

**Davis:** Is there any opposition? The motion is carried. We would like the opportunity to purchase up to 50,000 shares of common stock from the market for issuance in the event of employee stock options or for other purposes. Again, we would do this when such purchases would appear to be prudent, particularly if the price of our stock on the open market should happen to be below book value. It's much more in the interest of the stockholders and the Company, as I think all of you will recognize, for us to purchase the stock on the open market rather than issue treasury stock in those events. So, here again, we have no firm plan at this moment to buy the 50,000 shares of common stock on the open market. We are simply requesting your authority so that if sometime during 1979 it appears to be prudent in our judgment we would be able to do that. Is there a motion that this resolution be approved?

**Stockholder:** So moved.

**Davis:** Is there a second?

**Stockholder:** Seconded.

**Davis:** Motion seconded. Is there any discussion on this one? All in favor, signify by saying aye.

**Stockholders:** Aye.

**Davis:** Any opposition? The motion is carried. For a number of years we have had the firm of Ernst & Ernst serve as our independent public accountants, and it is again recommended that they serve in that capacity for 1979. All of you, I am sure, are reasonably familiar with Ernst & Ernst. They have been doing a satisfactory job for us. Is there a motion that we approve Ernst & Ernst to serve as our independent auditors for 1979?

**Stockholder:** Motion made.

**Davis:** Is there a second?

**Stockholder:** Seconded.

**Davis:** The motion is seconded. Any discussion? All those in favor signify by saying aye.

**Stockholders:** Aye.

**Davis:** Is there any opposition? The motion is carried. Is there any other business to come before the meeting at this time? If not, I wonder if there are any questions or comments that any of you may have.

**Stockholder Wyant:** Mr. Davis, I'm R. L. Wyant from Lynchburg and I would like to compliment this Company and its management on the excellent manner in which they overcame their competition in the Roanoke market with the competitor airline. I feel compelled to do this strictly as a layman and observer. I've never flown to Pittsburgh. I hope one of these days there is a requirement that all companies operate in the clean manner, with the keen, clean competition and the advertising that this Company presented to the public in that market. I think your approach was outstanding and I want to compliment this Company on the excellent manner in which they handled that situation.

**Davis:** Thank you very much for your kind comments. We appreciate them. This is your first stockholder meeting, I believe, and we certainly appreciate your coming to be with us today. We must concur; we were right pleased that we were able to run Allegheny out of that market as fast as we did. We did it a little faster than we thought we could. We thought it might take us six or eight or ten months. Seriously, they're

a fine company and they do a good job. Some people think that Piedmont had the upper hand because we have such a complex of services at Roanoke. Well, by the same token, Allegheny has a tremendous complex of services at Pittsburgh. And Pittsburgh is a lot bigger city than Roanoke. So it seemed to us that we were certainly on equal footing insofar as those potential advantages are concerned. As Ken pointed out in his traffic report, we were both operating in that market side-by-side. Our share of the market kept going up; their share of the market kept going down. They're smart in that they saw the handwriting on the wall. They decided to use their resources somewhere else.

**Stockholder W. Hohman:** A reverse to that; I think of Greenville/Spartanburg as being a fast-growing area of western South Carolina, almost like Greensboro, High Point and Winston-Salem in this area. With that kind of reverse, did Eastern and other carriers have better connections there than you had or what prompted your plans to withdraw from that one?

**Davis:** It was primarily a factor of the route — the way Greenville/Spartanburg is situated on our route system. It was an east/west route operation. We did real well between Greenville and Charlotte, for example, but from there west there was practically no traffic. We were not operating in competition with Eastern or anybody else out of Greenville/Spartanburg. Eastern has reasonably good service from Greenville/Spartanburg to Atlanta, Washington, New York and their major markets. We never did participate in those markets; so, no, we weren't run out of that route.

**Stockholder B. Hutchens:** Since you put a nonstop between Charlotte and Miami in direct competition with Eastern, are you also considering putting a nonstop between Greensboro and Miami?

**Davis:** We don't have plans to put a Greensboro to Miami nonstop in at this moment.

**Stockholder Hutchens:** Are you going to get a different gate in Miami or is that just a temporary gate or what? It's

kind of a chaotic situation down there.

