

(Continued from Page five)
our scheduled operations two more 737's jet aircraft. This brought our total fleet at the end of 1973 to 16 of the jet airplanes with our prop fleet remaining the same as it was in '72. We feel that we need some additional airplanes for '74 and we've just completed negotiations to buy two 737 aircraft which will be delivered to us sometime in mid-May. I think we were very fortunate indeed to be able to get these aircraft, because they were built by Boeing to Piedmont specifications in 1971. We were unable to take them at that time and they were sold to a Norwegian carrier who was not successful in its operation of these two airplanes. They became available again and we were able to purchase them from Boeing. This brings our fleet now up to 18 737s. We hope to put one into scheduled service June 15th and additional one into scheduled service August 1st. Thank you.

Davis: Mr. Ross, do you have a report on the traffic activities?

K. E. Ross: Thank you, Mr. Davis. As stated in the annual report, the traffic increases in 1973 over 1972 were 13.1 per cent. In 1974 thus far, the results have been much more promising. In fact, we have increased slightly more than 15 per cent through the 15th of April over 1973. This is highly unusual, particularly during the first quarter of the year. And this increase was made in face of reduction of capacity. In other words, we are flying fewer miles than we did. Our system-wide load factor, that's the percentage of available seats actually used or occupied, reached nearly 60 per cent for the first 15 days of April. On Monday, day before yesterday, we had an all-time passenger record of 14,451 enplaned passengers. This exceeded the previous all-time high set last November the 25th, which was the day after Thanksgiving holidays. In order to meet our capacity needs, as Mr. Saunders indicated, he has been successful in procuring two additional jet aircraft. We plan on a flight schedule change on June the 15th, with another following on August 1st. We also have a schedule change proposed for May 1 and each of these schedule changes will represent approximately 5 per cent increase in capacity. Obviously, much will depend on the general economy and what our needs are. We feel confident that Mr. Davis will make certain that we have sufficient flight equipment in order to fulfill any needs that our customers may have. Our available seat miles that we operated through the 15th of April have actually decreased about 15 per cent and our revenue passenger miles, that is, the number of passengers that we carry multiplied times the number of miles that they fly, has increased about 16 or 17 per cent through the middle of April. We feel confident that 1974, assuming that the general economy remains as it has, that it will be highly successful for the traffic growth. Thank you.

Davis: Thank you, Ken. I should have indicated to you earlier, Ken is a relatively new Senior Vice President. This is his first appearance for our stockholders. During the course of last year, Gordon Brown, who has been with us for so many years, as indicated in our annual report, decided that he was going to enjoy life a little more and take retirement. Happily, Mr. Ross, here, who has also been with us about a hundred years, was standing around in the wings. He had followed in good steps of Mr. Brown and learned so much from him and others that he fit right into the picture to assume the responsibilities formerly handled by Gordon Brown. We're proud of both of these gentlemen and pleased with the contributions that they have made to the Company in the past and we feel sure they will continue to contribute to our success in the future.

One of the main reasons that we were able to have a reasonably satisfactory profit in 1973 and prior years has been, as you recognize from reading your annual report, the results of our General Aviation activity which were actually the beginning of our company. As you recall,

we were in that business before we ever dreamed of operating an airline. We have continued in that phase of aviation and have continued to expand it. In that connection, I'm very happy that we have here with us today Mr. Ken Brugh who is President of Air Service, Inc., one of our subsidiaries, over at the Greensboro-High Point Airport. Ken, would you stand up so they can see that bald head and recognize it. They might want to buy an airplane on their way out. Thank you. But, our General Aviation activities have continued to make a very firm contribution to the success of the Company and I'd like for Senior Vice President Bob Northington to bring you a report on that now.

