period April 6, 1956 to September 30, 1958 based on temporary rates established by the Civil Aeronautics Board. Final rates, as ultimately determined, will be effective for such period and may be higher or lower than the temporary rates.

During the year under review temporary mail rates were increased by the Civil Aeronautics Board retroactive to April 6, 1956. As a result, mail revenues of prior periods were increased in the amount of \$129,074.

NOTE 6—PROVISION FOR INCOME TAXES

Provision for income taxes consists of the provision for income taxes due to the various states in which the Company operates. No provision has been made for Federal income taxes due to the net operating loss carry-over provisions of the Internal Revenue Code.

NOTE 7—CONTINGENT

Under terms of an agreement dated May 2, 1958, with the City of Fort Worth, Texas, the Company has leased certain real estate and improvements to be constructed thereon for use as its operating base and general offices. The lease term is for a period of 26 years, commencing with the occupancy by the Company during 1959. Among other things, the lease agreement provides for an annual rental of approximately \$122,200, for obtaining adequate insurance coverage on the leased property and for maintenance of the leased property.

BILLUPS, WOOD AND MASCHO
CERTIFIED PUBLIC ACCOUNTANTS
OKLAHOMA CITY, OKLA.
DALLAS, TEXAS

The Board of Directors
Central Airlines, Incorporated
Fort Worth, Texas

We have examined the balance sheet of Central Airlines, Incorporated, a Nevada corporation, as of September 30, 1958 and the related statements of income and deficit and capital 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 related statements of income and deficit and capital surplus present fairly the financial position of Central Airlines, Incorporated at September 30, 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, except for the change, which we approve, in providing for depreciation of repairable flight equipment spare parts and assemblies as explained in Note 1 of Notes to Financial Statements.

BILLUPS, WOOD & MASCHO

Dallas, Texas
January 2, 1959

Beginning with eleven 3-passenger single-engine Beechcraft Bonanzas in 1949, Central Airlines has grown to a fleet of fourteen 21-passenger Douglas DC-3's—serving a network of 36 cities in 6 states with daily scheduled passenger, mail, cargo and express service.



Topeka, capital of Kansas, welcomes Central Airlines to the city on occasion of Central's inaugural flight on June 14, 1958.



Guests of the city of Lubbock, Texas, gather in the airport lobby on February 1, 1959, to help celebrate the inauguration of Central's service to that city.

Airline passengers of tomorrow—Central Airlines, throughout its history, has encouraged group educational flights for school children in cities on its system.