**Davis:** You're exactly right. As a matter of fact, Miami is not the only place like that. It's the same in Chicago and LaGuardia in New York. Unfortunately, there is just no available space for a new carrier to go in. Any new carriers going into most of these places, such as Miami, have to depend on contracting with some other airline that's already there. They are not forced, by any means, to take us in unless they want to. So you see, we don't have a very good bargaining position insofar as what they charge us either. Thus far, it's fine in Miami. Delta kindly agreed to provide maintenance services for our aircraft and handling the aircraft at the ramp. They also made available to us counter space, which will, hopefully, be totally inadequate before too long because we intend to keep on growing down there. This is the case in each of these airports. That's just one example of several. In Tampa, we've had to depend on Delta again. In Pittsburgh, Northwest, Eastern, in the case of Chicago and New York-LaGuardia. So we don't have the flexibility we would like to have. In most instances, the airports are making attempts to expand their facilities so that additional space could be available and we would not be forced to contract with another carrier. But that's been very, very slow.

**Stockholder Hamlett:** Mr. Davis, in regard to the dividends, are you restricted to how much distribution there can be in relation to your debt?

**Davis:** We are restricted, depending on our earnings after a certain date, and I don't recall what those figures are right off hand. The dividends the directors have been declaring in the recent past are certainly within the requirements provided for in our various loan agreements.

**Stockholder Hamlett:** I just wondered what those loan agreements were. Is that the reason the dividend is a little on the low side?

**Davis:** We think it's a little on the high side. (Laughter.) Seriously, my recollection is that the dividend restrictions in the covenants of our existing loan agreements will not present any problem in

the foreseeable future, particularly if we keep on having reasonably satisfactory earnings. It would if we decided to declare unreasonably high dividend payouts. But our dividend distribution program has been tailored. First of all, let me say this, Piedmont has been declaring dividends longer and has declared more dividends than any other regional airline in the United States. We are one of only three or four, I believe, at the moment that is declaring any dividend. There are a number of trunk lines that aren't even declaring a cash dividend as of yet. Last year a few more joined the pool. We increased our dividends last year. We changed from 10-cent, semi-annual dividends to a six-cent, quarterly dividend. The percentage rise is a pretty good boost. Insofar as total payout of earnings is concerned, you're right that it's low compared to, I guess you might say, the average industrial company having reasonably good earnings. The reason for this is our enormous financial requirements to buy additional equipment. The total capital that we have to raise is so tremendous in relation to our underlying equity that we felt it in the best interest of the stockholders not to pay out this cash and then have to turn right around and have to borrow it, particularly at the high interest rates that prevail today.

**Stockholder Hamlett:** I'm not objecting too awful much to that. I've been a stockholder of yours since way back in the 1950s. However, I think that everybody except the stockholders are enjoying the benefits of the Company. What I was hoping for is a little bit more of a share, for instance, on the stock that I bought way back in the early 50s. I wouldn't even be getting a six per cent investment on it right now. That's a pretty poor record, really. Quite a few of those here agree, needless to say, that there was none for the stockholder at all. I would appreciate some consideration.

**Davis:** Yes, sir. You can be assured that we will do that. I might point out to you that Piedmont stock, insofar as price is concerned, in the last twelve months has performed better than the airline industry average. Our price-earnings ratio has increased more and is higher today than, I think, any of the other regional airlines, with one exception and that one is involved in a merger.

**Stockholder Hamlett:** I just would like to recommend to the directors that the stockholders be given a little bit better share. I know you probably don't need it, but some of us do.

**Stockholder A. Nicholson:** Lauren would like to know if you've considered a merger with Frontier Airlines, since it has similar equipment and we could go coast-to-coast.

**Davis:** Yes, I don't want to give you a short answer, but we think its incumbent upon us to constantly look at all opportunities to improve your Company to make it a bigger one, to have better earnings, and do a better job rendering service, and hiring more people. We make it a practice of taking a look at Frontier and many others. I believe the young lady who asked this question is the youngest stockholder we've ever had come to one of our meetings. She is the daughter of one of our retired captains who was with us when we started the airline in 1948. She is also the daughter of one of our former flight attendants, her beautiful mother, Audrey. We are please to have you with us. Are there any other comments or questions? Is there a motion that we adjourn?

(Moved. Seconded.)

**Davis:** Thank you, again.

(Meeting adjourned.)



Lauren Nicholson was the youngest stockholder.