R. S. Northington: Thank you, Mr. President. You know, it's always easy to be able to get up when you've had a good year. I remember Gordon Brown saying this some years before, when you have a good report, it's much simpler to make it known. In 1973, the General Aviation activities of your company enjoyed the largest sales volume and the largest profit that the Company has ever had since the beginning in these activities. As was noted in the annual report, we, for the first time, exceeded \$1 million in profit, net before taxes. This was the result of substantial increases in aircraft sales, the sale of parts and accessories, and even labor sales in our shop facilities, such as engine overhaul, aircraft maintenance and propeller overhaul. The total sales in 1973 of all types over 1972 increased a little bit in excess of 15 per cent. We have something today that is new with our General Aviation Division which happened just two weeks ago. We have been appointed one of the six Beechcraft jet aviation centers in the United States for the new Beechcraft Hawker jet, model 125-600, which is a \$1.8 million corporate jet aircraft. We have a demonstrator on order and we will actively pursue sales of these airplanes. We look with a great deal of enthusiasm to the corporate jet market. We feel in the years to come it's going to be a very growing thing and it's going to accelerate at a very high rate. As we have in the past, we want to be prepared to handle the full line of aircraft in the market place and we feel that we have a very fine opportunity in this area. We expect 1974 to be another good year. Our overhaul facilities and engine overhaul mainly are booked-up now through September. If some of the companies can keep us supplied with the necessary parts that we need to keep the shop going, we'll be in good shape there. Aircraft sales depend mainly on, of course, the general economy as well as the ability to produce the airplanes. In some cases right now some of the models are not available to us until calendar 1975. This is quite an unusual situation although we did experience a little of it last year. So, we look forward to a good year. We will appreciate your passing on the information relative to our services to your friends and to use them whenever you can. We think things will keep going if we can do all that together.

Davis: Thank you, McNairy, would you bring us a report from the proxy committee?

C. McNairy: Yes. Mr. Davis, the proxy committee reports that we had 339,289 shares represented in person and 1,680,894 shares represented by proxy. This is a total representation of 82.2 per cent of shares outstanding as of the record date.

Davis: Thank you, Charlie. As indicated, we certainly have a quorum and we are now duly constituted to conduct the official part of the meeting. The first item is the approval of the minutes which were outlined by Mr. Morton a little earlier. Is there a motion that the minutes as outlined be approved?

Stockholder: So moved.

Davis: Motion made. Is there a second?

Stockholder: Second.

Davis: Seconded. Any discussion? All those in favor signify by saying aye.

Stockholders: Aye.

Davis: Any opposition? Motion is approved. The next item of business will be, as indicated on the proxy statement sent to you, the election of directors of the Company. It is the intention of management to nominate for re-election to the Board of Directors who are currently serving on your Board, those being: C. Gordon Brown, Jr., E. L. Davis, Jr., Alex H. Galloway, Ralph W. Gardner, Lawrence Morton, Jr., W. M. Magruder, T. W. Morton, R. S. Northington, E. M. O'Herron, Jr., (got a lot of Juniors in there, haven't we?), John F. Watlington, Jr., H. K. Saunders, and T. H. Davis. Is there a motion that these nominations for membership on the Board of Directors for 1974 be approved?

Stockholder: So moved.

Davis: Motion made. Is there a second?

Stockholder: Second.

Davis: Are there any further nominations? Or, any discussion? All in favor signify by saying aye.

Stockholders: Aye.

Davis: Is there any opposition? The Directors are re-elected. The next order of business will be the appointment of our auditors. As you know, the Ernst & Ernst company has been auditors of the Company for quite some time. You are probably not aware of the fact that we have established, in addition, an audit committee of our Board of Directors, chaired by Mr. Alex Galloway. He will have serving with him, Mr. Ed O'Herron and Mr. Lawrence Lewis, all of whom, as you recognize, are outside directors. They will be working very closely, and have been working very closely, with our certified public accountants, Ernst & Ernst, to make sure that they are on the ball and that we are on the ball, so that our stockholders can be confident that the accounts and records of the Company are maintained in as near perfect condition as possible. That's our objective. There is no further official business to come before the meeting, but as I have indicated, we want to cover any subject that anybody wants to talk about. I wonder if there are any questions that any of you may have that we haven't fully elaborated on?

Stockholder Snow: The CAB recently has revised some of the rate schedules increasing the short-haul rates and decreasing some of the long-haul rates. What percentage of our routes are qualified for that increase and what effect, if any, will it have on our finances?

Davis: I'll call on Mr. Ross, for the answer to the first part of your question.