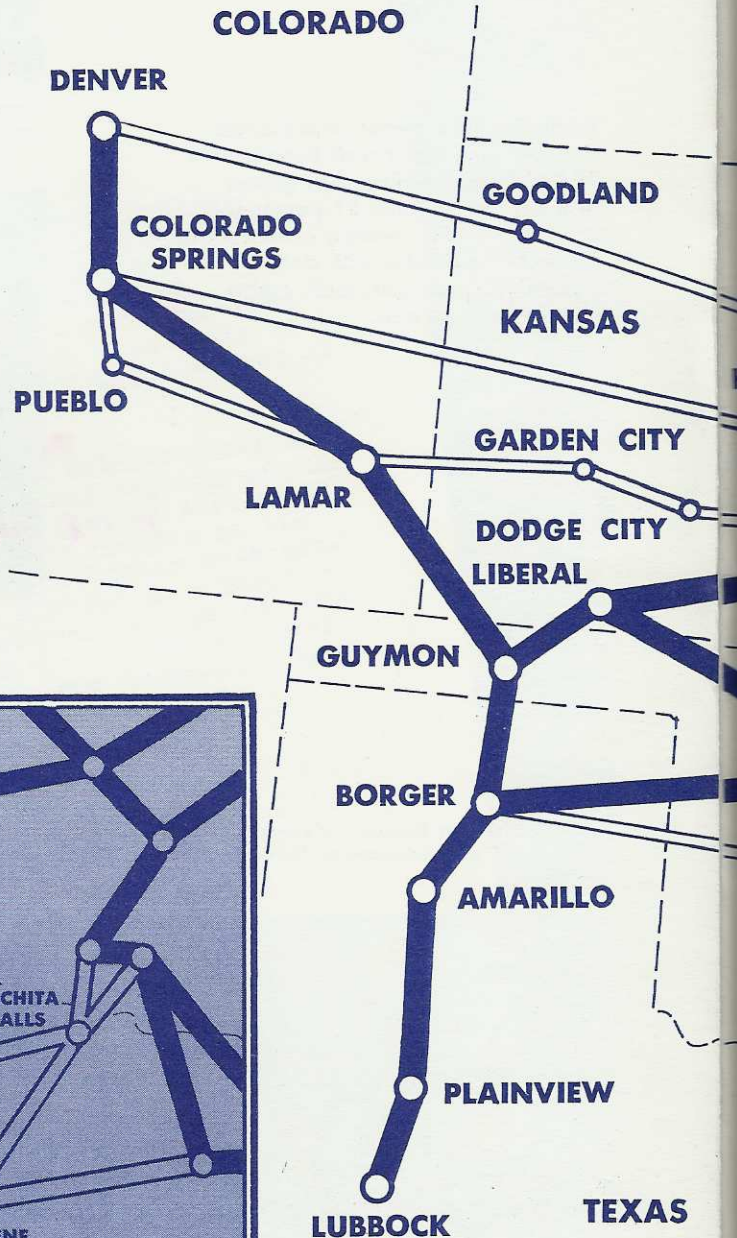
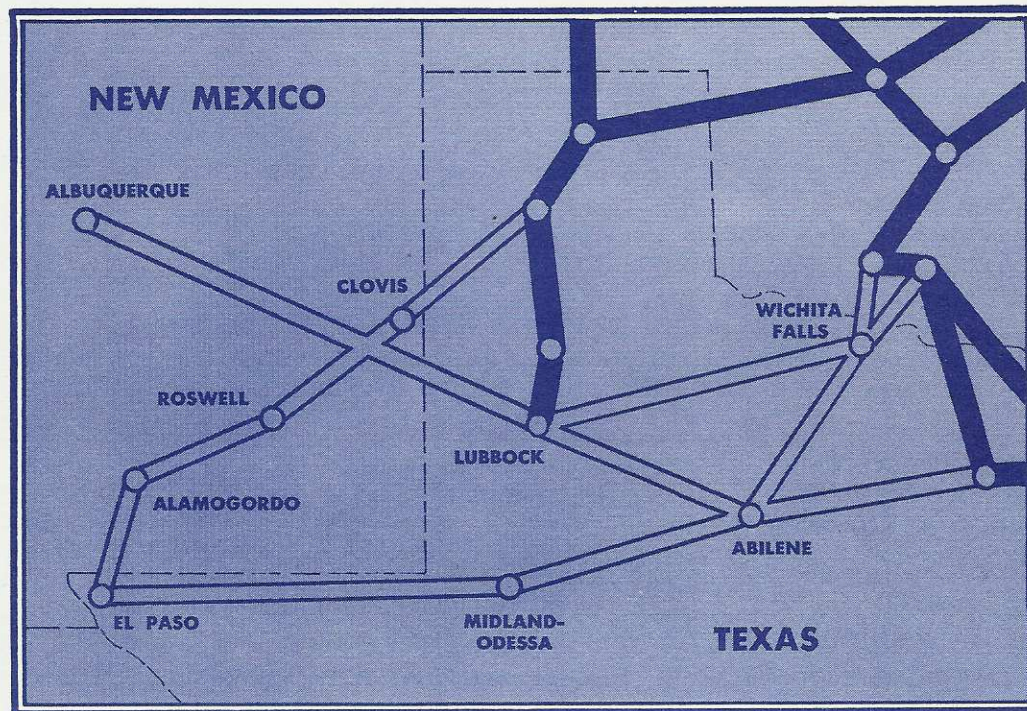


Plainview, Texas, welcomes Central's scheduled service to their city on February 1, 1959.

