



**Financial
Highlights**

For the year ended December 31.		
(Amounts in thousands, except per share data)		
	1985	1984
Revenues	\$1,147,045	\$1,209,890
Income (loss) from continuing operations	(57,187)	44,205
Loss from discontinued operations	(15,500)	(133,145)
Net loss	\$ (72,687)	\$ (88,940)
Income (loss) per share		
Continuing operations	\$ (2.11)	\$ 2.05
Discontinued operations	(.58)	(6.18)
	\$ (2.69)	\$ (4.13)
Assets	\$ 956,118	\$1,026,728
Stockholders' equity	\$ (4,462)	\$ 1,961
Book value per common share	\$ (.15)	\$.09

**1985 Annual
Report**

In the interest of providing stockholders comprehensive information on the Company's operations and results, this Annual Report includes the Company's Annual

Report on Form 10-K (without Exhibits), as filed with the Securities and Exchange Commission.

**Dear
Shareholder:**

I wish I could open this letter on a more positive note, but Tiger International's significant loss for 1985 was a deep disappointment for all of us. The heavy losses incurred during the past five years have eroded shareholder value, limited our ability to finance modernization and, in fact, limited the company's ability to reach its potential in the world marketplace.

As we address the issues facing Tiger International, we must focus on our major operating subsidiary, The Flying Tiger Line. A partial explanation of 1985 results is the sharp drop in transpacific revenue, reflecting not only lower volume from the Far East, but growing overcapacity affecting yields. This shortfall in what is our most profitable market is not, however, the whole story. Markets are always changing, and any company that is to survive and prosper must anticipate change and deal with it in a positive way.

Since the advent of deregulation, the air transport industry has experienced wrenching changes, and only those companies that are highly efficient and resilient can hope to succeed in the future. The real problem is clear-cut: Flying Tigers' costs are *not* competitive in the global market which we serve. In today's highly competitive environment, the only way to succeed is to bring a competitive cost structure to the marketplace. We have no alternative.

A primary objective of your new management, therefore, is to reduce costs across the board to make your company competitive on a global basis—and to return the company to profitability.

In the air cargo business, operating costs are concentrated in four areas: *fuel, facilities, personnel and maintenance*. We will not compromise safety to reduce maintenance cost. Fuel costs are largely beyond our control, but we are encouraged by recent reductions. Every one-cent cut in the cost of fuel should produce \$3 million in annualized cost reductions.

Operating costs at our facilities can be reduced only through modernization and improved productivity. We need new or upgraded facilities in several cities to gain the level of productivity that will be

achieved in our highly mechanized Columbus, Ohio facility. In order to grow and improve our market share, we will need new, fuel-efficient low-maintenance aircraft.

While our strategy is to upgrade facilities and equipment, we must be realistic. Our capital expenditures are limited by cash flow, which is why our top priority is to restore the company's profitability and through it our financial strength.

Our personnel costs and level of productivity, which compare unfavorably with industry norms, must be brought in line with marketplace realities. Like others in today's turbulent airline industry, we seek cooperation from our people at all levels to address this problem constructively.

As we review all aspects of the business to reduce our own costs, the restructuring of our debt is a key objective. Our plan is to take advantage of favorable interest rates and reschedule repayment obligations.

The improving value of the yen is both positive and negative. It improves our yields, but it has a negative impact on approximately \$107.5 million of Japanese loans which must be repaid in yen. In closing the year 1985, we reexamined the accounting for foreign currency gains and losses and concluded that it was no longer advisable to defer gains and losses resulting from the effects of changes in exchange rates on certain long-term obligations payable in yen.

Accordingly, the increase in yen denominated obligations of approximately \$14.1 million has been charged against 1985 operations. The effects of all future changes in yen/dollar exchange rates on such debt will be included as gains or losses in determining results of operations for the period in which the changes occur.

Warren Transport, Inc., which is a highly efficient, low cost trucking company, held steady, achieving a pretax profit of

\$3,203,000 in 1985 as compared to \$3,262,000 in the prior year. This was accomplished despite the continuing recession in the farm equipment industry upon which Warren heavily relies for its revenues.

A number of significant changes have occurred in our position at North American Car and Hall's Motor Transport, both discontinued operations. I urge you to read the sections relating to these matters in the enclosed Form 10-K.

Outlook

Looking ahead, we are guided by a single over-riding goal—to maximize shareholder value by capitalizing on the company's resources:

- The world's No. 1 air cargo carrier with the largest fleet of jet freighters.
- A worldwide route structure unparalleled in the industry.
- The largest carrier for the U.S. military, both personnel and cargo.
- A global force of experienced, dedicated employees.
- A well-known name with a proud heritage, and a solid reputation for service and safety.

Our challenge is to make the most of these assets—at a time when the marketplace no longer tolerates "business as usual"—by restoring adequate levels of profitability through higher productivity and reduced costs in all aspects of the business. The interests of Tiger International shareholders, customers and employees will all be advanced if the company is restructured into a vigorous, competitive organization. Shareholders will enjoy a better return on their investment, customers will receive the assurance of continuity and reliability and employees will feel confident about their jobs and careers.

We look forward to reporting progress toward these goals, and appreciate your support.



Robert P. Jensen
Chairman of the Board,
President and
Chief Executive Officer

Air Cargo

Flying Tigers, the world's largest air cargo carrier, provides scheduled air cargo service throughout North America, Asia, Europe, Latin America, Australia, and the Middle East, as well as charter service worldwide.

1985 marked the fortieth year of Flying Tigers in the air cargo business. A downturn in Flying Tigers' most profitable division, the Pacific, presented the company a significant challenge. A weak holiday buying season in

1984 signaled the coming year's reduced shipping volumes on these critical routes. Consumer electronics, toys and apparel, were among the major commodities affected. Steps were taken to address the short-term market conditions and to direct the company towards consistently profitable operations. Action plans were implemented to

strengthen the company's overall market position, and to increase operating efficiencies.

During 1985, the company acted to streamline both Latin American and European service in order to allocate capacity to more profitable operations. As a result, Flying Tigers experienced only slight growth in transatlantic and Latin American revenues.

The company expanded its jetfreighter service to the Middle East by launching scheduled operations to Saudi Arabia, the largest U.S. air cargo export market in the Middle East. In

Flying Tigers
Scheduled
Worldwide Route
Network

Amsterdam,
Netherlands
Anchorage, Alaska
Atlanta, Georgia
Baltimore, Maryland/
Washington, D.C.
Basel, Switzerland

Boston,
Massachusetts
Brussels, Belgium
Buenos Aires,
Argentina

Caracas, Venezuela
Charlotte,
North Carolina
Chicago, Illinois
Cleveland, Ohio
Columbus, Ohio

Dallas/Fort Worth,
Texas
Denver, Colorado

► The Operations Control Center at Flying Tigers World Headquarters in Los Angeles monitors and controls flights, crews and aircraft 24 hours a day around the world. All flight activities and the efficient utilization of aircraft and crews are coordinated from this complex which is the nerve center of the airline.



cooperation with Saudi Arabian Airlines (Saudia), Flying Tigers inaugurated B-747 flights from the U.S. to Dhahran, marking the only direct all-cargo service between the two countries. This new service will enable the company to continue development of around-the-world flights, routing aircraft from the U.S. through Europe and the Middle East enroute to Asia. This service pat-

tern positions aircraft for Pacific eastbound operations and avoids adding capacity in the saturated U.S. to Asia market.

Consistent with the company's proven market development practice, Flying Tigers expanded its charter business into the People's Republic of China, (PRC) operating 38 charter flights from various points of the world. It is projected that the level of business with the PRC will continue to increase in 1986.

Flying Tigers' cargo operations will benefit from the opening

of its new hub at Rickenbacker Air National Guard Base near Columbus, Ohio. This facility, constructed at minimal capital expense to the company, will improve operational reliability, expand service capabilities, increase productivity and reduce operating costs.

Detroit, Michigan
Dhahran, Saudi Arabia
Dubai, United Arab Emirates
El Paso, Texas
Frankfurt, Germany

Hartford, Connecticut
Hong Kong
Houston, Texas

Honolulu, Hawaii
Kansas City, Kansas
Kuala Lumpur, Malaysia
London, England
Los Angeles, California

Manaus, Brazil
Manila, Philippines
Melbourne, Australia

Memphis, Tennessee
Mexico City, Mexico
Miami, Florida
Milan, Italy
Minneapolis/St. Paul, Minnesota
Newark, New Jersey

New Orleans, Louisiana
New York, New York
Oklahoma City, Oklahoma



The hub facility can accommodate the simultaneous handling of 4 B-747, 16 B-727 cargo aircraft, and 26 trucks. Located on 107 acres, the 196,000 square-foot cargo sort facility is capable of handling up to seven million pounds of cargo daily.

A \$74.4 million contract for cargo and passenger services was awarded to Flying Tigers by The United States Air Force Military Airlift Command (MAC), for

the fiscal year commencing October, 1985. This award, approximately 30 percent of the basic \$250.8 million contract offered to all civilian air carriers by the Air Force, is the largest contract offered to a single carrier in 1985 and the largest ever awarded to Flying Tigers. In addition, Flying Tigers is entitled to 30 percent of all MAC expansion business during the contract period.

During the past forty years, Flying Tigers has grown from a one-room office and two-car garage at the Long Beach,

California airport into the world's largest air cargo carrier. Currently, the company operates 18 B-747 and 12 B-727 cargo aircraft, 2 B-747 passenger aircraft and a fleet of trucks. Flying Tigers has the fleet, the global network and the expertise to meet the growing needs of the air cargo customer worldwide.

Orlando, Florida
Osaka, Japan
Paris, France

Philadelphia, Pennsylvania
Prestwick, Scotland
Raleigh/Durham, North Carolina
Rio De Janeiro, Brazil

Sacramento, California
St. Louis, Missouri
San Diego, California

San Francisco, California
San Juan, Puerto Rico
Sao Paulo, Brazil
Seattle/Tacoma, Washington
Seoul, South Korea

Shannon, Ireland
Singapore
Sydney, Australia

Syracuse, New York
Taipei, Taiwan
Tulsa, Oklahoma
Tokyo, Japan
Zurich, Switzerland



Trucking

Warren Transport, Inc. is a general commodities motor carrier headquartered in Waterloo, Iowa. Through its network of 17 terminals, Warren serves customers in the continental United States, Canada and Mexico.

The nation's foremost carrier of farm equipment, Warren mainly operates as a specialized truck-load hauler of heavy machinery and other specialized equipment. Warren has contracts with approximately 400 independent owner-operators and owns more than 1200 trailer units. Standard equipment includes vans, stepflats, flatbeds, lowboys and combine trailers, with many other types of

special equipment available. In addition, Warren can tailor-make services capable of handling almost any type of heavy or over-size load.

Warren continued to have excellent results in 1985 due to effective cost controls. Revenues and pretax profits were virtually level with the 1984 results. This continued strength in pretax profits occurred despite the continued decline of farm machinery sales upon which Warren primarily relies for its revenues. The Agricul-

ture Department estimates indicate that farm machinery sales have slipped from \$11.8 billion annually in 1979 to \$5.25 billion in 1985. In addition, Warren incurred a substantial increase of over 60 percent in insurance costs.

During 1985, Warren continued to broaden its customer base and gain marketshare even in a declining market environment. By maintaining its grip on cost controls and marketshare, as well as by maintaining profit levels, Warren has demonstrated that it continues to be a consistently strong and profitable carrier.

Warren
Transport, Inc.
Branch Offices

Ankeny, Iowa
Bossier, Louisiana
Burnsville, Minnesota
Charles City, Iowa
Council Bluffs, Iowa

Denver, Colorado
Detroit, Michigan
Dubuque, Iowa
Hesston, Kansas

Independence, Missouri
Laredo, Texas
Midlothian, Texas
Moline, Illinois
New Orleans, Louisiana

Portland, Oregon
Waterloo, Iowa
Winnipeg, Manitoba, Canada

◀ In addition to its B-747 and B-727 cargo aircraft, Flying Tigers also operates an efficient fleet of trucks enabling the company to serve customers in a timely and cost-effective manner.

▶ The Dispatch Operations Center in Waterloo, Iowa, is the control center of Warren Transport. "Waterloo Central" oversees all of Warren's over-the-road operations and its entire rolling stock of equipment round the clock throughout the United States, Canada and Mexico.



**Five Year
Financial
Summary**

(Amounts in thousands, except per share and ratio data)	1985	1984	1983	1982	1981
Revenues from Continuing Operations					
Air cargo	\$1,109,022	\$1,171,017	\$1,019,832	\$ 905,496	\$ 879,104
Trucking	38,023	39,453	42,932	47,012	33,806
Other	—	(580)	(5,896)	(6,647)	(4,133)
Total	\$1,147,045	\$1,209,890	\$1,056,868	\$ 945,861	\$ 908,777
Income (loss) from continuing operations before income taxes	\$ (57,187)	\$ 49,105	\$ (84,988)	\$ (111,721)	\$ (56,088)
Income tax provision (benefit)	—	4,900	—	(47,900)	(37,826)
Income (Loss) from Continuing Operations					
Income (loss) from discontinued operations	(57,187)	44,205	(84,988)	(63,821)	(18,262)
Income (loss) from discontinued operations	(15,500)	(133,145)	(157,644)	(72,402)	1,649
Loss Before Extraordinary Gain					
Extraordinary gain	(72,687)	(88,940)	(242,632)	(136,223)	(16,613)
Extraordinary gain	—	—	19,792	—	—
Net Loss	\$ (72,687)	\$ (88,940)	\$ (222,840)	\$ (136,223)	\$ (16,613)
Per Share Data					
Income (loss) per share					
Continuing operations	\$ (2.11)	\$ 2.05	\$ (4.71)	\$ (3.77)	\$ (1.07)
Discontinued operations	(.58)	(6.18)	(8.73)	(4.27)	.09
Extraordinary gain	(2.69)	(4.13)	(13.44)	(8.04)	(.98)
Extraordinary gain	—	—	1.10	—	—
Total	\$ (2.69)	\$ (4.13)	\$ (12.34)	\$ (8.04)	\$ (.98)
Book value per share	\$ (.15)	\$.09	\$ 4.16	\$ 16.72	\$ 24.76
Cash dividends paid per share	\$ —	\$ —	\$ —	\$ —	\$.88
Shares used for computation of income (loss) per share (000)	27,053	21,518	18,050	16,936	17,000
Other Data					
Funds provided (used) by continuing operations	\$ 17,331	\$ 105,163	\$ 9,003	\$ (67,795)	\$ (15,682)
Stockholders' equity	\$ (4,462)	\$ 1,961	\$ 84,536	\$ 283,166	\$ 419,389
Total assets	\$ 956,118	\$1,026,728	\$1,113,766	\$2,440,619	\$2,702,397

**Five Year
Summary of
Operating
Statistics**

	1985	1984	1983	1982	1981
Air Cargo					
Scheduled Cargo Service					
Freight revenue ton miles (000)	2,157,284	2,273,030	2,018,563	1,604,964	1,603,217
Mail and other revenue ton miles (000)	104,436	111,381	99,630	85,224	86,730
Sources of Operating Revenues (percent)					
Scheduled cargo operations	83.5	86.1	82.9	72.0	71.3
Military Airlift Command	9.5	8.9	8.3	12.7	12.7
Charter	5.1	3.6	6.3	10.3	11.3
Other	1.9	1.4	2.5	5.0	4.7
Fuel Cost per Gallon (\$)	.85	.89	.94	1.09	1.13
Trucking					
Warren Transport ^(a)					
Ton miles (000)	407,478	432,228	430,811	463,307	525,022
Intercity miles (000)	30,075	31,909	31,665	35,067	42,452
Operating ratio (percent)	93.9	94.1	95.4	95.5	92.0
Number of trailers owned	1,243	1,246	1,237	1,315	1,281

(a) Warren Transport was acquired in June 1981.