Ross: Generally, the new rate to which you refer is not connected with the fuel surcharge that became available yesterday. This is in the phase nine investigation of the Civil Aeronautics Board which has gone on for several years. This has been concluded. Basically, this would permit all of the carriers to increase their rates depending on the length of service. To answer your question specifically, if we took full advantage of the fare increase which the Board has permitted under Phase Nine, which by the way, will become effective July 16, it would involve about 95 per cent of our total passengers. We have not studied this thoroughly in light of the fuel surcharge. There may be some markets that we now have that we do not wish to go the full allowable under this Board regulation. There will be a light increase in a number of our markets, but I think the increases will be applied primarily to some of the longer-haul passengers that we carry. Our long-haul passengers obviously would be the same as a short-haul passenger for a trunk carrier.

Davis: Now, I believe you asked what effect that would have on total earnings. Mr. Morton, do you have any figures yet? I assume that you are talking about the Phase Nine fare increase.

Morton: Our first studies indicate that this would produce an overall average increase in passenger revenue of 5 or 6 per cent. Our revenues without that are close to \$1 million a year so it's about \$5 or \$6 million a year, increase in passenger fares.

Davis: I believe there was another

question over here.

Stockholder: With the increase in traffic in the first quarter, do you anticipate the first quarter being profitable?

Davis: We believe, in the light of the results that we have so far traffic-wise in the airline division and a real good first quarter in aircraft sales in General Aviation that there is a distinct possibility there will be a profit in the first quarter. We should have those figures out almost any day now.

Stockholder: What was your overall load factor for the first quarter?

Davis: First quarter load factor was about 56 per cent, wasn't it Ken?

Ross: It's around 56 per cent. We ran 57.4 in March and it's 59.6 through Monday of this week. Generally, it's around 56 per cent for the first quarter.

Davis: Almost a 60 per cent load factor and as you probably recognize, this is somewhat higher than most of the trunk lines are even running today. Is this not right, Ken?

Ross: Yes, sir.

Davis: And, obviously, it's a lot easier to run higher load factors in the longer hauls between major points than it is where you've got multiple stops.

Stockholder: Is that for the entire first quarter, 57 per cent?

Ross: About 56 per cent.

Morton: 52.65 per cent.

Davis: 52.65 per cent for the first quarter. The April load factor is what we were talking about, almost 60 per cent. March was 57 and a fraction. Any other questions or comments?

Stockholder: Real good job. I've been a stockholder for a number of years. I understand that you've been first for three years in succession and last year you got second in the complaint report. All I can tell you is you've got a reason to do just a little bit better.

Davis: You're exactly right. We don't like those second places. We prefer to be first. Even though there are a lot of those others on down the line, third, fourth, fifth, sixth, seventh, eighth, and so on, we just can't stand that second place. Yes, sir?

Stockholder Ruffin: Mr. Davis, as a shareholder, I would like to make a remark. Dalton Ruffin, stockholder of record, I think the figures speak for themselves. Mr. Northington said, it's not much you can say about it when it is as good as your company's figures were. But I'd like to congratulate you on something else, on the personal side, and that is, the fine performance of your employees. I've got two children away from home in school, one in the DC area and one in the Roanoke area so Piedmont is our transportation. And it's certainly a comfort to know that those children can go to the Piedmont ticket counter and receive the good service that they have. It's a comfort to the parents in the fine service that you give in and out of those areas. But, as a corporate citizen, I'd like to comment on something else that happened here in Winston-Salem that I'm not sure all the shareholders are aware of. Unfortunately for the organization I work for, we had a bank robbery last year. The FBI was right on the ball and we found that there was a suspect taking a Piedmont flight out of Winston-Salem, going points all over the world. We were afraid. The FBI went in and questioned one of your employees at the counter. It was enough description and enough alertness on the part of your employee that they felt that maybe someone that they had just sold a ticket to could be the suspect that we were looking for. Then, your people worked with the FBI and they were able to take the passenger off the plane without incident. It proved to be the person that came in and robbed our organization. The coolness and alertness on the part of your people certainly are to be commended and as a stockholder and as a citizen in Winston-Salem, I want to thank you.

Davis: Thank you very much, Mr. Ruffin. I was going to say, we had to refund that man's ticket. That's what hurt, he was already on the airplane and we had to go out there and pull him off, that hurt, don't do that too much. If there are no further questions, we don't want to monopolize your whole day. Let me say again how much we appreciate your coming and your interest. During the course of the year, if there's anything you want to know about your Company, don't hesitate to let us know and we'll see that you get the answer as best we know it. Thank you for coming. The meeting is adjourned.