

U.S. Department of Transportation
Bureau of Transportation Statistics
Office of Airline Information

REPORT OF FINANCIAL
AND OPERATING STATISTICS FOR
LARGE CERTIFICATED
AIR CARRIERS

Period ended September 30, 19 2000

Vanguard Airlines Inc.
(Full name of reporting company)

CERTIFICATION*

I, the undersigned Corporate Accountant
(Title of officer in charge of accounts)

of the Vanguard Airlines Inc.
(Full name of reporting company)

do certify that this report and all schedules, ADP-media submissions, Passenger Origin-Destination Survey submissions and supporting documents which are submitted herewith or have been submitted heretofore as parts of this report filed for the above indicated period have been prepared under my direction; that I have carefully examined them and declare that they correctly reflect the accounts and records of the company, and to the best of my knowledge and belief are a complete and accurate statement, after adjustments to reflect full accruals, of the operating revenues and expenses, income items, assets, liabilities, capital, retained earnings, and operating statistics for the periods reported in the several schedules, the Schedule T-100 ADP-media submissions, and the Passenger Origin-Destination Survey; that the various items herein reported were determined in accordance with the Uniform System of Accounts and Reports for Large Certificated Air Carriers prescribed by the Department of Transportation; and that the data contained herein are reported on a basis consistent with that of the preceding report except as specifically noted in the financial and statistical statements.

[Signature]
(Signature)

533 Mexico City Ave. K.C. MO 64153
(Air Carrier Post Office Address)

Dated October 26, 19 2000

*Title 18 U.S.C. Sec. 1001, Crimes and Criminal Procedure, makes it a criminal offense subject to a maximum fine of \$10,000 or imprisonment for not more than 5 years, or both, to knowingly and willfully make or cause to be made any false or fraudulent statements or representations in any matter within jurisdiction of any agency of the United States.

BALANCE SHEET

As At: September 30, 2000

Schedule B-1

Air Carrier:

Operation : Domestic NJD

ACCT# DESCRIPTION

AMOUNT

	ASSETS	
	CURRENT ASSETS	
1010	Cash	1,571,846
1100	Short-Term Investments	0
1200	Notes Receivable	0
1270	Accounts Receivable	3,471,854
1290	Less Allow. for Bad Debts	21,618
1299	Net Notes & Accounts Receivable	3,450,236
1399	Net Spare Parts & Supplies	1,208,394
1410	Prepaid Items	1,652,996
1420	Other Current Assets	3,280,477
1499	Total Current Assets	11,163,949
	INVESTMENTS IN SPECIAL FUNDS	
1510	Inv. in Associated Companies	0
1530	Other Investments & Receivables	0
1550	Special Funds	0
1599	Total Inv. & Special Funds	0
	OPERATING PROPERTY & EQUIPMENT	
1609	Flight Equipment	9,877,764
1649	Ground-Property and Equipment	16,061,450
1668	Less Allowance for Depreciation	13,769,578
1675	Property & Equipment - Net	12,169,636
1679	Land	0
1685	Purchase Dep. & Adv. Payments	0
1689	Construction Work-in-progress	0
1695	Leased Property - Cap. Leases	0
1696	Accum. Amort. Capital Leases	0
1699	Total Oper. Prop. & Equipment	12,169,636
	NONOPERATING PROP. & EQUIPMENT	
1791	Less Allow. for Depr. - Nonop.	0
1792	Net Nonoperating Prop. & Eqmt.	0
1799		0
	OTHER ASSETS	
1820	Long-term Prepayments	12,921,845
1830	Unamort. Dev. & Preop. Costs	0
1890	Other Assets and Def. Charges	2,052,817
1895	Total Other Assets	14,974,662
1899	TOTAL ASSETS	38,308,247