Executives

Tiger International

Robert P. Jensen	Chairman of the Board, President and Chief Executive Officer
Robert J. Harter, Jr.	Senior Vice President—General Counsel and Secretary
Larry G. Morris	Senior Vice President—Finance and Administration
Rolf Bodenbug	Vice President—Taxes
Joseph K. McDonnell	Vice President—Controller and Treasurer

Flying Tigers

Robert P. Jensen	Chairman of the Board and Chief Executive Officer
Lewis H. Jordan	President and Chief Operating Officer
James A. Cronin	Senior Vice President—U.S. Division
Albert O. Hicks	Senior Vice President—Atlantic Division
Larry G. Morris	Senior Vice President
Lawrence M. Nagin	Senior Vice President—Administration and General Counsel
Paul A. Stokes	Senior Vice President—Pacific Division
Ned H. Wallace	Senior Vice President—Contract Programs/Atlantic/Latin America
Harold M. Woody	Senior Vice President—Air Operations
George A. Zettler	Senior Vice President—Latin American Division
Thomas H. Barron	Vice President—Finance
Larry D. Goodwin	Vice President—Corporate Planning
Jack T. Kane	Vice President—Sales and Marketing
Cyril D. Murphy	Vice President—International and Governmental Affairs

Warren Transport

Robert J. Molinaro	President and Chief Executive Officer
Harold C. Andrews	Senior Executive Vice President—Assistant Secretary and Treasurer
Kenneth R. Nelson	Executive Vice President—Director of Marketing
Adeloor J. Warren	Executive Vice President
George S. Warren	Executive Vice President
Howard A. Peterson	Executive Vice President—Comptroller
Richard L. Donnelly	Vice President

Directors

Tiger International

and Flying Tigers

Robert P. Jensen	Chairman of the Board, President and Chief Executive Officer— Tiger International. Chairman of the Board and Chief Executive Officer— Flying Tiger Line
Lt. General (Ret.) Kelly H. Burke	Chairman of the Board, Stafford, Burke & Hecker (Consulting Firm—Aerospace)
J. Howard Edgerton	Chairman of the Board—Emeritus, California Federal Savings and Loan Association
The Honorable Gerald R. Ford Peter M. Kennedy	Former President of the United States of America Chairman, Dominick and Dominick, Incorporated (Investment Banking Firm)
Charles Luckman Charles T. Manatt William E. McKenna Stephen M. Peck	Founder, The Luckman Management Company (Architects) Manatt, Phelps, Rothenberg, Tunney and Phillips (Law Firm) General Partner, McKenna Equities (Private Investment Company) Senior Vice President and Chief Investment Officer, Reliance Group Holdings, Inc. (Holding Company)
Saul P. Steinberg	Chairman of the Board and Chief Executive Officer, Reliance Group Holdings, Inc. and Reliance Group, Incorporated (Holding Companies)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1985

Commission file number 1-6457

TIGER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-2623176
(I.R.S. Employer
Identification No.)

1888 Century Park East, Los Angeles, California
(Address of principal executive offices)

90067
(zip code)

Registrant's telephone number, including area code: (213) 552-6300

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1 Par Value	New York, Midwest and Pacific Stock Exchanges
11½% Sinking Fund Debentures Due October 1, 1995	New York Stock Exchange
8½% Convertible Subordinated Debentures Due July 1, 2005	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES NO

On March 19, 1986, 26,444,880 shares of registrant's Common Stock, \$1 par value, were held by non-affiliates. It is estimated that as of March 19, 1986, the aggregate market value of such stock was \$234,698,310 based upon the average high and low sale prices on such date.

On March 19, 1986, 30,981,905 shares of Common Stock, \$1 par value, were outstanding.

Information called for by Part III is incorporated by reference from registrant's definitive proxy statement for registrant's 1986 annual meeting of stockholders, which meeting will involve the election of directors. Said proxy statement will be filed with the Securities and Exchange Commission prior to April 30, 1986, pursuant to Regulation 14A.

SECRETARIA AND EXCHANGE COMMISSION

FORM 10-K

Annual Report of the Corporation for the Year Ended December 31, 1964

TRIM THERMATIC, INC.

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ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1985

	Page
<hr/> PART I <hr/> <hr/>	
ITEM 1. BUSINESS.	2
ITEM 2. PROPERTIES.	18
ITEM 3. LEGAL PROCEEDINGS.	19
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. EXECUTIVE OFFICERS OF THE REGISTRANT	19
<hr/> PART II <hr/> <hr/>	
ITEM 5. MARKET FOR REGISTRANT'S EQUITY AND RELATED STOCKHOLDER MATTERS.	21
ITEM 6. SELECTED FINANCIAL DATA.	22
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.	22
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.	28
ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.	62
<hr/> PART III <hr/> <hr/>	
ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.	62*
ITEM 11. EXECUTIVE COMPENSATION.	62**
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.	62**
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.	62**
<hr/> PART IV <hr/> <hr/>	
ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.	62

* Certain Portions Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1986 Annual Meeting of Stockholders.

** Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1986 Annual Meeting of Stockholders.

Part I

Item 1. BUSINESS.

Tiger International, Inc. (separately, "Tiger International" and, with its subsidiaries on a consolidated basis, "Tiger"), a Delaware corporation organized in 1969, is a holding company which engages through its subsidiaries in the air cargo transportation and trucking businesses. Tiger International's principal executive offices are located at 1888 Century Park East, Los Angeles, California 90067, and its telephone number is (213) 552-6300.

Tiger International's principal subsidiaries are The Flying Tiger Line Inc. ("Flying Tigers") and Warren Transport, Inc. ("Warren"). Until December 13, 1985, Tiger International owned 25% of Hall's Motor Transit Company ("Hall's"), which had, until January 7, 1985, been a wholly owned subsidiary of Tiger International. See "Item 1. Business — Discontinued Operations — Hall's Motor Transit Company." Hall's was treated as a discontinued operation for accounting purposes by Tiger International as of December 31, 1984. In addition, Tiger International, through its wholly owned subsidiary Tiger Leasing Group, Inc. ("Tiger Leasing Group"), previously engaged in (i) aviation services and (ii) railcar services and other leasing operations, all of which have been accounted for as discontinued operations, effective December 31, 1982 and December 31, 1983, respectively.

Information regarding Tiger's revenues, operating results and identifiable assets by business segment, together with geographic segment information, is included in "Note 3 — Business Segment and Geographic Data" of the "Notes to Consolidated Financial Statements."

AIR CARGO OPERATIONS — FLYING TIGERS

Tiger International engages in air cargo transportation through Flying Tigers, its principal subsidiary.

Flying Tigers is the largest air cargo carrier in the world as measured by cargo revenue ton miles (one ton of revenue cargo flown one mile) carried in 1985, based on statistics maintained by the International Air Transport Association ("IATA"), and is currently the primary international all-cargo air carrier that also serves the United States domestic market. Flying Tigers operates the largest fleet of B-747 freighter aircraft in the world and serves the largest scheduled worldwide route system of any all-cargo air carrier. Flying Tigers is a certificated air carrier primarily engaged in the common carriage of freight and mail over a worldwide route system integrating an extensive United States system with Asia, Europe, Australia, Latin America and the Middle East.

Flying Tigers is a 99%-owned subsidiary of Tiger International. See "Item 1. Business — History of Financial Restructuring — Flying Tigers." The predecessor corporation to Flying Tigers was incorporated under Delaware law in 1945 and in 1980 was merged with Seaboard World Airlines, Inc. ("Seaboard"), with the surviving corporation being renamed The Flying Tiger Line Inc.

Flying Tigers' principal executive offices are located at 7401 World Way West, Los Angeles, California 90009, and its telephone number is (213) 646-6161.

General

Flying Tigers transports freight primarily through its aircraft and trucking operations. Air cargo service is provided (i) by 18 B-747 aircraft and 12 B-727 aircraft that are owned or leased and operated by Flying Tigers, (ii) by other airlines pursuant to interline arrangements and (iii) by contracts with independent aircraft operators. Trucking services are almost exclusively provided by nonaffiliated trucking companies under contracts with Flying Tigers.

Flying Tigers offers regularly scheduled cargo service within the United States and throughout the world, as well as worldwide commercial cargo charter service. Additionally, Flying Tigers provides both passenger and cargo service to the Military Airlift Command ("MAC") of the United States Air Force and cargo service to the United States Postal Service. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Customers."

Prior to 1982, Flying Tigers operated primarily on an airport-to-airport basis serving freight forwarders and brokers both internationally and in the United States. In 1982, in response to deregulation of the air freight industry in the United States, which resulted in domestic competition from certain of Flying Tigers' former customers, Flying Tigers began to implement a revised domestic operating and marketing strategy intended to improve Flying Tigers' results of operations. As part of this program and in addition to serving its traditional airport-to-airport market, Flying Tigers initiated a new domestic door-to-door service offered directly to retail customers in the United States. In an attempt to reduce its fixed and other costs of operations, Flying Tigers also began to utilize more extensively freight forwarding, trucking and contract flying provided by other airlines in transporting freight in the United States.

Between 1983 and the present, Flying Tigers also began to devote greater resources to certain of its higher-yielding international markets — particularly the transpacific and Latin American markets — where the demand for service was increasing. In addition, Flying Tigers replaced certain flights in Europe with high-speed trucking operations connecting at its Frankfurt hub with international air service.

At present, Flying Tigers' domestic operations are comprised of both door-to-door and airport-to-airport service; the door-to-door service operations have come to represent in excess of fifty percent of Flying Tigers' domestic operations. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Scheduled Operations — Domestic Operations." The principal door-to-door customers are direct shippers, and the principal airport-to-airport customers are freight forwarders and brokers. Airport-to-airport shipments by freight forwarders and brokers continue to constitute the principal component of Flying Tigers' international operations. However, the integration of Flying Tigers' international operations with its domestic door-to-door operations permits Flying Tigers to offer single-carrier service for international shipments originating both abroad and domestically.

The business of Flying Tigers is seasonal in nature, with the highest revenues of the year normally being recorded in the third and fourth quarters. See "Item 8. Financial Statements and Supplementary Data — Selected Quarterly Financial Data (Unaudited)."

Scheduled Operations

International Operations

As of March 19, 1986, Flying Tigers provided international scheduled air service for both cargo and mail between points in the United States and cities in Asia, Europe, Latin America, Australia and the Middle East.

Flying Tigers' route structure includes scheduled international service to and from cities in Japan, the Republic of Korea, Hong Kong, Taiwan, the Philippines, Malaysia, Singapore, Australia, Belgium, the Federal Republic of Germany, Switzerland, the United Kingdom, the Republic of Ireland, Saudi Arabia, the United Arab Emirates, Brazil, Venezuela and Argentina. Flying Tigers serves France, the Netherlands and Italy through a trucking network comprised exclusively of services provided under contracts with nonaffiliated trucking companies.

Beginning in 1983 and continuing to the present, Flying Tigers, in an attempt to improve profitability, has revised its operating and marketing emphasis on its international routes to improve the balance between inbound and outbound flights and to realign capacity to serve markets such as the transpacific and Latin American markets where demands for service were increasing. Flying Tigers also began and intends to continue to utilize more extensively trucking operators, interline arrangements with other airlines and the aircraft belly capacity of other airlines in transporting freight both internationally and in the United States. Flying Tigers intends to decrease its usage of contract flying provided by other air carriers, however.

In October 1983, Flying Tigers established two European hubs, one located in London and one in Frankfurt. Scheduled flights to France and Italy were replaced, and scheduled flights from Switzerland were supplemented, by a high-speed trucking network connecting with the Frankfurt hub for international service. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Flying Tigers continued to expand its route structure and improved directional balance in the transpacific market by launching B-747 scheduled service from the United States to Australia in 1983. Flying Tigers offers charter service outbound from Australia to Asian markets. The integration of the Australian route with previously existing transpacific routes enables Flying Tigers to generate additional revenue ton miles while positioning aircraft for the traditionally strong eastbound transpacific market.

In recent years, the transpacific market has become increasingly significant to the Company's results of operations. The transpacific market accounted for \$503,953,000, \$653,395,000 and \$544,177,000 of the Company's revenues in 1983, 1984 and 1985, respectively, and approximately 59%, 70% and 66% of the Company's total scheduled cargo capacity in 1983, 1984 and 1985, respectively. In 1985, the Company experienced both increased competition and decreased demand in the transpacific market compared to 1984, which caused a 17% decrease in 1985 transpacific revenues. The Company expects that the transpacific market will continue to constitute its most significant business segment for the foreseeable future, and there can be no assurance as to future transpacific revenues, competition or results of operations.

In 1985, Flying Tigers increased its services to Latin America by adding scheduled service to Venezuela. These additional routes contributed to the balance of inbound and outbound Latin American traffic and increased Latin American revenue ton miles. Scheduled services to Trinidad and the Dominican Republic were added in early 1985, but were eliminated in December 1985. Flying Tigers intends to continue to analyze the Latin American market and to adjust its flight schedules to meet the demand for its services.

Domestic Operations

As of March 19, 1986, Flying Tigers provided domestic scheduled services for both cargo and mail directly to 33 United States cities and to San Juan, Puerto Rico.

Traditionally, Flying Tigers provided domestic airport-to-airport service to freight forwarders and brokers. Flying Tigers significantly increased its domestic service points following deregulation of the air freight industry in 1978. However, beginning in 1982 and continuing to the present, a number of Flying Tigers' significant airport-to-airport customers, particularly large national accounts such as United Parcel Service of America, Inc. ("UPS"), began to operate their own aircraft, thus decreasing or eliminating their demand for Flying Tigers' domestic airport-to-airport services. In 1982, in an attempt to replace the lost revenues from the decline in demand for Flying Tigers' airport-to-airport services, Flying Tigers commenced a domestic door-to-door service marketed directly to retail customers.

In offering its domestic door-to-door service, Flying Tigers does not seek to emphasize the express document segment of the domestic air freight market, but rather to offer to direct shippers freight services of the type previously provided by the traditional freight forwarder, particularly in the market for shipments weighing in excess of 70 pounds and/or requiring second-day or later delivery times. In its domestic operations, Flying Tigers offers both overnight and second-day delivery options and both guaranteed and nonguaranteed delivery times. Together with its airport-to-airport service, the domestic door-to-door service provides Flying Tigers' customers with single-carrier direct access to, and service from, a wide selection of cities in the United States as part of Flying Tigers' integrated worldwide service.

Flying Tigers has developed and has continued to expand its domestic trucking capabilities, which rely almost exclusively on nonaffiliated contract trucking services. Flying Tigers utilizes its trucking operations both to transport cargo to and from airport terminal facilities and to transport less time-sensitive freight from the shipper to the consignee. Flying Tigers operates a trucking hub in Columbus, Ohio, which, combined with the new air freight hub in the same city, serves as Flying Tigers' principal domestic freight hub. The new Columbus, Ohio air freight hub commenced operations on March 3, 1986. See "Item 2. Properties — New Flying Tigers Terminal Facility."