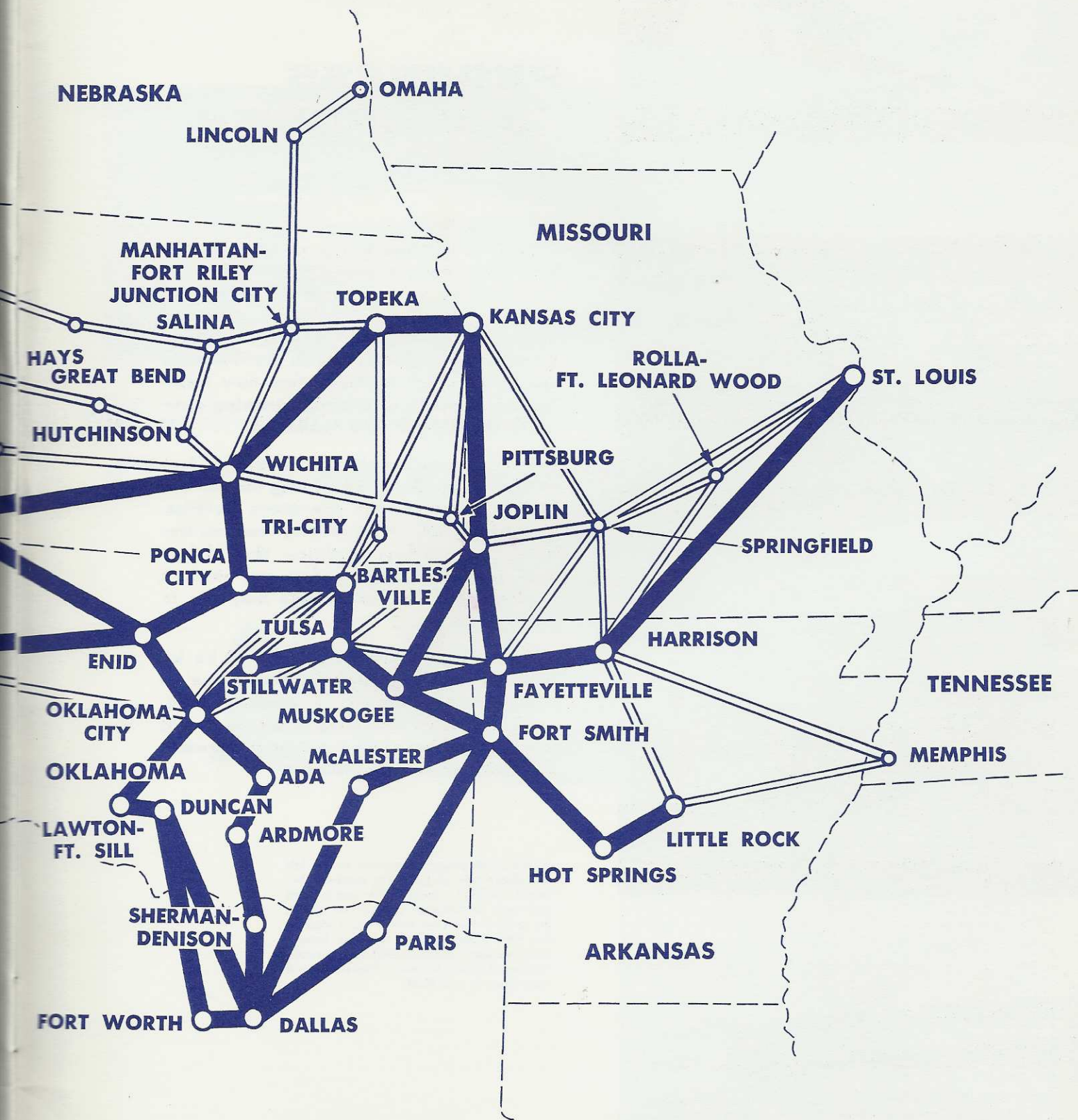


United States Air Force Academy fans of Colorado Springs follow their football team to the Cotton Bowl, Dallas, Texas, on January 1, 1959, via Central Airlines' charter.

CENTRAL AIRLINES



Indicates applications on file as of September 30, 1958. Additional applications will be filed before hearings on new routes in this area are held.