BALANCE SHEET

As At: September 30, 2000
 Schedule B-1
 ACCT# DESCRIPTION

Air Carrier:
 Operation : Domestic NJD
 AMOUNT

	LIABILITIES & STOCKHOLDERS' EQ.	
	CURRENT LIABILITIES	
2000	Curr. Maturities of L-T Debt	0
2005	Notes Payable - Banks	0
2015	Notes Payable - Others	500,000
2021	Trade Accts. Payable	10,486,519
2025	Accts. Payable - Other	0
2080	Curr. Oblig. Under Cap. Leases	293,409
2110	Accrued Salaries & Wages	1,079,039
2120	Accrued Vacation Pay	657,417
2125	Accrued Interest	0
2130	Accrued Taxes	150,666
2140	Dividends Declared	0
2160	Air Traffic Liability	11,268,135
2190	Other Current Liabilities	14,776,233
2199	Total Current Liabilities	39,211,418
	NONCURRENT LIABILITIES	
2210	Long-term Debt	0
2240	Advances from Assoc. Companies	0
2250	Pension Liability	0
2280	Noncurrent Obgl.-Capital Leases	249,646
2290	Other Noncurrent Liabilities	5,535,796
2299	Total Noncurrent Liabilities	5,785,442
	DEFERRED CREDITS	
2340	Deferred Income Taxes	0
2345	Deferred Investment Tax Credits	0
2390	Other Deferred Credits	0
2399	Total Deferred Credits	0
	STOCKHOLDERS' EQUITY	
2820	Preferred Shares Issued	302
2840	Common Shares Issued	19,469
2860	Subscribed & Unissued	0
2869	Total Capital Stock	19,771
2890	Additional Capital Invested	84,613,891
2899	Total Paid in Capital	84,633,662
2900	Retained Earnings	-91,322,275
2959	Total Stockholders' Equity	-6,688,613
2990	Less Treasury Stock	0
2995	Net Stockholders' Equity	-6,688,613
2999	Total Liab. & Stockholders' Eq.	38,308,247
2820A	No. of Preferred Shares Issued	302,362
2840A	No. of Common Shares Issued	19,469,144

U.S. Department of Transportation		AIRFRAME AND AIRCRAFT ENGINE ACQUISITIONS AND RETIREMENTS						Air Carrier <u>Vanguard Airlines, Inc.</u>					
Research and Special Programs Administration								Quarter Ended <u>September 30, 2000</u>					

L I N E	Year of First Delivery (Airframes) (1)	Airframe Manufacturer's Serial Number (2)	Date Acquired or Retired (3)	Acquisition or Retirement "A" or "R" (4)	Airframe License Number (5)	Number of Engines Acquired/ Retired (6)	Type, Model and Cabin Design (7)	Maximum Seating Capacity (8)	Cost (9)	Amortized/ Depreciated Cost (10)	Realization (11)	Lessor (12)
Operating Leases - Airframe Units												
1	1968	19548	8/16/2000	R	209US		737-222, coach	120				CS Aviation
2	1969	20412	7/15/2000	R	N412CE		737-205, coach	120				IAL
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
Operating Leases - Aircraft Engines												
1		700109	9/27/2000	A		1						Israel Aircraft Ind.
2												
3												
4												
5												
6												
7												
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RSPA Form 41 Schedule B-7

Vanguard Airlines
Statement of Cash Flows
(Unaudited)

	Quarter-ended September 30 2000
Operating activities:	
Net income (loss)	\$ (4,712,247)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	660,505
Amortization	331,073
Loss on sale and disposal of property and equip.	-
Bad Debt Provision	-
Deferred debt issuance cost amortization	226,974
Compensation related to stock options	-
Provision for inventory obsolescence	-
Changes in operating assets and liabilities:	
Restricted Cash	-
Accounts receivable	(1,366,589)
Inventories	16,399
Prepaid expenses and other current assets	(186,519)
Supplemental maintenance deposits	1,546,857
Accounts payable	5,225,952
Accrued expenses	(634,039)
Accrued maintenance	(810,929)
Air traffic liability	(2,504,838)
Deposits and other	668,178
Net cash provided by (used in) operating activities	<u>(1,539,223)</u>
Investing activities:	
Net additions to property, plant and equipment	(574,904)
Financing activities:	
Net borrowings (payments) on line of credit	-
Net borrowings (payments) on notes payable	3,500,000
Net borrowings (payments) on capital leases	(51,652)
Payment of preferred stock offering costs	-
Principal payments on notes payment	-
Proceeds from exercise of options and sale of common/preferred stock, net of offering costs	2,359
Net cash provided by (used in) financing activities:	<u>3,450,707</u>
Net increase (decrease) in cash and cash equivalents	1,336,580
Cash and cash equivalents at beginning of period	235,266
Cash and cash equivalents at end of period	<u>\$ 1,571,846</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u>\$ 10,358</u>
Supplemental schedule of noncash investing and financing activities:	
Conversion of related-party notes payable and accrued interest to preferred stock	<u>\$ -</u>
Conversion of related-party notes payable and accrued interest to common stock	<u>\$ 4,049,133</u>
Deferred debt issuance costs recorded in conjunction with warrant issued	<u>\$ 2,457,000</u>
Aircraft leasehold costs associated with accrued maintenance at inception of lease	<u>\$ -</u>
Net borrowings on capital lease obligation	<u>\$ 54,475</u>