In 1983, 1984 and 1985, door-to-door services revenues represented 49%, 57% and 57%, respectively, of the domestic scheduled service revenues. Although door-to-door revenues have replaced the revenues lost in the declining airport-to-airport portion of Flying Tigers' domestic operations, overall domestic revenues have not increased significantly between 1983 and 1985. See "Item 1. Business — Air Cargo Operations —

Flying Tigers — Operating Information.” Despite the increased yields experienced by Flying Tigers in the domestic market, the high fixed and other costs in this business segment continue to impact adversely the results of Flying Tigers’ domestic operations.

Commercial Charters

Flying Tigers provides commercial cargo charters throughout the world, which supplement the utilization of aircraft by the scheduled service markets. In 1981, Flying Tigers implemented a commercial passenger charter operation, Metro International Airways (“Metro”), which provided increased commercial passenger charter revenues utilizing passenger B-747 aircraft acquired from an affiliate. Early in 1982, Metro supplemented this charter operation with a scheduled passenger operation. In 1983, Flying Tigers disposed of Metro’s three B-747 passenger airframes and terminated all Metro operations. Total commercial charter operations generated revenues of \$63,901,000 in 1983, \$42,605,000 in 1984 and \$56,132,000 in 1985, of which commercial cargo charter operations contributed \$50,272,000 in 1983 and all revenues in 1984 and 1985. The absence of commercial passenger charter revenues in 1984 and 1985 reflects the termination of Metro operations. Reduced commercial cargo charter revenues in 1984 reflect decreased aircraft availability due to elimination during 1984 of DC-8 aircraft from Flying Tigers’ fleet and utilization of B-747 aircraft in the scheduled services and MAC segments of Flying Tiger’s business. Increased commercial charter revenues in 1985 compared to 1984 reflect increased availability of B-747 aircraft due to the decline during the year of the demand for scheduled transpacific services.

Military Airlift Command

The United States Air Force currently grants Flying Tigers the largest fixed MAC contract award of any air carrier. MAC contracts for both passenger and cargo services are awarded annually on the basis of an airline’s participation in the Civil Reserve Air Fleet (“CRAF”). Under CRAF, Flying Tigers has committed its entire B-747 aircraft fleet for use by the United States in certain national emergencies. If Flying Tigers’ aircraft were requisitioned in such an emergency, Flying Tigers would be compensated by the United States for use of the aircraft.

Revenues from MAC charters were \$84,274,000 in 1983, \$104,411,000 in 1984 and \$105,680,000 in 1985. Flying Tigers was awarded a new MAC contract for the twelve months commencing October 1, 1985, the fixed portion of which is \$74,377,000, subject to expansion based on availability of aircraft, compared with fixed annual portions awarded in the October 1983 and 1984 contracts of \$72,155,000 and \$60,833,000, respectively. The decrease in the fixed portion of the 1984 MAC contract was partially attributable to Flying Tigers’ replacement of DC-8 aircraft, which were committed to CRAF, with B-727 aircraft, which are not eligible for CRAF. Flying Tigers currently operates two leased passenger B-747 aircraft for MAC, one of which was added in 1985; the additional B-747 aircraft increased the fixed portion of the October 1, 1985, MAC contract and will increase Flying Tigers’ eligibility for additional MAC expansion revenues as well. MAC contracts contain standard provisions that make them subject to renegotiation and termination at the convenience of the United States.

Operating Information

The following table presents certain information relating to Flying Tigers' scheduled and nonscheduled cargo and passenger (including MAC) operations for the periods indicated. The load factors (percentage of capacity utilized) in the table are based on weight. On a volume basis such load factors would be higher since capacity tends to be limited more by volume than by weight.

	For the Year Ended December 31		
	1985	1984	1983
Revenues (000's)			
Scheduled Cargo Operations			
Domestic	\$ 212,929	\$ 214,872	\$ 194,446
Transpacific	544,177	653,395	503,953
Transatlantic.....	105,368	98,367	123,721
Latin America	63,988	41,402	23,397
Total Scheduled Cargo Operations	926,462	1,008,036	845,517
Scheduled Passenger Operations	—	—	2,743
Commercial Charters	56,132	42,605	63,901
Military Airlift Command	105,680	104,411	84,274
Rentals, Service Sales and Other	20,748	15,965	23,397
Total Revenues	<u>\$1,109,022</u>	<u>\$1,171,017</u>	<u>\$1,019,832</u>
Scheduled Cargo Capacity (000's)			
(Available Ton Miles)			
Scheduled Cargo Services			
Domestic	471,335	465,574	485,395
Transpacific	2,195,494	2,393,897	1,770,917
Transatlantic.....	458,390	413,820	665,554
Latin America	207,454	135,548	73,213
Total Scheduled Cargo Services	<u>3,332,673</u>	<u>3,408,839</u>	<u>2,995,079</u>
Load Factor (percentages)			
Scheduled Cargo Services			
Domestic	53.7%	57.2%	60.9%
Transpacific	71.3	72.7	76.7
Transatlantic.....	67.7	68.1	63.0
Latin America	64.5	71.2	62.8
Total Scheduled Cargo Services	<u>67.9%</u>	<u>70.0%</u>	<u>70.8%</u>
Yield (revenue per revenue ton mile)			
(cents)			
Scheduled Cargo Services			
Domestic	84.2¢	80.7¢	65.8¢
International	35.5	37.4	35.7
Total Scheduled Cargo Services	<u>41.0¢</u>	<u>42.3¢</u>	<u>39.9¢</u>
Yield (revenue per pound) (cents)			
Scheduled Cargo Services			
Domestic	72.8¢	68.1¢	60.0¢
International	109.4	118.7	106.7
Total Scheduled Cargo Services	<u>98.1¢</u>	<u>102.5¢</u>	<u>90.5¢</u>

Customers

Approximately 12% of Flying Tigers' business in 1983, 12% in 1984 and 13% in 1985 was attributable to two agencies of the United States Government: MAC and the United States Postal Service. No other customer constituted 10% or more of Flying Tigers' total revenues. MAC charter rates are determined by

MAC based upon average costs for participating carriers. Prior to January 1, 1985, international and domestic service mail rates were established by the Civil Aeronautics Board ("CAB"). The Airline Deregulation Act of 1978 provided for the dissolution of the CAB on January 1, 1985; however, its remaining functions were transferred to and continued by the Department of Transportation ("DOT"). Since January 1, 1985, international mail rates have been established by DOT; domestic service rates are determined by a negotiating and bidding process with the United States Postal Service. Because services performed for the United States Postal Service are lower-yielding in relationship to some other segments of Flying Tigers' business, Flying Tigers will seek to deemphasize its United States Postal Service business in the future.

Flying Tigers' domestic cargo customers are principally direct shippers. As a result of the 1982 deregulation of the domestic air freight business, Flying Tigers lost a significant amount of its traditional airport-to-airport business between 1982 and 1985 as certain of its former customers — freight forwarders, brokers and cargo agents such as UPS, Burlington Northern Inc. and Airborne Freight Corp. — purchased or leased aircraft for use directly in their operations. These airport-to-airport revenues have been replaced by revenues from door-to-door service provided directly to shippers. The customer base for the domestic door-to-door service is principally comprised of medium-size and large national accounts. Flying Tigers does not seek to emphasize the express document segment of the market, but rather to offer to the direct shipper freight services of the type previously provided by the traditional freight forwarder.

Flying Tigers' international cargo customers are principally freight forwarders, brokers and cargo agents.

Fuel Costs

The cost of Flying Tigers' air cargo operations is significantly influenced by the price of aviation fuel. Currently every \$.01 change in the price-per-gallon of fuel would change annual expenses by approximately \$3,000,000. The average cost per gallon of fuel dropped from \$.94 in 1983, to \$.89 in 1984 and to \$.85 in 1985. The decrease in fuel prices, however, is an industry-wide savings that may result in reduced rates and lower revenues overall. The effect of falling crude oil prices on the price of aviation fuel is not experienced immediately, but rather only after a delay reflecting the time of refining and marketing. Flying Tigers has fuel supply contracts, most of which are one year in duration and provide for sales of fuel at market prices prevailing at the date of sale. Flying Tigers' fuel supply contracts provide for an amount of fuel currently estimated to be adequate for its anticipated needs. However, such contracts do not provide protection against price increases.

Regulation of Air Transport Industry

Flying Tigers is subject to the Federal Aviation Act under which the DOT and the Federal Aviation Administration ("FAA") and, in certain cases, the President of the United States, exercise jurisdiction over various phases of its business.

Generally, under the current regulatory environment, air cargo carriers are permitted to provide air cargo service between any points in the United States, Puerto Rico and the Virgin Islands and to price such service at any level or in any manner so long as such prices are not unduly discriminatory, prejudicial, preferential or predatory. The DOT's jurisdiction also extends to several other aspects of Flying Tigers' business, including its accounts and records, certain mergers and acquisitions of control, consolidations, interlocking relations, competitive practices and cooperative agreements. The FAA is concerned with the regulation of flying operations, including matters dealing with safety, aircraft, personnel and ground facilities.

Flying Tigers has been notified by the FAA that beginning April 14, 1986, the FAA will conduct a detailed inspection of Flying Tigers' operations. Similar inspections of other carriers have been completed or are on-going and have in some cases resulted in proposed fines and/or penalties ranging from several hundred thousand dollars to \$9.5 million dollars. Flying Tigers cannot predict what fines and/or penalties, if any, may be proposed by the FAA as a result of the inspection.

International Route Authorizations and Rates

Certificates of Public Convenience and Necessity previously issued by the CAB pursuant to Section 401 of the Federal Aviation Act (and issued by DOT since January 1, 1985) authorize Flying Tigers to operate its Asian, Australian, European, Middle Eastern and Venezuelan routes. Flying Tigers also holds exemption authority, which must be renewed annually, issued pursuant to Section 416 of the Federal Aviation Act to operate its all-cargo services to Brazil, Argentina and Saudi Arabia. With the exception of Japan and Saudi Arabia, Flying Tigers holds permanent certificate authority from the United States for all of the Australian, Asian, European and Middle Eastern points it now serves. Flying Tigers' authority to serve Japan, first granted in 1968, and Venezuela, first granted in 1984, were issued on a temporary basis and must be renewed periodically. Flying Tigers will make timely application for all renewals and has no reason to believe that renewals will not be granted.

Although the domestic portion of Flying Tigers' business has been substantially deregulated, DOT regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of United States air carriers abroad. The right of a foreign carrier to provide service into the United States and of a United States carrier to service foreign points is subject to DOT approval and generally requires a bilateral agreement between the United States and such foreign carrier's government. See "Item 1. Business. Air Cargo Operations — Flying Tigers — Competition." Flying Tigers' authorization to operate its international routes and to serve foreign points is further dependent upon the permission of foreign authorities, generally under bilateral agreements. Flying Tigers has been granted authorizations to operate between more foreign countries and the United States than any other all-cargo air carrier.

Flying Tigers currently is a member of IATA, as are most major United States and foreign international air carriers. Rates for services over international routes are usually established by member agreements at periodic IATA Traffic Conferences. Such agreements are subject to approval by DOT (and when so approved are exempted from the antitrust laws of the United States) and, generally, by the foreign governments having jurisdiction over the points served.

Environmental Regulations

A regulation issued by the FAA under the Noise Control Act of 1972 required replacing the then-existing engines on Flying Tigers' DC-8 fleet with newer, quieter engines ("re-engining"). Subsequently, Flying Tigers eliminated the DC-8 aircraft from its fleet. Flying Tigers also must comply with the Aviation Safety and Noise Abatement Act enacted in 1980 and with engine emissions regulations promulgated under the Clean Air Act of 1970. Certain of the airports at which Flying Tigers operates have adopted noise abatement regulations, which to date have not had a significant impact on Flying Tigers' overall operations.

Other Regulations

The Federal Communications Commission has jurisdiction over certain aspects of the operations of airlines due to the use of radio facilities. In addition, the National Mediation Board has jurisdiction over the labor relations of Flying Tigers under the Railway Labor Act, as amended.

Competition

The air cargo industry is highly competitive. Competition is based on a combination of factors, primarily price and such service-sensitive factors as the frequency and capacity of scheduled service, geographic coverage and reliability. Flying Tigers' extensive scheduled international route structure enables it to offer single-carrier service to many international points not offered by its principal domestic all-cargo competitors. With respect to international inbound and outbound air cargo service, Flying Tigers' scheduled service to and from the most significant gateway cities in the United States combined with its domestic air cargo and trucking coverage enables it to offer shippers of international freight more extensive single-carrier service to a greater number of United States cities than its international competitors.

The Airline Deregulation Act of 1978 has promoted domestic competition by enabling carriers to enter and depart air cargo routes with greater freedom, reducing the authority of the United States Government

to control fares and enhancing the ability of persons not already engaged in aviation to commence operations without United States Government approval. Domestically, a number of airlines as well as freight transportation and forwarding companies, some of which were previously significant customers of Flying Tigers, have commenced or expanded operations in the air cargo market since deregulation, which greatly increased the competition in the airport-to-airport market. To replace the revenues lost in its traditional airport-to-airport market, Flying Tigers entered the door-to-door delivery market, which is also highly competitive. In its domestic door-to-door delivery market, Flying Tigers competes with Emery Air Freight Corporation, UPS, Burlington Northern Inc., Consolidated Freightways, Inc., Airborne Freight Corp. and Federal Express Corp. In the domestic airport-to-airport market, Flying Tigers competes with most of the major passenger air carriers, which transport cargo not requiring main-deck cargo aircraft capabilities in the bellies of their passenger aircraft.

Internationally, competition has increased on routes between the United States and certain European and Asian countries because of the United States Government's "open skies" policies, which provided greater access to the United States market for foreign carriers based in countries that grant United States carriers reciprocal rights. European competition is particularly intense, which has adversely affected revenues in the transatlantic market and has caused Flying Tigers to reallocate some of its capacity from European to other international markets. In certain other foreign countries such as Japan, the right of such countries' air carriers to provide service into the United States and the right of a United States air carrier to service points in such foreign countries is controlled by bilateral agreements between the United States and such foreign countries. Accordingly, competition may be lessened in such foreign countries.

A number of Flying Tigers' foreign-based competitors are government-owned, controlled and/or subsidized, giving them a competitive advantage over Flying Tigers.

In May 1985, Nippon Cargo Airlines ("NCA"), a new Japanese all-cargo airline, initiated transpacific operations between Tokyo and San Francisco and New York. A majority of NCA is owned by Japanese steamship companies and air freight forwarders. The air freight forwarders are estimated to originate more than three-fourths of Flying Tigers' Japan-United States eastbound freight. NCA's fleet consists of three B-747F aircraft. NCA is currently operating six scheduled roundtrip all-cargo flights per week, the maximum currently permitted under authority granted pursuant to an Interim Agreement concluded between the governments of Japan and the United States. NCA's operations, in addition to the competition of other foreign air carriers such as Japan Air Lines that fly cargo from Japan to the United States, have had an adverse effect on Flying Tigers' Pacific Division revenues, revenue ton miles and yields. The governments of the United States and Japan reconvened bilateral aviation negotiations on March 3, 1986. The negotiations are scheduled to be completed by December 31, 1986. If either NCA or Japan Air Lines is granted the right to make additional cargo flights between Japan and the United States as a result of these negotiations, Flying Tigers will experience additional competition that would have a further adverse impact on its Pacific Division operations.

