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Mid Pacific Airlines sold

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One of the two Fokker F-28 planes acquired by Mid Pacific Airlines this year.

Mid Pacific Airlines, which sent the interisland industry into a tailspin when it began its low-fare service in 1981, announced yesterday it is being acquired by KOA Holdings Inc.

Holdings is the sole shareholder of Kampgrounds of America Inc. (KOA).

The airline has battled red ink all year, and in its third quarter financial report, issued yesterday in conjunction with the acquisition announcement, the airline reported a $2.9 million net loss for the quarter and a $5.2 million net loss for the first nine months of the year. That compares with a profit of $107,993 for the third quarter last year and a profit of $224,462 for the first nine months of 1984.

The deal will infuse $4 million cash into Mid Pacific and KOA will have 77 percent of the voting power of all shares of capital stock-controlling interest of the interisland airline.

KOA is controlled by Oscar L. Tang and Joseph H. Reich. They will be in control of Mid Pacific when the transaction closes.

Mid Pacific had put out a private offering some months ago. KOA is a privately held corporation with assets of at least $23 million. It has little long-term debt and has had net pretax income averaging about $3.8 million in each of the last three calendar years.

As of now, there is no change in Mid Pacific's management or operations, the airline said. However, KOA Holdings, with voting control, could make any changes it wishes.

In a statment, Tang, chairman of KOA Holdings, said: "We feel the acquisition of control of Mid Pacific Air by Holdings provides an opportunity for substantial growth over the next few years.

"We see a solid turnaround in the airline's financial performance in 1986 and beyond.

"The financial and strategic planning strengths and personnel of Holdings and KOA will be available to Mid Pacific Air," said Tang.

Under the deal, Mid Pacific Air Corp. and its subsidiary Mid Pacific Airlines Inc. will enter into an acquisition agreement and plan of reorganization with KOA Holdings Inc. and Kampgrounds of America. In exchange for all the outstanding capital stock of KOA, Mid Pacific Air will issue 6,868,560 shares of common stock and 100,000 shares of convertible preferred stock and Mid Pacific will receive $4 million in cash from KOA.

When the transaction closes, probably in January, KOA Holdings will control 77 percent of Mid Pacific's stock and KOA will become a wholly owned subsidiary of Mid Pacific Air.

"This combination of the forces of KOA and Mid Pacific Air brings substantial financial resources to Mid Pacific Airlines as well as a very stable stream of income each year," said John J. Higgins, president and one of the founders of Mid Pacific Air.

"The infusion of $4 million cash into the airline at closing and the resources of KOA will give the airline the staying power necessary to compete on an equal footing with its two major competitors," said Higgins. "It's the best of both worlds for our stockholders — a substantial cash infusion plus a significant predictable yearly income and positive cash flow."

Tang, Reich and Arthur Peterson, president of KOA, will join the Mid Pacific board.

The entry of Mid Pacific Airlines set the stage for a highly competitive interisland airline industry. Hawaiian, Aloha and Mid Pacific have slugged it out on the airfare front for four and half years.

It has meant major changes for the established airlines, Hawaiian and Aloha, and their employees.

Mid Pacific said its financial results for the third quarter and the nine months ended Sept. 30 were "severely impacted" by the failure of a commuter airline to which Mid Pacific had leased four of its aircraft.

As a result of the failure of that company, Mid Pacific said it decided to repossess its aircraft, discontinue its leasing operation and write off all amounts invested in the lessee.

The total amount charged off to non-operating expense for the discontinuance of the leasing activity was $1.8 million.

Mid Pacific's operating loss for the third quarter was $301,660, compared with an operating profit of $422,040 for the third quarter of 1984.

Revenues for the third quarter totaled $11.9 million, compared with $10.2 million the same period last year. Third-quarter operating expenses were $12.3 million, compared with $9.7 million the same period last year.

The airline started a number of new operations this year, including interisland cargo and mail service and Mainland passenger service based in Las Vegas.