Schedule B-12

STATEMENT OF OPERATIONS

Quarter Ended: September 30, 2000
 Schedule P-1.2 Group II
 ACCT# DESCRIPTION

Air Carrier:
 Operation : Domestic NJD
 AMOUNT

	OPERATING REVENUES	
3901	Transport Revenues - Passenger	33,831,139
3905	Mail	259,750
3906.1	Property - Freight	0
3906.2	Property - Excess Baggage	0
3907.1	Charter - Passenger	40,973
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	1,146,489
3919.2	Misc. Operating Revenues	86,724
4808	Public Service Subsidy	0
4898	Transport Related	116,367
4999	Total Operating Revenue	35,481,442
	OPERATING EXPENSES	
5100	Flying Operations	17,655,822
5400	Maintenance	7,562,751
5500	Passenger Service	1,979,784
6400	Aircraft & Traffic Servicing	5,737,304
6700	Promotion & Sales	4,871,694
6800	General & Administrative	999,735
7000	Depreciation & Amortization	991,578
7100	Transport Related Expenses	0
7199	Total Operating Expenses	39,798,668
7999	Operating Profit or Loss	-4,317,226
	NONOPERATING EXPENSE (INCOME)	
8181	Int. Exp. (Inc.) on L-T-D & Cap.Leases	58,111
8182	Other Interest Expense (Income)	-57,424
8185	Foreign Exchange (Gain) or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	0
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	295,094
8199	Nonoperating Expense (Income)	295,781
8999	Income Before Income Taxes	-4,613,007
9100	Income Tax Expense	99,240
9199	Inc. Bf. Disc. Ops & Other Items	-4,712,247
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord.Item	0
9799	Income Before Account. Changes	-4,712,247
9800	Accounting Changes	0
9899	Net Income	-4,712,247
9900.7	Full-Time Employees	878
9900.8	Part-Time Employees	108

U.S. Department
of Transportation

Research and
Special Programs
Administration

Air Carrier: Vanguard Airlines, Inc.

Operation: Domestic

Period Ended: September 30, 2000

NOTES TO RSPA FORM 41 REPORT

PFC AMOUNT IN ACCOUNT 2190 AT BEGINNING OF QUARTER	\$	(1,261,866)
TOTAL AMOUNT COLLECTED IN TRUST FOR PUBLIC AGENCIES	\$	(1,033,302)
TOTAL AMOUNT REMITTED TO PUBLIC AGENCIES	\$	1,237,382
ADJUSTMENTS (COLLECTION COMPENSATION, PFC REFUNDS)	\$	33,901
PFC AMOUNT IN ACCOUNT 2190 AT END OF QUARTER	\$	(1,023,885)

AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: September 30, 2000
 Air Carrier: Operation: Domestic NJD