Flying Tigers' major transpacific competitors are Japan Air Lines, Northwest Orient Airlines, China Airlines, NCA, Korean Airlines, Qantas and Air New Zealand. Flying Tigers' major transatlantic competitors are Air France, Alitalia, British Airways, Cargolux, KLM, Lufthansa, Pan American, Sabena, SAS and TWA. Varig, Aerolineas Argentinas and VIASA are Flying Tigers' major Latin American competitors.

Employee Relations

On February 28, 1986, Flying Tigers employed 6,675 persons, of which 5,827 were full-time employees, and 848 were part-time employees; 823 of the full-time employees and 21 of the part-time employees were based outside the United States. About one-half of Flying Tigers' employees are covered by contracts with labor unions that conform generally to the pattern of labor agreements in the airline industry rather than to the nonunion environment of the air cargo industry. Flying Tigers believes that its labor costs are substantially higher than the labor costs of most of its competitors in the air cargo industry. In addition, certain of Flying Tigers' contracts with labor unions contain provisions necessary to comply with the labor laws of the various foreign countries in which Flying Tigers operates. Flying Tigers' labor contracts are for

varying terms, generally twenty-four to thirty-six months, require renegotiation on a recurring basis and provide for periodic increases in wage levels and improvements in various employee benefits, generally at a higher cost than the Company's nonunion competitors.

In September 1984, Flying Tigers concluded negotiations with the Air Line Pilots Association ("ALPA") and the International Association of Machinists and Aerospace Workers ("IAM"). The ALPA and IAM agreements provided Flying Tigers with increased productivity, cost reductions and deferrals of previously anticipated wage increases.

The ALPA agreement, which is effective from July 1, 1984, through July 31, 1987, postponed to 1985 and 1986 certain wage increases originally scheduled to occur in 1984 and 1985, postponed to 1987 a specified wage increase for 1986, permits Flying Tigers to continue certain subcontract operations through September 1, 1986, and provides Flying Tigers with increased flexibility to schedule crews in a more efficient manner. Further, Flying Tigers is permitted to operate its B-727 aircraft under more productive work rules than formerly applicable. However, pension benefits for pilots retiring at normal retirement age during the term of the contract were increased.

The IAM agreement is effective from September 1, 1984, through July 1, 1987. Included among the benefits achieved are a postponement to 1986 of certain wage increases originally scheduled to occur in 1985, a postponement to 1987 of a specified wage increase for 1986, a second-tier wage rate system providing that all new employees will be paid a starting rate below current levels and increased flexibility to employ nonunion part-time employees at the new Columbus hub.

Both the ALPA and the IAM contracts are presently subject to being opened for renegotiation in 1987. There can be no assurance that such renegotiations can be concluded without a strike by ALPA, IAM, or both, or that the contracts ultimately negotiated will achieve Flying Tigers' goal of decreasing its operating costs.

In July 1985, Flying Tigers realigned its worldwide operations into five operating Divisions — the Pacific Division, the Atlantic Division, the Latin American Division, the United States Division and the Contract and MAC Division. Each Division is a separate profit center headed by a Senior Vice-President. Finance, Legal and Administration, Sales and Marketing and Air Operations each serve as support Divisions.

Liquidity of Flying Tigers

For fiscal years 1983 and 1985, Flying Tigers' cash flow from operations was inadequate to cover debt service requirements. In such periods, cash flow from operations was supplemented by cash from the sale of assets and, in the case of 1983, the deferral of certain debt payments pursuant to the Flying Tigers Restructuring Agreements (as hereinafter defined). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

As of July 2, 1985, pursuant to the terms of Flying Tigers' debt restructuring agreements with its lenders, Flying Tigers was required to begin making payments of deferred principal and interest on substantially all of its private debt and capital leases; also pursuant to the terms of Flying Tigers' restructuring agreements, Flying Tigers is required to pay 80% of the net proceeds of any sale of assets to reduce deferred principal and interest on its debt and capital leases. See "Item 1. Business — History of Financial Restructuring — Flying Tigers." Although Flying Tigers remains free to sell assets subject to the foregoing restriction, there can be no assurance that Flying Tigers would be able to sell any of its present assets at the fair market value thereof or that any future asset sales will not adversely impact Flying Tigers' operations as presently conducted.

Flying Tigers, with its cash of \$123.3 million at December 31, 1985, anticipates no liquidity problems in 1986. However, if Flying Tigers' 1985 operating results were to continue or deteriorate further in 1986, Flying Tigers anticipates that it may be necessary to refinance or restructure its long-term debt or to obtain additional capital prior to December 31, 1986, to alleviate possible liquidity problems in the future and to meet its debt service obligations subsequent to that date. Flying Tigers' present restructuring agreements

generally prohibit Flying Tigers from incurring new indebtedness for borrowed money, and the Stock Agreement (as hereinafter defined) places certain restrictions on Flying Tigers relating to the issuance and sale of its voting securities. See "Item 1. Business — History of Financial Restructuring — Flying Tigers." To the extent that Flying Tigers seeks to refinance or restructure its present indebtedness or to obtain additional capital, no assurance can be given that it will be able to do so successfully or that the terms of any such refinancing or restructuring will not be more unfavorable to Flying Tigers than its present restructuring agreements.

TRUCKING — WARREN

Warren, which was acquired in 1981, is primarily a specialized truckload hauler of heavy machinery and other commodities that require special equipment. It is the leading hauler of agricultural machinery in the United States. Warren is authorized by the Interstate Commerce Commission (the "ICC") to operate in interstate or foreign commerce as a motor common carrier of general commodities between all points in the United States. Warren also is authorized by the Ontario Highway Transport Board to operate in the Province of Ontario and by the applicable state commissions to operate in intrastate commerce in six Midwestern states.

Warren's operating revenues were \$36,031,000 in 1983, \$38,616,000 in 1984 and \$38,023,000 in 1985. Warren handled 431 million ton-miles in 1983, 432 million ton-miles in 1984 and 407 million ton-miles in 1985. Warren's operating ratio improved from 95.4% in 1983 to 94.1% in 1984 to 93.9% in 1985. A significant portion of Warren's business is performed for Deere and Company. As of December 31, 1985, Warren owned 18 tractors (switch only) and 1,243 semi-trailers. Warren leases truck tractors with drivers from owner-operators.

For further information concerning the operations of Warren, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Regulation of the Motor Carrier Industry

Warren is subject to the Interstate Commerce Act, under which the ICC and the DOT's Bureau of Motor Carrier Safety exercise jurisdiction over various phases of each carrier's business.

Trucking companies operate pursuant to certificates of public convenience and necessity or contract carrier permits issued by the ICC. These certificates and permits specify the commodities that can be hauled and the territory in which a carrier can operate. The ICC also has jurisdiction over rates, mergers, acquisitions and certain issuances of securities. Carriers set their own rates subject to ICC review to assure that such rates are not prejudicial, preferential, predatory or unduly discriminatory. The Motor Carrier Act of 1980 imposed restrictions on collective ratemaking activities by trucking companies, but has allowed greater pricing flexibility for carriers independently setting rates.

The Bureau of Motor Carrier Safety is concerned with the safety of motor carrier operations, including the general safety of a carrier's operators and equipment and the qualifications and the maximum hours of service of drivers.

Warren is subject to economic regulation by regulatory agencies of the states in which it is authorized to transport intrastate traffic and by the provincial agencies of Canada. Warren's operations are also subject to administrative regulation by all the jurisdictions in which it operates.

Competition

The motor carrier industry is highly competitive. Warren competes with other motor common carriers, motor contract carriers, private carriers and railroads. The operating certificates and permits granted to Warren do not give it exclusive rights in any of the areas in which it does business. A substantial number of carriers operate within the same areas served by Warren, and the ICC, the various state regulatory agencies and the provincial agencies in Canada may authorize operations by additional carriers in the same areas of interstate, intrastate and foreign commerce now served by Warren. Some showing of public need must be made before these regulatory agencies will authorize service by additional carriers. The passage by Congress

of the Motor Carrier Act of 1980, however, has substantially lessened the burden of proof that the ICC requires to authorize operations by additional carriers.

Rates

The rates and charges assessed by Warren for regulated interstate transportation are on file with the ICC. Regional tariff bureaus, on behalf of their members, including Warren, publish revisions of rates and charges subject to the approval of the ICC. Due to the changing regulatory and market environment, many carriers, including Warren, have improved pricing flexibility by issuing and filing individual carrier tariffs with the ICC.

While rate increases have generally been granted to cover increased costs incurred by carriers because of increased expenses, there can be no assurance that further rate increases will be sufficient to offset future increases in wages and expenses, or that rate increases will follow these increases promptly.

Cost and Availability of Fuel

Warren primarily uses owner-operators who are responsible for purchasing their own fuel.

TIGER EMPLOYEES

As of February 28, 1986, Tiger had approximately 6,800 employees.

DISCONTINUED OPERATIONS

Hall's Motor Transit Company

Until January 7, 1985, Hall's was a wholly owned subsidiary of Tiger International. On January 7, 1985, Hall's completed a financial restructuring in connection with which (i) Hall's acquired a new \$5 million credit facility, and (ii) Tiger International sold 75% of its equity interest in Hall's to Hall's Acquisition Corp., a corporation owned by certain members of Hall's existing management group. Tiger International ceased participation in the management of Hall's from and after January 7, 1985. On December 13, 1985, in connection with a proposed additional refinancing of Hall's, Tiger International sold its remaining 25% equity interest in Hall's to Hall's Acquisition Corp.

Hall's was unable to complete its proposed additional refinancing, and, on March 10, 1986, Hall's filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

See "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements" for a discussion and management's analysis of (i) a potential claim of approximately \$40 million against Tiger International and its subsidiaries, including Flying Tigers, based on the withdrawal liability of Hall's under the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA"), and (ii) the effect on Flying Tigers' debt restructuring agreements if the MEPPAA withdrawal liability of Hall's is imposed on Tiger International and its subsidiaries, or any of them.

Railcar Services

Through subsidiaries of Tiger Leasing Group, Tiger previously engaged in the railcar and aviation services businesses and other leasing activities. On December 5, 1984, Tiger Leasing Group and certain of its subsidiaries filed voluntary petitions for reorganization under the Bankruptcy Code. See "Item 1. Business — History of Financial Restructuring."

North American Car Corporation ("North American"), the railcar services division of Tiger and a subsidiary of Tiger Leasing Group, provided a major portion of Tiger's earnings through 1981. However, North American's earnings declined in 1982, and it incurred a pretax loss of \$69,400,000 in 1983. Tiger decided to dispose of its railcar services business and treated this business as a discontinued operation effective December 31, 1983. On December 5, 1984, North American filed a voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code. See "Item 1. Business — History of Financial Restructuring," "Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations" and "Notes to Consolidated Financial Statements."

Aviation Services

Effective December 31, 1982, Tiger International announced its intention to sell and dispose of TigerAir, Inc. ("TigerAir"). At December 31, 1985, the principal remaining TigerAir assets to be liquidated consisted of one owned DC-10-30 aircraft, which secures certain of TigerAir's lenders, and four B-727-200 aircraft that are leased under capitalized leases.

HISTORY OF FINANCIAL RESTRUCTURING

General

On February 14, 1983, Flying Tigers, North American, TigerAir and certain other subsidiaries of Tiger International began deferring payments of principal of and interest on a substantial portion of their bank and institutional debt as a cash conservation measure. Tiger International continued to make payments on all debt at the parent company level. In addition, Tiger International's subsidiaries continued to make scheduled payments to certain creditors, including generally holders of public debt, suppliers and trade creditors. During 1983, Flying Tigers, TigerAir, North American and certain other Tiger International subsidiaries executed restructuring agreements with most of their respective bank lenders, pursuant to which defaults on indebtedness were waived or suspended.

The following is a summary of Tiger's financial restructuring agreements which does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the agreements and documents referred to therein. Copies of certain of such agreements and documents have been filed with the Securities and Exchange Commission.

North American

In connection with the 1983 restructuring of North American's indebtedness, Tiger International executed a promissory note to North American in the principal amount of approximately \$132,000,000, which represented advances previously made to Tiger International by North American. In 1984, Tiger International executed a \$900,000 promissory note to North American, which represented North American's advances to Tiger International in 1984. These Tiger International promissory notes were held by certain lenders of North American to secure North American's obligations under the Amended and Restated Master Credit Terms Agreement among North American, creditors of North American and a certain bank as collateral agent (the "Collateral Agent"), dated December 6, 1983 (the "North American Restructuring Agreement").

On December 5, 1984, Tiger Leasing Group, its direct subsidiary, North American and substantially all of its subsidiaries, and another indirect subsidiary of Tiger Leasing Group (collectively, the "Chapter 11 Companies"), filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") which is a unit of the United States District Court for the Central District of California (the "District Court"). The Bankruptcy Court and District Court and any other United States Bankruptcy Court or United States District Court having jurisdiction over these cases collectively are referred to hereinafter as the "Bankruptcy Court." Since the date of the filing of the voluntary petitions for reorganization, the Chapter 11 Companies have operated as debtors-in-possession under Chapter 11 of the Bankruptcy Code.

Tiger International is not a party to the Chapter 11 proceedings of the Chapter 11 Companies and believes there are no grounds for consolidating Tiger International or its assets with any of the Chapter 11 Companies in the Bankruptcy Court. Transfers of funds from the Chapter 11 Companies to certain entities prior to the commencement of the Chapter 11 proceedings could be invalidated by the Bankruptcy Court if such transfers constituted voidable transfers under the Bankruptcy Code or comparable state statutes. Upon any final judgment invalidating any such transfer and determining that such transferees are liable for a return of the amount of such transfers, the judgment would be a liability of such transferees and would be an asset of the affected Chapter 11 Company's bankruptcy estate subject to the claims of the Chapter 11 Company's creditors. Certain of the creditors in the Chapter 11 proceedings have expressed an intent to investigate the past transactions between North American, Tiger Leasing Group and Tiger International.

While there can be no assurances that a court would not find otherwise, Tiger International does not believe that there were any voidable transfers to it from the Chapter 11 Companies under the Bankruptcy Code or comparable state statutes. As a result of the filing by North American and Tiger Leasing Group of voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code, Tiger Leasing Group, North American and TigerAir are in default under their respective restructuring agreements. For a discussion of possible claims that might be asserted against Tiger International arising out of its relationship with North American see "Item 3. Legal Proceedings" and "Note 1 — Discontinued Operations" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements."

For a discussion and analysis of the proposed sale of North American's railcar fleet to General Electric Credit Corporation ("GECC"), the proposed settlement of a dispute between North American and Tiger International regarding the allocation of tax benefits pursuant to a tax allocation agreement and the expected effect of the tax allocation settlement on the net operating loss carryforwards of Tiger International and its subsidiaries, including Flying Tigers, see "Note 1 — Discontinued Operations — North American" and "Note 9 — Income Taxes" of "Notes to Consolidated Financial Statements."