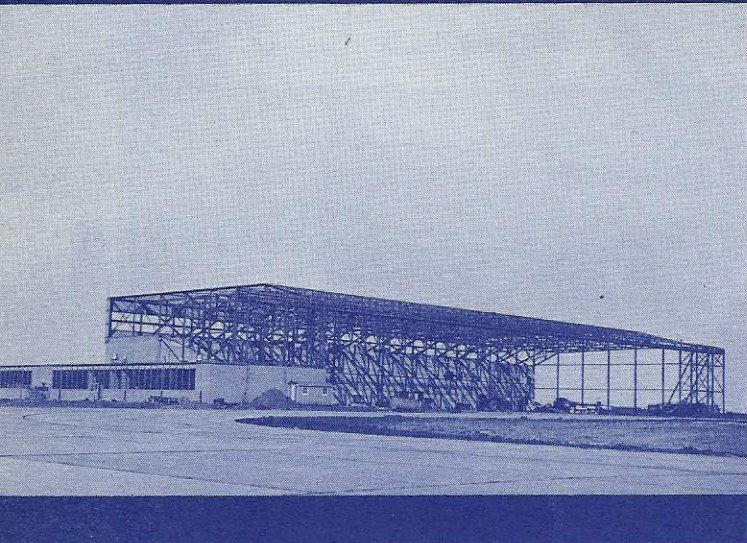
NOTE: THIS MAP TO SCALE



PROGRESS and GROWTH



Construction has begun on Central Airlines' new hangar and office building at Fort Worth's Amon Carter Field. A joint project of the City of Fort Worth, under the administration of Mayor Tom McCann and the City Council, Fort Worth Air Terminal Inc., and Central Airlines, these new facilities are symbolic of Central's growing service to the Midwest and Southwest.

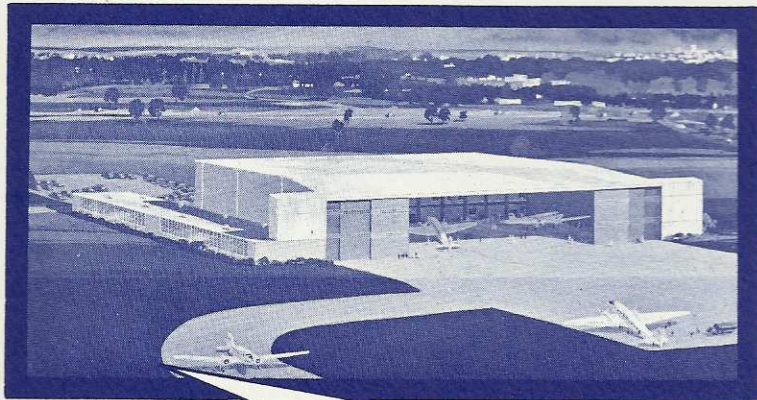


With approximately 80,000 square feet of floor space, the 356-foot long hangar will house Central Airlines' operations facilities, dispatch office, reservations, communications and overhaul facilities. The 39-foot high doors will accommodate any modern airplane that Central Airlines may use in the future.

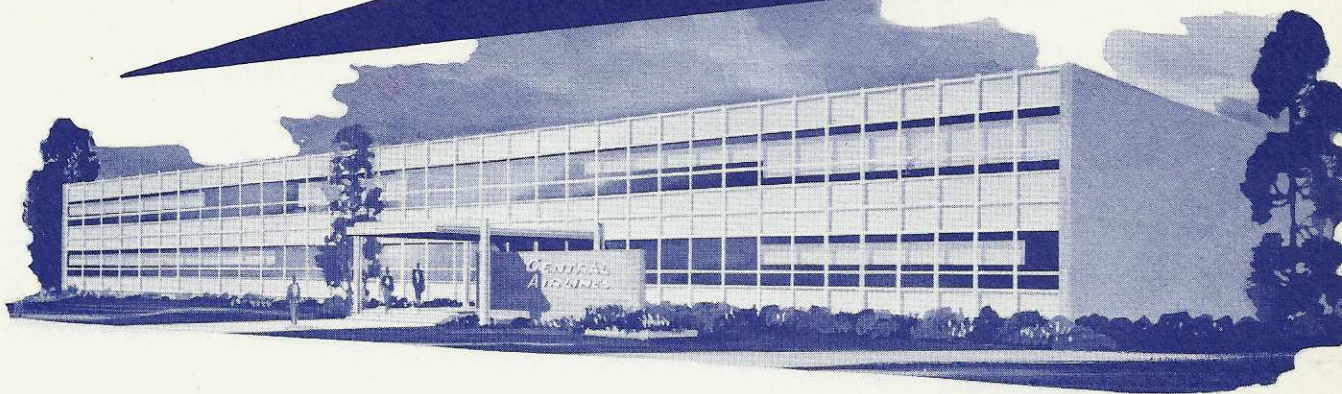
The two-story office building will be located at the large half-circle entrance to Amon Carter Terminal. A modern stone, steel, aluminum and glass structure, it will complement the entire motif of the present Amon Carter Field facilities.



In the photographic sequence at the left are shown one of the many meetings between officers, department heads and architects developing construction plans, the ground breaking ceremony, a view of the steel framework of the new hangar and overhaul facilities, and the partially completed office building. Occupancy will take place in mid-1959.



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