ACCT #	DESCRIPTION	Total Exp Code 9999	8-737-1/2 Code 6201
	FLYING OPERATIONS		
5123	Pilots and Copilots	1,611,167	1,611,167
5124	Other Flight Personnel	73,821	73,821
5128.1	Trainees and Instructors	4,999	4,999
5136	Personnel Expenses	277,481	277,481
5141	Prof. & Tech. Fees & Exp.	0	0
5143.7	Aircraft Interch. -Outside	253,915	253,915
5145.1	Aircraft Fuel	9,129,571	9,129,571
5145.2	Aircraft Oil	0	0
5147	Aircraft Rentals	4,949,110	4,949,110
5153	Other Supplies	0	0
5155.1	Insur. Purch. - General	249,009	249,009
5157	Empl. Benefits and Pensions	86,720	86,720
5158	Injuries, Loss and Damage	0	0
5168	Taxes-Payroll	130,015	130,015
5169	Taxes-Other Than Payroll	874,262	874,262
5171	Other Expense	15,753	15,753
5199	Total Flying Operations	17,655,823	17,655,823
	DIRECT MAINTENANCE-FLIGHT EQUIP		
5225.1	Maint Airf. Labor	402,548	402,548
5225.2	Maint Eng. Labor	100,587	100,587
5243.1	Maint Airf. Outside Rep.	1,412,852	1,412,852
5243.2	Maint Eng. Outside Rep.	0	0
5243.7	Maint AC Interch. Chrgs-O/S	0	0
5246.1	Maint Materials - Airframe	415,791	415,791
5246.2	Maint Materials - Engines	0	0
5272.1	Maint Airfrm Airworth. Provs.	0	0
5272.3	Maint Airfrm O/H Deferred	1,661,893	1,661,893
5272.6	Maint AC Eng. Airworth. Prov	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	1,429,803	1,429,803
5278	Total Dir Maint-Flt.Eqpt	5,423,474	5,423,474
5279.6	APPL. MAINT BURDEN FLT. EQ.	1,479,152	1,479,152
5299	Total Flt. Eq. Maint. (Memo)	6,902,626	6,902,626
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0
	DEPRECIATION - FLIGHT EQUIPMENT		
7075.1	Depr. Airframes	0	0
7075.2	Depr. Aircraft Engines	19,833	19,833
7075.3	Depr. Airframe Parts	0	0
7075.4	Depr. Engine Parts	0	0
7075.5	Depr. Other Flt Eqp.	730,219	730,219
7076.1	Amort. Cap. Leases Flt. Eqpt.	0	0
	EXPENSE OF INTERCHANGE AIRCRAFT		
7098.1	Exp. of Interch. AC- Flt. Ops	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0
7098.9	Total Aircraft Operating Expens	25,308,501	25,308,501
	OTHER DEPRECIATION & AMORTIZATI		
7074.1	Amortization Developmental &Pre	0	0
7074.2	Amortization Other Intangibles	0	0
7075.8	Depreciation Hangar & Maint. Eq	0	0
7075.9	Depreciation Ground Property	241,526	241,526
7076.2	Amort. Capital Leases Other	0	0

OPERATING EXPENSES BY OBJECTIVE GROUPING

Quarter Ended: September 30, 2000
Schedule P-6

Air Carrier:
Operation : Domestic NJD

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	764,002
Line 4	Flight Personnel	2,403,552
Line 5	Maintenance Labor	1,060,649
Line 6	Aircr. & Traffic Hndl. Per.	1,690,218
Line 7	Other Personnel	1,091,744
Line 8	Total Salaries	7,010,165
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	750,240
Line 11	Empl. Benefits & Pensions	394,942
Line 12	Payroll Taxes	501,098
Line 13	Total Fringe Benefits	1,646,280
Line 14	Total Salaries & Benefits	8,656,445
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	10,003,833
Line 17	Maintenance Materials	1,069,956
Line 18	Passenger Food	194,174
Line 19	Other Materials	669,460
Line 20	Total Materials	11,937,423
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	1,875,845
Line 23	Communications	312,195
Line 24	Insurance	522,934
Line 25	Outside Flight Eqpt. Maint.	3,751,231
Line 26	Traffic Commissions - Passenger	515,664
Line 27	Traffic Commissions - Cargo	0
Line 28	Other Services	3,578,745
Line 29	Total Services	10,556,614
Line 30	LANDING FEES	1,112,373
Line 31	RENTALS	6,151,716
Line 32	DEPRECIATION	252,687
Line 33	AMORTIZATION	738,891
Line 34	OTHER	392,519
Line 35	TRANSPORT RELATED EXPENSES	0
Line 36	TOTAL OPERATING EXPENSES	39,798,668