Tiger International

Tiger International's Obligations to North American

As a result of the filing of the Chapter 11 Companies' reorganization petitions, the Tiger International promissory notes to North American, which on December 5, 1984, totalled approximately \$145.2 million including accrued interest, became immediately due and payable. In May 1985, the Bankruptcy Court approved a settlement of the Tiger International promissory notes concluded among the management of Tiger International, North American and representatives of the North American lenders holding the Tiger International promissory notes as collateral under the North American Restructuring Agreement.

To make the initial payment required by the settlement on the promissory notes and to raise funds for its general corporate purposes, on March 1, 1985, Tiger International completed the sale to certain underwriters of shares of Tiger International convertible preferred stock; the underwriters, in turn, sold 8,050,000 shares of depositary convertible preferred stock ("Depositary Stock") to the public at \$8.25 per share. In May 1985, all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock.

Approximately \$49.9 million from the sale of the Depositary Stock was used to pay accrued interest and to reduce the principal of Tiger International's promissory notes to North American. Tiger International issued a new promissory note to North American for the remaining principal balance of \$96.9 million (the "New Tiger International Note"). Terms of the New Tiger International Note are described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

The New Tiger International Note requires prepayments of principal and interest upon the occurrence of certain events. To secure performance of its obligations under the New Tiger International Note, Tiger International executed a Stock Pledge Agreement (the "Stock Pledge") pursuant to which Tiger International pledged to North American 47% of the outstanding common stock of Flying Tigers (8,549,067 shares), which is 47.5% of the Flying Tigers' common stock owned by Tiger International (the "Pledged Shares"). In the event that Flying Tigers pays any dividends on its common stock or Tiger International sells any of the Pledged Shares, 100% of any dividend payments allocable to the Pledged Shares or proceeds of the sale would be applied first to interest and then to principal, in the order of maturity. Further, to the extent Tiger International receives net cash proceeds from any other source, including, but not limited to, sales of shares of common stock of Flying Tigers other than the Pledged Shares, dividends from Flying Tigers allocable to shares other than the Pledged Shares, dividends from any of its other subsidiaries or sales of its equity or debt securities, 60% of all proceeds received in any year in excess of \$10,000,000 would be applied to payment of the New Tiger International Note, first to interest and then to principal, in the order of maturity. North American has pledged the New Tiger International Note, the Stock Pledge and the

Pledged Shares to the Collateral Agent to secure North American's obligations under the North American Restructuring Agreement.

Under the New Tiger International Note, a default occurs only upon nonpayment of the note, a breach of any anti-dilution provisions contained in the note, any bankruptcy proceeding involving Tiger International or Flying Tigers or upon a default under certain other agreements of Tiger International and Flying Tigers.

Exchange Offer

In September 1983, Tiger International acquired \$37,894,000 principal amount of its outstanding 11½% Sinking Fund Debentures due October 1, 1995, (the "Old 11½% Debentures") and \$55,563,000 principal amount of its outstanding 8% Convertible Subordinated Debentures due July 1, 2005, (the "Old 8% Debentures") pursuant to an exchange offer (the "Tiger International Exchange Offer"). In exchange, Tiger International issued \$28,368,600 principal amount of its 11½% Sinking Fund Debentures, due April 1, 1995, (the "New 11½% Debentures"), \$36,030,000 principal amount of its 8% Convertible Subordinated Debentures due July 1, 1995, (the "New 8% Debentures"), 3,156,924 shares of Common Stock and warrants to purchase an additional 3,156,924 shares of Common Stock. Tiger International also issued \$1,313,000 principal amount of New 11½% Debentures, 56,022 shares of Common Stock and warrants to purchase an additional 56,022 shares of Common Stock in exchange for \$1,751,000 principal amount of Old 11½% Debentures held by Flying Tigers at the time of the Tiger International Exchange Offer. As a result of the Tiger International Exchange Offer, Tiger International's outstanding long-term debt was reduced by \$29,058,000 principal amount. The investment banker that assisted Tiger International in the Tiger International Exchange Offer received as compensation for its services warrants to purchase 200,000 shares of Common Stock, which may be exercised in whole or in part at any time between January 1, 1984, and June 30, 1988, at \$8.00 per share.

Both principal of and interest on the New 11½% Debentures and the New 8% Debentures, including sinking fund obligations, are payable at Tiger International's option in cash or in Common Stock. Tiger International did so elect with respect to the payment of interest during 1983, 1984 and 1985 on its New 11½% Debentures and its New 8% Debentures, satisfying its aggregate \$16,300,000 interest obligations by delivering 2,654,186 shares of Common Stock and cash for fractional shares.

Restructuring Warrants and Limitation on Advances

In connection with the Override Agreement among Flying Tigers, Tiger International and certain Private Lenders (as defined therein), dated as of December 21, 1983, as amended, and the Credit Agreement, as amended, among Flying Tigers, the Private Lenders and a certain bank as agent for the Private Lenders, dated as of September 30, 1983, (collectively, the "Flying Tigers Restructuring Agreements") and the North American Restructuring Agreement, Tiger International agreed to issue to creditors of such companies warrants to purchase Common Stock (the "Restructuring Warrants") in connection with (i) the deferral of interest on North American loans and (ii) advances to be made by North American and Flying Tigers to Tiger International in 1984 and future years for the payment of certain of Tiger International's expenses. As of December 31, 1985, Tiger International had issued Restructuring Warrants to purchase 246,204 shares of Common Stock to North American lenders at exercise prices (subject to adjustment) ranging from \$5.15 to \$6.99 per share in connection with the deferral of interest and Restructuring Warrants to purchase 140,069 shares of Common Stock to lenders of North American and Flying Tigers at exercise prices (subject to adjustment) ranging from \$5.94 to \$7.39 per share in connection with advances made by such companies to Tiger International. No further Restructuring Warrants will be issued.

The above described Restructuring Warrants and Common Stock issued on account thereof are restricted securities and accordingly may not be resold, transferred or exercised without an effective registration statement relating thereto or an exemption from the registration requirements.

Flying Tigers

On December 30, 1983, Flying Tigers and substantially all of its private lenders entered into the Flying Tigers Restructuring Agreements pursuant to which defaults on approximately \$588,000,000 principal amount of indebtedness were waived or suspended, and principal and interest payments of approximately \$48,100,000 otherwise payable in 1983 and 1984 were deferred. In consideration for amounts deferred under the Flying Tigers Restructuring Agreements and for a new \$45 million credit facility which expired on June 30, 1985, with no borrowings outstanding, Flying Tigers agreed to pay its lenders up to \$20,000,000 of contingent interest, cumulatively, based upon future earnings in the years 1985 through 1989. Such contingent interest, if any, is payable in the years 1986 through 1990. Flying Tigers did not achieve the 1985 earnings level that would have caused contingent interest payments to be required in 1986. The principal and interest deferred under the Flying Tigers Restructuring Agreements is payable over a five-year period that commenced on July 2, 1985. The Flying Tigers Restructuring Agreements also contain strict financial covenants concerning working capital, capital expenditures, net worth, additional borrowings and payment of cash dividends on common stock. Substantially all Flying Tigers assets then held or subsequently acquired have been pledged to secure its obligations under the Flying Tigers Restructuring Agreements. The Flying Tigers Restructuring Agreements also require that 80% of the net proceeds of all asset sales must be paid to the participating creditors to reduce the outstanding amounts of deferred principal and interest.

In March and April 1984, Flying Tigers completed exchange offers whereby \$2,404,000 principal amount of 9% Equipment Trust Certificates due October 1, 1991, and \$85,000 principal amount of 5% Convertible Subordinated Debentures due April 1, 1986, were exchanged for 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock (collectively, the "Flying Tigers Exchange Offers"). The financial advisor to Flying Tigers also received warrants to purchase 50,000 shares of Flying Tigers common stock as part of the Flying Tigers Exchange Offers. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

In connection with Tiger International's pledge of the Pledged Shares discussed above, Flying Tigers executed a Stock Agreement (the "Stock Agreement") in favor of North American and the Collateral Agent. The Stock Agreement imposes on Flying Tigers, and the Stock Pledge imposes on Tiger International, certain covenants that restrict, but do not preclude, the issuance of additional voting securities of Flying Tigers, the amendment of Flying Tigers' Certificate of Incorporation and the sale, merger or consolidation of all or substantially all of the business of Flying Tigers.

Beginning in 1988, Tiger International will be obligated to begin making substantial cash payments on the promissory note to North American secured by the Stock Pledge. Absent any changes in the Flying Tigers Restructuring Agreements and substantial improvements in the results of operations of Flying Tigers, Tiger International may require additional financing or capital to meet its obligations to North American. The source of any such additional financing or capital is uncertain. As a result of the foregoing, it is possible that ownership and control of Flying Tigers may change at some point in the future through foreclosure of the Stock Pledge or through other means, and it is not possible to predict what effect such changes would have on the business of Flying Tigers.

Other Subsidiaries

As a result of the Chapter 11 proceedings of the Chapter 11 Companies, payment defaults and failures to satisfy covenants of debt and other obligations, certain of the obligations of Tiger International's indirectly owned subsidiaries are currently in default, and the maturity dates either have been accelerated or are subject to acceleration by the respective lenders. Individual secured creditors of such subsidiaries whose debt is currently in default could foreclose on the equipment and other assets securing the lenders' respective obligations, could bring actions to attach assets of such subsidiaries or could commence proceedings under the Bankruptcy Code against such subsidiaries. There can be no assurance that creditors of such subsidiaries would not bring attachment or foreclosure actions or that any such actions could be settled on favorable terms. A number of such creditor actions may result in the bankruptcy of certain subsidiaries. However, Tiger International believes that there would be no grounds for consolidating Tiger International or its

assets with the bankruptcy estates of such subsidiaries in the event such bankruptcies were commenced. Further, Tiger International does not believe that there were any transfers to it which could be set aside under the Bankruptcy Code or comparable state statutes in the event of such bankruptcies. For a discussion of possible claims relating to tax benefit accounts see "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

On October 18, 1985, National Equipment Rental Ltd. ("NER"), a subsidiary of Tiger Leasing Group, defaulted on its 5¼% Subordinated Debentures due 1988 because of non-payment of accrued interest. On March 20, 1986, certain creditors of NER filed a petition under Chapter 7 of the Bankruptcy Code, which constituted an involuntary bankruptcy proceeding against NER.

TigerAir and Tiger Equipment and Services, Ltd. ("TE&S") are in default under the terms of their restructuring agreements.

NER, TigerAir and TE&S do not have adequate assets to pay all their debt.

TIGER RECENT FINANCIAL PERFORMANCE AND LIQUIDITY

During the years 1983, 1984 and 1985, Tiger experienced net losses of \$222,840,000 (\$12.34 per share), \$88,940,000 (\$4.13 per share) and \$72,687,000 (\$2.69 per share), respectively. Included in the 1983 net loss is an extraordinary gain of \$19,792,000 (\$1.10 per share) resulting from an exchange of debt for other securities. In 1983 and 1985, Tiger reported losses from continuing operations of \$84,988,000 and \$57,187,000; in 1984, Tiger reported income from continuing operations of \$44,205,000. Tiger's stockholders' equity decreased from \$84,536,000 at December 31, 1983 to \$1,961,000 at December 31, 1984 and decreased to a deficit of \$4,462,000 at December 31, 1985. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Tiger International had cash resources of approximately \$9.2 million at December 31, 1985, and anticipates no liquidity problems during 1986. As a holding company, Tiger International's principal sources of funds are dividends, fees and advances from Flying Tigers and Warren. Tiger International's cash requirements relate primarily to general and administrative expenses, the payment of principal of and interest on its outstanding debt and extraordinary expenses. Tiger International's debt service requirements are estimated to be \$8.8 million in each of 1986 and 1987 and \$91 million in each of 1988 and 1989. Such amounts could be reduced to \$2.2 million in each of 1986 and 1987 and \$79.9 million in each of 1988 and 1989 if Tiger International elects to pay principal and interest on certain outstanding debentures in Common Stock rather than cash. Tiger International elected to pay interest in Common Stock in 1983, 1984 and 1985. During 1986, through March 26, 1986, Tiger International received \$2.5 million, in cash, from Warren. Under the Flying Tigers Restructuring Agreements, Flying Tigers is presently prohibited from providing funds to Tiger International, and no assurance can be given that, in the future, the covenants and restrictions imposed by the Flying Tigers Restructuring Agreements will be terminated or, if terminated, Flying Tigers will not continue to be subject to other perhaps more restrictive financial covenants and restrictions on its ability to pay dividends and advance funds to Tiger International. Therefore, no assurance can be given that Tiger International will have sufficient funds to satisfy its cash requirements for 1987 and thereafter. If Tiger International were unable to obtain sufficient funds from its subsidiaries to meet its cash obligations, it may be necessary for Tiger International to attempt to restructure its indebtedness, seek additional capital or sell its subsidiaries; there can be no assurance that Tiger International would be able successfully to restructure its indebtedness, obtain additional capital or sell its subsidiaries or their assets on favorable terms at favorable prices. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Tiger International has not paid a dividend on its Common Stock since the fourth quarter of 1981 and is presently prohibited by the terms of the Flying Tigers and North American Restructuring Agreements and certain debt instruments from paying such a dividend until at least 1991.

Item 2. PROPERTIES.

General

Tiger International leases its executive offices in Los Angeles, California under a lease expiring in 1996.

Flying Tigers' ground facilities are comprised principally of (a) leasehold improvements, including cargo terminals, flight equipment maintenance facilities and sales and administrative offices, and (b) equipment used in servicing aircraft, conducting a worldwide communication system, in maintaining its flight and ground properties, and conducting sales, training and other administrative functions. Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30-acre tract leased at Los Angeles International Airport. A maintenance hangar, general office building and flight training center have been constructed on this property by Flying Tigers.

Warren leases its executive and general offices and principal garage facilities in Waterloo, Iowa. Of the 17 terminal facilities operated by Warren, Warren owns ten and leases seven.

Flying Tigers' Aircraft Fleet

All of Flying Tigers' operating fleet is encumbered by equipment trust certificates, capital leases or similar obligations. The following table illustrates the composition of Flying Tigers' operating fleet at March 19, 1986:

	Aircraft Under		Aircraft Owned	Total
	Operating Leases	Capital Leases		
B-747-100F	—	—	7	7
B-747-200F	—	5	5	10
B-747-200CF	1	—	—	1
B-747-200P*	2	—	—	2
B-727-100F	12	—	—	12

* Passenger aircraft held for use under the MAC contract.

The aircraft operating leases expire during the period September 1986 to September 1992, and the capital leases expire during the period July 1990 to January 2001. Most of the operating and capital leases have renewal options of various duration. Flying Tigers has an option to purchase at each lease expiration date the five B-747-200 freighter aircraft subject to capital leases and all B-727-100 aircraft subject to operating leases, all for fair market value, subject, in the case of certain B-727 aircraft, to a maximum price.

In addition to its operating fleet as of March 19, 1986, Flying Tigers leased two B-727-100 aircraft, both of which were subleased to other air carriers.

In April 1985, Flying Tigers and another air carrier entered into a leveraged lease transaction with an owner trustee for the equity owner of seven B-727-100 aircraft. In this leveraged lease transaction, Flying Tigers leased three of the aircraft for a period of seven years, and such aircraft are presently included in Flying Tigers' operating fleet. The other air carrier leased four of the B-727-100 aircraft (one of which is presently subleased to Flying Tigers) until September 30, 1986. Upon the earlier of the termination of such other air carrier's lease or its default under such lease, Flying Tigers is obligated to lease the additional four B-727-100 aircraft until March 1992. Flying Tigers presently intends to sublease at least three of the additional B-727-100 aircraft to other air carriers at such time as Flying Tigers is obligated to lease such aircraft.

In 1983, to enhance Flying Tigers' fleet of B-747 cargo aircraft, the three B-747-200 passenger airframes and related equipment used by Metro were exchanged for four B-747-100 freighter airframes, four engines and related equipment. Flying Tigers now operates 18 B-747 freighter aircraft, which is approximately one-fourth of the world's civilian B-747 all-freighter capacity.

New Flying Tigers Terminal Facility

In late 1985, Flying Tigers began a phased-in relocation of its principal domestic freight hub from O'Hare International Airport in Chicago to a new combined air and trucking hub in Columbus, Ohio. The new hub, which commenced full operations on March 3, 1986, incorporates specific design features to facilitate aircraft and freight handling as well as integrated truck-hub operations. Flying Tigers intends to maintain O'Hare International Airport as a significant origination and destination point. It is anticipated that the combined cost of operating the principal hub in Columbus and maintaining O'Hare International Airport as a significant origination and destination point will be less than the cost of establishing and operating a similar hub at O'Hare International Airport. Since the Columbus hub facility and substantially all of the related equipment are leased, Flying Tigers incurred no significant capital investment arising from the relocation of the hub.

Item 3. LEGAL PROCEEDINGS.

See "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements" for a discussion and analysis of material litigation matters in which Tiger International has been named as a defendant or may have liability.

See "Note 1 — Discontinued Operations — Hall's Motor Transit" for a discussion of possible claims against Tiger International and its subsidiaries, including Flying Tigers, related to the potential MEPPAA withdrawal liability of Hall's.

See "Note 1 — Discontinued Operations — North American" for a discussion of the settlement of certain potential claims by North American related to the allocation of certain tax benefits among North American, Tiger International and other tax affiliates of Tiger International.

See "Note 9 — Income Taxes" of "Notes to Consolidated Financial Statements" for a discussion of litigation concerning a petition for redetermination of certain differences asserted against Tiger by the Internal Revenue Service.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of the fiscal year ended December 31, 1985, no matters were submitted to a vote of security holders of Tiger International, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

Each officer is appointed by the Board of Directors of Tiger International and serves at its pleasure. However, pursuant to the retirement agreement with Tiger International, Mr. Wayne M. Hoffman is to serve Tiger until December 31, 1987. Pursuant to an employment agreement (the "Employment Agreement") between Tiger International and Mr. Robert P. Jensen, Mr. Jensen is to serve as chief executive officer of Tiger International until December 31, 1990, at a base salary of not less than \$460,000 annually, with automatic one-year renewals thereafter unless notice to the contrary is given by either party to the other.

The following table provides certain information as of March 19, 1986, concerning those persons who serve as executive officers of Tiger International.

<u>Name</u>	<u>Title</u>	<u>Age</u>
Wayne M. Hoffman	Chairman of the Board(1)	63
Robert P. Jensen	President, Chief Executive Officer and Director(2)	60
Robert J. Harter, Jr.	Senior Vice President, General Counsel and Secretary(3)	41
Larry G. Morris	Senior Vice President — Finance and Administration(4)	47
Rolf Bodenburg	Vice President — Taxes(5)	57
Joseph K. McDonnell	Vice President — Controller and Treasurer(6)	42

(1) Mr. Hoffman resigned as President and Chief Executive Officer of Tiger International on August 28, 1985, but remained Chairman of the Board. Before becoming Chairman of the Board, President and

Chief Executive Officer of Tiger International in July 1983, Mr. Hoffman had been Chairman of the Board and Chief Executive Officer of Tiger International since March 1978. Mr. Hoffman is also a director of Flying Tigers, of which he was Chairman of the Board between September, 1967 and October 18, 1985, and President and Chief Executive Officer between March 1984 and October 18, 1985.

- (2) Mr. Jensen is also Chairman of the Board and Chief Executive Officer of Flying Tigers. Prior to becoming President and Chief Executive Officer of Tiger International on August 28, 1985, and Chairman of the Board and Chief Executive Officer of Flying Tigers on October 18, 1985, Mr. Jensen had been since 1983 Chairman of the Board and Chief Executive Officer of E.F. Hutton — LBO, Inc., Santa Barbara, California. Mr. Jensen was President, Chief Executive Officer and Chairman of the Board of GK Technologies, Inc., Greenwich, Connecticut, from 1973 until 1983.
- (3) Mr. Harter was promoted to Senior Vice President on June 28, 1985. Prior to such promotion, Mr. Harter had been Vice President, General Counsel and Secretary since July 1983; Vice President — Administration since April 1982; Vice President — Law since July 1979; Secretary since June 1980; and Associate General Counsel from April 1978 to June 1979. Mr. Harter also serves as Secretary of Flying Tigers.
- (4) Mr. Morris was elected Senior Vice President-Finance and Administration of Tiger International in January 1986. From 1983 until December 1985, he was Senior Vice President, Finance and Administration-Electronics, Defense and Telecommunications Group of Penn Central Corporation (formerly GK Technologies, Inc.) Greenwich, Connecticut. During the 1980-1982 period, he held corporate Senior Vice President positions at Penn Central Corporation and GK Technologies, Inc., Mr. Morris is also a Senior Vice President of Flying Tigers.
- (5) Mr. Bodenburg became Vice President — Taxes in July 1979. Mr. Bodenburg also serves as Vice President — Taxes of Flying Tigers.
- (6) Before becoming Vice President — Controller and Treasurer in October 1985, Mr. McDonnell had been Vice President-Controller since February 1984; Controller since June 1983; Assistant Controller since October 1980; and Director of Accounting from 1977 to October 1980.

Part II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The common stock of Tiger International (the "Common Stock") is traded on the New York, Midwest and Pacific Stock Exchanges and was held as of March 19, 1986, by approximately 20,500 holders of record. The following table sets forth the high and low sales prices for the Common Stock on the consolidated transaction reporting system for the indicated periods:

	<u>High</u>	<u>Low</u>
1984		
First Quarter	\$ 8 $\frac{1}{8}$	\$5 $\frac{3}{8}$
Second Quarter	7 $\frac{1}{2}$	4 $\frac{7}{8}$
Third Quarter	8	5 $\frac{3}{8}$
Fourth Quarter	9	5 $\frac{3}{4}$
1985		
First Quarter	10 $\frac{1}{2}$	6 $\frac{1}{4}$
Second Quarter	10 $\frac{1}{2}$	6 $\frac{1}{2}$
Third Quarter	8 $\frac{3}{8}$	5 $\frac{3}{8}$
Fourth Quarter	8 $\frac{1}{2}$	6
1986		
First Quarter (through March 19, 1986)	9 $\frac{3}{8}$	7 $\frac{3}{8}$

Tiger International has been advised that, due to its failure to satisfy certain continued listing criteria, the New York Stock Exchange is reviewing the continued listing of the Common Stock.

Tiger International has not paid a cash dividend since the fourth quarter of 1981. Due to losses incurred by subsidiaries, provisions in certain subsidiaries' bank credit agreements, indentures and restructuring agreements restricting or prohibiting payment by subsidiaries of dividends to Tiger International and the limitation on advances under the restructuring agreements, dividends on the Common Stock are not currently being paid. In addition, agreements entered into by Tiger International in connection with the North American and Flying Tigers Restructuring Agreements prohibit the payment by Tiger International of dividends (other than dividends in Common Stock) or other distributions on or with respect to its outstanding Common Stock until all obligations owed to the creditors who are parties to such restructurings have been paid. The restructuring agreements are not presently expected to be terminated, nor dividends to be paid, until at least 1991. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 4 — Long Term Debt" of "Notes to Consolidated Financial Statements."

Item 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for Tiger International and its subsidiaries for each of the five years ended December 31, 1985 (in thousands, except per share data):

	1985	1984	1983	1982	1981
Results of Operations					
Revenues from Continuing Operations	\$1,147,045	\$1,209,890	\$1,056,868	\$ 945,861	\$ 908,777
Income (Loss) from Continuing Operations	\$ (57,187)	\$ 44,205	\$ (84,988)	\$ (63,821)	\$ (18,262)
Net Loss(1).....	\$ (72,687)	\$ (88,940)	\$ (222,840)	\$ (136,223)	\$ (16,613)
Income (Loss) Per Common Share From Continuing Operations					
Operations	\$ (2.11)	\$ 2.05	\$ (4.71)	\$ (3.77)	\$ (1.07)
Loss Per Share(1)	\$ (2.69)	\$ (4.13)	\$ (12.34)	\$ (8.04)	\$ (.98)
Cash Dividends Declared Per Common Share					
Common Share	\$ —	\$ —	\$ —	\$ —	\$.675
Total Funds Provided (Used) by Continuing Operations(2)					
Continuing Operations(2)	\$ 17,331	\$ 105,163	\$ 9,003	\$ (67,795)	\$ (15,682)
Financial Position					
Total Assets(3)	\$ 956,118	\$1,026,728	\$1,113,766	\$2,440,619	\$2,702,397
Long-Term Obligations(3).....	\$ 674,633	\$ 603,058	\$ 691,892	\$1,632,849	\$1,703,399
Stockholders' Equity	\$ (4,462)	\$ 1,961	\$ 84,536	\$ 283,166	\$ 419,389
Book Value Per Common Share....	\$ (.15)	\$.09	\$ 4.16	\$ 16.72	\$ 24.76

(1) 1983 includes an extraordinary gain of \$19.8 million (\$1.10 per share) from an exchange of debt for other securities. See "Consolidated Financial Statements" for additional information.

(2) See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Consolidated Statement of Changes in Financial Position" for additional information pertaining to the source and application of funds.

(3) 1985, 1984 and 1983 exclude assets and liabilities associated with discontinued operations. See "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Summary

Tiger International is a holding company that has investments in operating companies providing air cargo transportation and trucking services.

Operating losses since 1980, combined with funds required for business acquisitions and equipment additions, had the effect of adversely affecting liquidity while reducing Tiger's equity from \$419.4 million at December 31, 1981, to a deficit of \$4.5 million at December 31, 1985.

Tiger reported a net loss of \$72.7 million in 1985 compared to a net loss of \$88.9 million in 1984 and a net loss of \$222.8 million in 1983. Adverse operating results caused management to seek additional financial resources and dispose of activities not essential to Tiger's core business of transporting cargo. From continuing operations, Tiger reported a loss of \$57.2 million in 1985 compared to income of \$44.2 million in 1984 and a loss of \$85.0 million in 1983.

Effective December 31, 1984, Tiger International sold 75% of its interest in Hall's and accounted for this business as a discontinued operation. As of December 13, 1985, Tiger International transferred its remaining 25% interest in Hall's to a corporation owned by the management of Hall's.

In May 1985, Tiger International issued 8,050,000 shares of Common Stock and finalized a settlement of its \$145.2 million obligation to North American.

In early 1984, Flying Tigers completed the Flying Tigers' Exchange Offers whereby debt was exchanged for Flying Tigers' common stock and warrants to purchase Flying Tigers' common stock. As a result of the Flying Tigers' Exchange Offers, Tiger International's ownership has been reduced to 99% of Flying Tigers outstanding common stock.

In December 1983, Tiger completed a transaction under which GECC took over the management and operation of the railcar leasing and repair business of North American, the largest subsidiary of Tiger Leasing Group. In addition, GECC was given an option to purchase the remainder of North American's railcar fleet. As a result of a decision by Tiger to liquidate the North American railcar fleet, through the option given to GECC or otherwise, and the North American Restructuring Agreement finalized in 1983, Tiger accounted for these activities as a discontinued operation effective December 31, 1983. Also, Tiger International announced its decision to sell or liquidate all of Tiger Leasing Group's other operations and, accordingly, these operations have been accounted for as discontinued effective December 31, 1983.

In 1983, various subsidiaries of Tiger International entered into restructuring agreements with certain of their respective lenders pursuant to which the debt owed by such subsidiaries to such lenders was restructured and defaults thereunder, which included payment defaults, were waived or suspended. Also in 1983, Tiger International completed an exchange offer whereby debt was exchanged for new securities consisting of debentures, Common Stock and warrants to purchase Common Stock.

Tiger International has not paid dividends on the Common Stock since the fourth quarter of 1981.

Liquidity

Funds provided by operations amounted to \$17.3 million in 1985 compared to funds used in operations of \$38.9 million in 1984 and \$36.2 million in 1983. Funds provided by continuing operations, before extraordinary item, were \$17.3 million in 1985 compared to \$105.2 million in 1984 and \$9 million in 1983. In addition, proceeds from the sale of assets by Flying Tigers were \$23.3 million in 1985, \$69.7 million in 1984 and \$31.6 million in 1983.

In connection with the North American Restructuring Agreement, Tiger International issued a promissory note to North American in the principal amount of \$132 million, representing advances previously made by North American to Tiger International. This promissory note was held by certain lenders of North American as security for the repayment of North American's debt. At December 31, 1983, Tiger International considered this obligation to be a contingent liability because management believed that sufficient cash would be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, this obligation, which had a maturity date of January 1991 and an interest rate of 7%, became immediately due and payable. In late 1984, Tiger recorded the \$132 million obligation plus accrued interest as a liability. Another promissory note payable to North American, in the principal amount of \$900,000 (for advances made in 1984) also became due and payable. At December 31, 1984, the notes payable to North American, including accrued interest, totalled \$145.2 million.

On March 1, 1985, Tiger International completed an offering of convertible preferred stock of Tiger International to certain underwriters, who in turn sold 8,050,000 shares of Depositary Convertible Preferred Stock ("Depositary Stock") to the public at \$8.25 per share. This offering was part of a proposed settlement of Tiger International's notes payable to North American.

In May 1985, the Bankruptcy Court approved a settlement of Tiger International's notes payable to North American, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was used to pay accrued interest and to reduce the principal balances on Tiger International's notes to North

American. Tiger International retained approximately \$10.0 million of the proceeds for general corporate purposes.

Tiger International then issued a new promissory note payable to North American for the remaining principal balance of \$96.9 million, bearing interest at 2% over the prime rate. The New Tiger International Note is secured by a pledge by Tiger International of the Pledged Shares, which constitute 47% of the common stock of Flying Tigers presently outstanding. Tiger International is not required to make any interest or principal payments on the New Tiger International Note until June 30, 1988. Unpaid interest is to be capitalized and 50% of such interest and 50% of the outstanding principal balance is due and payable on June 30, 1988. Thereafter, current interest accrued is payable quarterly with the remaining capitalized interest and principal balance outstanding being due and payable on June 30, 1989. However, Tiger International will be required to make prepayments of principal and interest upon the occurrence of certain events. If Flying Tigers pays any dividends on its common stock or Tiger International sells any of the Pledged Shares, 100% of any dividend payments allocable to the Pledged Shares or proceeds of the sale shall be applied first to interest and then to principal, in the order of maturity. Further, to the extent Tiger International receives net cash proceeds from any other source, including, but not limited to, sales of shares of common stock of Flying Tigers other than the Pledged Shares (which sales are subject to certain restrictions), dividends from Flying Tigers allocable to shares other than the Pledged Shares, dividends from any of Tiger International's other subsidiaries, or sales of its equity or debt securities, 60% of all proceeds received in any year in excess of \$10 million would be applied to payment of the New Tiger International Note, first to interest and then to principal, in the order of maturity. If prepayments of principal are made prior to June 30, 1987, then a like amount that would otherwise be due and payable on June 30, 1989 shall be extended to become due and payable on June 30, 1990.

As a result of the filing by North American of a voluntary petition in reorganization under Chapter 11 of the Bankruptcy Code and certain provisions of the Flying Tigers Restructuring Agreements, North American and Flying Tigers are prohibited from making advances to Tiger International.

Tiger International's cash needs for 1986 are approximately \$7.5 million. At December 31, 1985, Tiger International had cash resources of approximately \$9.2 million and anticipates no liquidity problems during 1986. In addition, Warren is free from restrictions limiting dividends and advances to Tiger International. However, absent any changes in the Flying Tigers Restructuring Agreements (see below) and improvements in the results of operations of Flying Tigers, Tiger International may require additional financing or capital to fund its operating needs and meet its obligations to North American during 1988 and 1989. During 1986, through March 26, 1986, Tiger International received \$2.5 million, in cash, from Warren.

On February 14, 1983, certain of Tiger International's subsidiaries began deferring payments of principal and interest on certain bank and institutional debt as a cash conservation measure. By December 1983, restructuring agreements with the creditors of Flying Tigers, North American, TigerAir and TE&S were finalized. As a result of the filings by North American and Tiger Leasing Group of voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code in December 1984, North American, Tiger Leasing Group, TigerAir and TE&S are in default under their restructuring agreements. In addition the anticipated proceeds from the sale of North American's railcar fleet are not expected to be sufficient to pay off the related debt.

The Flying Tigers Restructuring Agreements provided for a \$45 million credit facility and the deferral, until July 2, 1985, and beyond, of approximately \$48 million of principal and interest otherwise payable in 1983 and 1984. The credit facility expired on June 30, 1985, with no borrowings outstanding. The deferred amounts are payable in 20 quarterly installments of approximately \$2.4 million; the first such installment became due and was paid on July 2, 1985. In addition to stated interest, Flying Tigers may be required to pay annually in each of the years 1986 through 1990 contingent interest if certain earnings levels are achieved. The cumulative amount of such contingent interest may not exceed \$20 million. Flying Tigers did not achieve the 1985 earnings level to cause contingent interest payments to be required in 1986. The Flying Tigers Restructuring Agreements also require that 80% of the aggregate net proceeds from sales of assets be paid to the participating creditors to reduce the outstanding amount of deferred principal. The Flying Tigers

Restructuring Agreements contain strict financial covenants and substantially all previously unencumbered assets have been pledged to secure the obligations thereunder. Flying Tigers, with its available cash at December 31, 1985, of \$123.3 million, anticipates no liquidity problems in 1986. However, if 1985 operating results were to continue or deteriorate further in 1986, Flying Tigers anticipates that it may be necessary to refinance or restructure its long-term debt or obtain additional capital prior to December 31, 1986, to alleviate possible liquidity problems in the future and to meet its debt service obligations. The Flying Tigers Restructuring Agreements generally prohibit Flying Tigers from incurring new indebtedness for borrowed money.

In September 1983, Tiger International completed the Tiger International Exchange Offer, whereby \$37.9 million principal amount of Old 11½% Debentures and \$55.6 million principal amount of Old 8½% Debentures were exchanged for new securities consisting of the New 11½% and 8½% Debentures, Common Stock and warrants to purchase Common Stock. The Tiger International Exchange Offer resulted in an extraordinary gain of \$19.8 million. The New 11½% and 8½% Debentures are subject to sinking fund requirements and give Tiger International the option to make principal (including sinking fund) and interest payments with shares of its Common Stock. Tiger International elected to satisfy its interest obligations on these New 11½% and 8½% Debentures in 1983 (\$3.3 million), 1984 (\$6.5 million) and 1985 (\$6.5 million) by delivering an aggregate of 592,680, 1,139,738 and 921,768 shares, respectively, of Common Stock.

As a result of the limitations in the Flying Tigers and North American Restructuring Agreements, absent an amendment or change in the terms thereof, Tiger International is prohibited from paying dividends (other than stock dividends) on its Common Stock.

Capital Resources

Capital expenditures were \$27.3 million in 1985 compared to \$48.6 million in 1984 and \$55.1 million in 1983. At December 31, 1985, Tiger had no significant future purchase commitments.

Results of Operations

Continuing Operations Overview

Revenues from continuing operations in 1985 were \$1,147.0 million compared to \$1,209.9 million in 1984 and \$1,056.9 million in 1983.

Losses from continuing operations were \$57.2 million in 1985 compared to income of \$44.2 million in 1984 and losses of \$85.0 million in 1983. There was an extraordinary gain in 1983 of \$19.8 million resulting from the Tiger International Exchange Offer described above.

Air Cargo

Flying Tigers' revenues for 1985 were \$1,109.0 million, a 5% decrease from the 1984 revenues of \$1,171.0 million. Flying Tigers' 1983 revenues were \$1,019.8 million. Flying Tigers reported a pretax loss of \$44.2 million in 1985 compared to a pretax profit in 1984 of \$60.8 million and a pretax loss of \$67.5 million in 1983. Included in the results for 1985 are pretax gains of \$12.6 million from the sale of DC-8 aircraft, engines and spare parts and the sale of leasehold improvements. In addition, 1985 results include approximately \$13.0 million of reserves, most of which relate to increases in engine overhaul costs, and a \$14.1 million transaction loss relating to long-term debt obligations payable in Japanese yen. Included in the results for 1984 is a pretax gain of \$16.4 million on the sale of DC-8 aircraft. Included in the 1983 results is a \$6.1 million reserve related to European operating realignment and a gain of \$3.6 million on the sale of Flying Tigers' interest in five DC-8 aircraft.

Flying Tigers' major services include domestic, transpacific, transatlantic and Latin American scheduled cargo services and MAC and commercial charters. Scheduled service revenues in 1985 were \$926.5 million, down from \$1,008.0 million in 1984. Scheduled service revenues were \$845.5 million in 1983. The transpacific market accounted for 66%, 70% and 59% of Flying Tigers' total scheduled capacity in 1985, 1984 and 1983, respectively. The decrease in 1985 revenues was primarily the result of a weakened transpacific market where revenues were down 17%. This decrease in transpacific revenues was principally

in U.S. bound traffic from Taiwan, Republic of Korea and Japan and was primarily attributable to the apparel and electronics markets. Both of these markets experienced significant inventory accumulation in the fourth quarter of 1984. The decline in the transpacific market was partially offset by improvements in the transatlantic and Latin American markets. In 1985 the transatlantic market had a 9% increase in revenues associated with a 10% increase in revenue ton miles. Latin American revenues in 1985 increased significantly on an increase of 39% in revenue ton miles. The 1984 increase in revenues over 1983 was primarily the result of a strong transpacific market and the redeployment of aircraft to this market. In October 1983 Flying Tigers reduced flight frequency across the Atlantic by 50% and established two European hubs, one located in London and one in Frankfurt. Scheduled flights to France and Italy were replaced, and scheduled flights from Switzerland were supplemented, by a trucking network operating out of the hubs. This new approach reduced fixed costs in Europe and allowed Flying Tigers to redeploy aircraft to the Asian market where demand was strong. As a result of this redeployment of aircraft and the strong demand, 1984 revenue ton miles increased 28% in the transpacific market, but declined 33% in the transatlantic market. In September 1983, Flying Tigers began weekly scheduled service to Australia. An additional frequency was added in July 1984 to meet increased demand. In addition, the redeployment of aircraft enabled Flying Tigers to expand its operations in Latin America, where a substantial increase in revenue ton miles was realized. Domestic revenues remained flat in 1985, even though revenue ton miles decreased 5%. In 1984 domestic revenues increased 11% from 1983 levels while volumes decreased 10%. As a result of the growth in door-to-door volumes, average domestic yields increased significantly. The domestic route system has been unfavorably affected by traditional freight forwarders that commenced operating their own aircraft in their operations. In early 1982, Flying Tigers introduced door-to-door service to retail customers. Door-to-door volumes, measured by revenue pounds received, have increased from 104 million pounds in 1983 to 132 million pounds in 1984 to 138 million pounds in 1985.

To increase Flying Tigers efficiency and reliability, plans were initiated in 1984 to relocate Flying Tigers' United States hub operations from Chicago to Rickenbacker Air National Guard Base in Columbus, Ohio. The new hub, which began operations on March 3, 1986, incorporates specific design features to facilitate aircraft and freight handling as well as integrated truck hub operations.

MAC revenues were \$105.7 million in 1985, a slight increase from 1984 revenues of \$104.4 million. However, in 1984 MAC revenues were 24% greater than 1983 levels. Commercial cargo charter revenues were \$56.1 million in 1985, an increase of 32% from 1984, while 1984 commercial cargo charter revenues declined 33% from 1983 levels. The increase in 1985 commercial cargo charter revenues is partly the result of increased availability of aircraft resulting from excess capacity on the scheduled service routes, especially in the transpacific area.

Operating expenses during 1985 increased 2% or \$21.4 million over 1984. Total fuel and oil costs decreased \$19.6 million (7%) due to a decrease in the average price per gallon of fuel by 4 cents from 1984 combined with a 3% decrease in fuel consumption. Other flying operations expenses increased \$18.0 million (11%) due to increased purchased transportation and increased rental of Boeing 727 aircraft used to replace the DC-8 aircraft which have been eliminated from the fleet. The Boeing 727 aircraft are being leased under operating leases, while the DC-8 aircraft were either owned or leased under capital leases. The increase in aircraft rentals was partially offset by a \$7.4 million (12%) decrease in depreciation expense related to the DC-8 aircraft. Ground operations expenses increased \$15.0 million (5%) as a result of expansion of trucking and freight forwarding services used to replace DC-8 aircraft. Maintenance expenses increased \$19.7 million (20%) primarily as a result of increased engine overhaul costs and increased flying of B-747 aircraft. Interest expense for 1985 was \$64.5 million compared to \$65.8 million for 1984.

In 1984 operating expenses increased 6% or \$58.4 million over 1983. However, as a percentage of revenues, operating expenses in 1984 were 91% compared to 98% in 1983. Total fuel and oil costs increased \$5.9 million (2%) due to an 8% increase in total miles flown in 1984 partially offset by a decrease in the average price per gallon of fuel by 5 cents from 1983. Other flying operations increased \$25.1 million (18%) due to increased crew costs which were necessary to support the additional flying and rental of Boeing 727 aircraft used to replace DC-8 aircraft. Ground operations increased \$28.7 million (11%) due to expansion of

operations associated with the door-to-door delivery service and increased international volumes. Maintenance expenses increased due to increased flying of B-747 aircraft primarily in the transpacific market.

Trucking — Warren

Warren operates as a specialized truckload hauler of heavy machinery and other specialized equipment for both the farm and construction industries. During 1982, Warren also expanded its operations into hauling truckload shipments of general commodities, in particular glass, and glass products, rubber products, building materials and paper and paper products. Warren's operating ratio improved from 95.4% in 1983 to 94.1% in 1984 to 93.9% in 1985. Total tons carried decreased 6% in 1985 versus 1984 while revenue per ton increased to \$79.76 in 1985 compared to \$76.24 in 1984. Warren's revenues for 1985 were \$38.0 million compared to \$38.6 million in 1984. Revenues remained virtually unchanged even though there were continued cutbacks in production that have severely impacted the heavy machine manufacturers industry, upon which Warren relies heavily for its revenues. In addition, Warren has been able to maintain its profitability level as a result of controlling its variable expenses in relationship to its lower revenues. Pretax income was \$3.2 million in 1985 and \$3.3 million in 1984. During 1983, Warren reported operating revenues of \$36.0 million and pretax income of \$2.3 million.

Discontinued Operations

Trucking — Hall's

Effective as of December 31, 1984, Tiger accounted for this business as a discontinued operation. See "Note 1 — Discontinued Operations — Hall's Motor Transit Company" of "Notes to Consolidated Financial Statements."

Railcar Services

Effective December 31, 1983, Tiger accounted for this business as a discontinued operation. On December 5, 1984, North American filed a voluntary petition under Chapter 11 of the Bankruptcy Code. See "Note 1 — Discontinued Operations — North American" of "Notes to Consolidated Financial Statements."

Impact of Inflation

Worldwide inflation and recession have an impact on Tiger's results of operations and financial position, which are reported in historical amounts. Tiger has estimated the impact of economic trends for selected financial information as required by standards adopted by the Financial Accounting Standards Board. See "Item 8. Supplemental Financial Information — Selected Financial Data Adjusted for Effects of Inflation (Unaudited)."

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	29
CONSOLIDATED FINANCIAL STATEMENTS	
Summary of Significant Accounting Policies.....	30
Consolidated Statements of Operations.....	32
Consolidated Balance Sheets	34
Consolidated Statements of Stockholders' Equity.....	36
Consolidated Statements of Changes in Financial Position	37
Notes to Consolidated Financial Statements	
Note 1 — Discontinued Operations	38
Note 2 — Acquisitions and Dispositions	43
Note 3 — Business Segment and Geographic Data	43
Note 4 — Long-Term Debt.....	46
Note 5 — Commitments	49
Note 6 — Capital Stock	50
Note 7 — Contingencies and Legal Actions	52
Note 8 — Retirement Plans	53
Note 9 — Income Taxes	54
Note 10 — Details of Certain Accounts	56
SUPPLEMENTAL FINANCIAL INFORMATION	
Selected Financial Data Adjusted for Effects of Inflation (Unaudited)	58
Selected Quarterly Financial Data (Unaudited)	61

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Tiger International, Inc.:

We have examined the consolidated balance sheets of Tiger International, Inc. (a Delaware corporation) and subsidiaries (collectively "Tiger") as of December 31, 1985 and 1984, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were 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 auditors' report dated March 26, 1985, our opinion on the 1984 financial statements was subject to the effect of such adjustments, if any, as might have been required had uncertainties related to Tiger International, Inc.'s ability to settle a note payable to North American Car Corporation been known. As explained in Note 1, Tiger International, Inc. consummated a settlement of such note during 1985. Accordingly, our present opinion on the 1984 financial statements, as presented herein, is unqualified.

In our opinion, the financial statements referred to above present fairly the financial position of Tiger as of December 31, 1985 and 1984, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. ("Tiger International") and its subsidiaries (collectively "Tiger"). All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to conform prior period information with the 1985 presentation.

Effective December 31, 1984, Tiger International sold 75% of its equity interest in Hall's Motor Transit Company ("Hall's") and accounted for this operation as a discontinued operation effective December 31, 1984. As of December 31, 1985, Tiger International transferred its remaining 25% equity interest in Hall's to the majority shareholder of Hall's. The railcar services segment ("North American") and other leasing businesses were accounted for as discontinued operations at December 31, 1983. Accordingly, the results of operations of these businesses have been segregated in the Consolidated Statements of Operations. In addition, footnote information for 1985 does not include the accounts of these businesses except as specifically indicated. The balance sheets at December 31, 1985 and 1984 do not include the accounts of the discontinued businesses.

Foreign Currency Transactions

Effective January 1, 1983, Tiger was required to adopt the Statement of Financial Accounting Standards No. 52 ("SFAS 52"). The cumulative effect on prior years for the adoption of SFAS 52 was \$10.3 million which was charged to retained earnings as of January 1, 1983. Monetary assets and liabilities of foreign operations have been translated at exchange rates as of the balance sheet dates. Fixed assets are translated at the prevailing exchange rates on the dates of acquisition. Revenues and expenses are translated at the monthly rates prevailing during the year. Depreciation and amortization are translated at the historical rates effective on the dates of acquisition of the underlying assets. Except as described below, transaction gains and losses are recorded in income as incurred.

During 1983 and 1984 Tiger deferred gains and losses resulting from the effects of changes in exchange rates on certain long-term debt obligations payable in Japanese yen, because the obligations were entered into as a hedge of yen-denominated revenues. As of December 31, 1984 and 1983 gains of \$6,506,000 and losses of \$1,238,000, respectively, were deferred.

As a result of the net decline in the yen to U.S. dollar exchange rate between January 1, 1983 and December 31, 1985, the dollar cash flows expected, at the latter date, to repay fully the unpaid balances of such long-term yen-denominated obligations increased by \$14,111,000 over the dollar cash flows expected with regard to such obligations as of January 1, 1983, (the \$20,617,000 sum of such \$14,111,000 and the foregoing \$6,506,000 of deferred gain as of December 31, 1984, constitutes the change in such expected cash flows that occurred during 1985). In view of the magnitude of the foregoing increase and developments in 1985 pertaining to the competitive environment in which the foregoing yen-denominated revenues are generated, Tiger believes it is no longer advisable to account for such obligations as a hedge against such revenues. Accordingly, the foregoing \$14,111,000 has been charged against 1985 operations, and is included in the caption "Foreign exchange losses, net" in the Consolidated Statements of Operations; and the effects of all future changes in yen/dollar exchange rates on such obligations will be included as losses or gains in determining results of operations for the period in which the changes occur.

Inventories

Inventories consist of fuel and maintenance and assembly parts for aircraft and trucks and are carried at the lower of average cost or market.

Property and Equipment

Expenditures for additions and major improvements, replacements or renewals are capitalized. Assets retired or otherwise disposed of are eliminated from the accounts along with the related accumulated

depreciation, and gains and losses are included in income. Maintenance expense includes provisions for aircraft airframe and aircraft engine overhauls accrued by a charge to expense on the basis of hours flown; the actual overhaul cost is charged to the related reserve when incurred. Expenditures for repairs and minor renewals are charged to income as incurred. The capitalized cost of aircraft and other related equipment includes interest incurred prior to the time such assets are placed in service.

Tiger has included as assets the costs of certain leased property and equipment which, by the terms of the agreements, meet the definition of capital leases; the present value of related lease obligations is recorded as a liability.

Depreciation of property and equipment, including assets under capital lease, is provided primarily on a straight-line basis over the estimated useful lives of the various assets as follows: airframes and engines — 5 to 20 years (0% to 15% salvage value); trucks — 5 to 8 years; other — 2 to 40 years (average 15 years).

Intangibles

Intangibles consist of cost in excess of fair value of net assets of acquired businesses and are amortized on a straight-line basis over their estimated useful lives of 40 years.

Income Taxes and Tax Benefits

Provision is made for deferred income taxes attributable to timing differences which result when revenues and expenses are reported for tax purposes in periods different from their recognition for financial reporting purposes.

Investment tax credits are accounted for as a reduction of the provisions for income taxes in the year in which the credits arise or to the extent they are utilizable without exceeding the deduction limits. In addition, investment tax credit carryforwards are recognized as a reduction of the provisions for federal income taxes to the extent such credits are expected to be utilized against net deferred federal income taxes which reverse during the carryforward period.

Investment tax credits that have been applied to reduce income tax provisions, but which Tiger elects to permit to expire by reason of the deduction of accelerated depreciation and other allowable tax deductions, are amortized over the remaining lives of the property and equipment to which the tax deductions relate.

Earnings Per Share

Earnings per share are based on the weighted average number of shares of Tiger International Common Stock ("Common Stock") outstanding during each period increased by the effect of dilutive stock options, warrants to purchase Common Stock and the conversion of Depositary Convertible Preferred Stock.

Fully diluted earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period computed as described above and assuming the conversion, where dilutive, of convertible debt into Common Stock at the beginning of the period or at issuance date. Interest expense on the convertible debt, net of income taxes, is added back to net income for purposes of the calculation. Fully diluted earnings per share amounts are not presented for the years ended December 31, 1985, 1984 and 1983. In 1984 they are not materially dilutive, and in 1985 and 1983 they are anti-dilutive.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the Years Ended December 31		
	1985	1984	1983
Revenues:			
Operating revenues	\$1,147,045	\$1,209,890	\$1,056,868
Costs and Expenses:			
Costs of operations	907,756	875,525	806,508
Selling, general and administrative	158,980	160,762	171,390
Depreciation and amortization	58,424	65,880	73,034
	<u>1,125,160</u>	<u>1,102,167</u>	<u>1,050,932</u>
Income from operations	<u>21,885</u>	<u>107,723</u>	<u>5,936</u>
Other income (expense)			
Gain on sale of equipment and facilities	12,662	16,591	3,909
Interest expense	(85,710)	(78,847)	(86,894)
Interest capitalized	88	986	2,095
Foreign exchange losses, net	(14,292)	(7,412)	(1,927)
Other	8,180	10,064	(8,107)
	<u>(79,072)</u>	<u>(58,618)</u>	<u>(90,924)</u>
Income (loss) from continuing operations before income taxes	(57,187)	49,105	(84,988)
Income tax provision	<u>—</u>	<u>4,900</u>	<u>—</u>
Income (Loss) From Continuing Operations	(57,187)	44,205	(84,988)
Discontinued operations			
Loss from operations of discontinued businesses, less applicable tax benefit of \$-0-, \$(4,900) and \$-0-	—	(14,878)	(99,448)
Provision for loss on disposal of discontinued operations	(15,500)	(118,267)	(58,196)
	<u>(15,500)</u>	<u>(133,145)</u>	<u>(157,644)</u>
Loss Before Extraordinary Gain	(72,687)	(88,940)	(242,632)
Extraordinary gain	<u>—</u>	<u>—</u>	<u>19,792</u>
Net Loss	<u>\$ (72,687)</u>	<u>\$ (88,940)</u>	<u>\$ (222,840)</u>
Income (loss) per share			
— Continuing operations	\$ (2.11)	\$ 2.05	\$ (4.71)
— Discontinued operations	(0.58)	(6.18)	(8.73)
	<u>(2.69)</u>	<u>(4.13)</u>	<u>(13.44)</u>
— Extraordinary gain	<u>—</u>	<u>—</u>	<u>1.10</u>
Loss Per Share	<u>\$ (2.69)</u>	<u>\$ (4.13)</u>	<u>\$ (12.34)</u>
Shares used in computation of income (loss) per share	<u>27,053</u>	<u>21,518</u>	<u>18,050</u>

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE

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TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1985	1984
	(In thousands)	
A S S E T S		
Current Assets:		
Cash, including certificates of deposit	\$ 50,115	\$ 134,630
Commercial paper at cost, which approximates market	90,523	24,173
Receivables, net	156,371	168,271
Inventories	14,504	17,029
Prepaid expenses and other	11,372	12,266
Total Current Assets	322,885	356,369
Property and Equipment:		
Equipment used in operations	820,065	819,830
Buildings and leasehold improvements	50,163	53,951
Terminal facilities and other	75,598	73,501
Construction in process	2,558	2,581
	948,384	949,863
Less accumulated depreciation and amortization	385,622	353,181
	562,762	596,682
Other Assets:		
Investments, other receivables and deferred charges	15,180	16,405
Cost in excess of fair value of acquired businesses, net	55,291	57,272
	70,471	73,677
Total Assets	\$956,118	\$1,026,728

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1985	1984
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Note payable to North American.....	\$ —	\$ 132,151
Current portion of long-term obligations.....	58,462	58,864
Accounts payable and accrued liabilities.....	172,131	182,946
Total Current Liabilities.....	230,593	373,961
Long-term Obligations:		
Notes payable and equipment obligations.....	294,910	326,538
Note payable to North American.....	107,245	—
Subordinated debt.....	25,628	27,281
Capital lease obligations.....	246,850	249,239
	674,633	603,058
Deferred Credits:		
Deferred income taxes and tax credits.....	1,690	1,417
Other.....	51,498	43,705
	53,188	45,122
Commitments and Contingencies		
Minority Stockholders' Equity.....	2,166	2,626
Stockholders' Equity:		
Common stock, \$1 par value		
Authorized — 50,000,000 shares;		
outstanding — 30,772,387 and 21,710,976 shares.....	30,772	21,711
Additional paid-in capital.....	314,082	256,311
Retained deficit.....	(346,253)	(273,566)
	(1,399)	4,456
Less treasury stock, at cost (255,306 and 192,608 shares).....	3,063	2,495
Total Stockholders' Equity.....	(4,462)	1,961
Total Liabilities and Stockholders' Equity.....	\$956,118	\$1,026,728

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three years ended December 31, 1985

	<u>\$1 Par Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Treasury Stock</u>	<u>Total</u>
			(In thousands)		
Balance at December 31, 1982.....	\$17,035	\$219,257	\$ 48,557	\$(1,683)	\$ 283,166
Net loss	—	—	(222,840)	—	(222,840)
Issuance of Common Stock and warrants in exchange offer.....	3,213	30,299	—	(585)(1)	32,927
Issuance of Common Stock in lieu of cash interest payments	260	1,442	—	(76)(2)	1,626
Effect of change in accounting principle for foreign currency transactions.....	—	—	(10,343)	—	(10,343)
Balance at December 31, 1983.....	20,508	250,998	(184,626)	(2,344)	84,536
Net loss	—	—	(88,940)	—	(88,940)
Issuance of Common Stock in lieu of cash interest payments.....	1,203	5,313	—	(151)(2)	6,365
Balance at December 31, 1984.....	21,711	256,311	(273,566)	(2,495)	1,961
Net loss	—	—	(72,687)	—	(72,687)
Issuance of Common Stock upon conversion of Depositary Convertible Preferred Stock	8,050	51,854	—	—	59,904
Issuance of Common Stock in lieu of cash interest payments.....	969	5,542	—	(151)(2)	6,360
Issuance of Common Stock upon conversion of debentures by an affiliate	42	375	—	(417)(3)	—
Balance at December 31, 1985.....	<u>\$30,772</u>	<u>\$314,082</u>	<u>\$(346,253)</u>	<u>\$(3,063)</u>	<u>\$ (4,462)</u>

- (1) Represents Common Stock and warrants issued to Flying Tigers in exchange for Old 11½% Debentures. See "Note 4 — Long-Term Debt."
- (2) Represents Common Stock issued to Flying Tigers for interest on the New 11½% Debentures.
- (3) Represents Common Stock issued to Flying Tigers on the conversion of 5% Convertible Subordinated Debentures.

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	For the Years Ended December 31		
	1985	1984	1983
	(In thousands)		
Source of Funds:			
Continuing operations			
Income (loss) from continuing operations before extraordinary item.....	\$ (57,187)	\$ 44,205	\$ (84,988)
Items not involving working capital—			
Depreciation and amortization.....	58,424	65,880	73,034
Deferred income taxes.....	—	4,900	—
Gain on sale of equipment used in operations.....	(12,662)	(16,591)	(3,909)
Overhaul reserves, net.....	(1,143)	4,508	13,239
Deferred interest payable to North American.....	10,334	—	—
Translation loss on yen denominated debt.....	14,111	—	—
Other.....	5,454	2,261	11,627
Working capital provided by continuing operations before extraordinary item.....	17,331	105,163	9,003
Discontinued operations			
Loss from discontinued operations.....	(15,500)	(133,145)	(157,644)
Items not involving working capital—			
Depreciation and amortization.....	—	9,124	69,018
Other.....	15,500	(20,006)	43,394
Working capital used by discontinued operations.....	—	(144,027)	(45,232)
Total working capital provided (used) by operations before extraordinary item.....	17,331	(38,864)	(36,229)
Extraordinary item.....	—	—	19,792
Retirement of property and equipment.....	2,092	43,983	98,502
Proceeds from sale of aircraft, engines, aircraft parts and facilities.....	23,278	69,652	31,637
Proceeds from debt financing.....	—	9,703	51,003
Refinancing of note payable to North American.....	96,911	—	—
Transfer of current debt to long-term debt under restructuring agreements.....	—	—	60,744
Issuance of debentures in exchange offer.....	—	—	38,288
Issuance of common stock and warrants.....	66,264	6,365	34,553
Working capital of discontinued businesses.....	—	3,649	42,090
Total Source of Funds.....	205,876	94,488	340,380
Application of Funds:			
Additions to long-term receivables.....	—	10,500	7,183
Additions to property and equipment.....	27,288	48,614	55,099
Reductions of long-term obligations.....	58,381	79,730	119,432
Debentures retired in exchange offer.....	—	—	92,073
Other.....	10,323	(16,715)	15,702
Total Application of Funds.....	95,992	122,129	289,489
Increase (Decrease) in Working Capital.....	\$ 109,884	\$ (27,641)	\$ 50,891
Changes in Components of Working Capital:			
Cash, including certificates of deposit.....	\$ (84,515)	\$ 93,683	\$ (22,457)
Commercial paper at cost.....	66,350	22,516	157
Receivables, net.....	(11,900)	(19,825)	11,164
Inventories.....	(2,525)	(7,497)	(46,349)
Prepaid expenses and other.....	(894)	2,836	(35,058)
Increase (Decrease) in Current Assets.....	(33,484)	91,713	(92,543)
Short-term borrowings.....	—	—	(20,000)
Note payable to North American.....	(132,151)	132,151	—
Current portion of long-term obligations.....	(402)	9,867	(67,837)
Accounts payable and accrued liabilities.....	(10,815)	(22,664)	(55,597)
Increase (Decrease) in Current Liabilities.....	(143,368)	119,354	(143,434)
Increase (Decrease) in Working Capital.....	\$ 109,884	\$ (27,641)	\$ 50,891

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Discontinued Operations

Summary

Income (losses), by segment, from discontinued operations are summarized as follows:

	For the Years Ended December 31		
	1985	1984	1983
		(In thousands)	
Hall's	\$(15,500)	\$ (20,578)	\$ (10,640)
North American	—	(141,951)	(100,878)
Tiger Leasing	—	24,484	(46,126)
	(15,500)	(138,045)	(157,644)
Income tax benefit	—	(4,900)	—
	\$(15,500)	\$(133,145)	\$(157,644)

Hall's Motor Transit

Until January 7, 1985, Hall's Motor Transit Company ("Hall's") was a wholly owned subsidiary of Tiger International. On January 7, 1985, Hall's completed a financial restructuring pursuant to which (i) Hall's acquired a new \$5 million credit facility, and (ii) Tiger International sold 75% of its equity interest in Hall's to Hall's Acquisition Corp., a corporation owned by certain members of Hall's existing management group. In connection with such financial restructuring, Hall's agreed to reaffirm its existing \$10.5 million obligation to Tiger International (the "Note"), secured by a lien on Hall's assets subordinate to the lenders providing credit facilities to Hall's. Tiger realized a loss, effective December 31, 1984, of \$10.6 million on the sale of its stock in Hall's, and accounted for Hall's as a discontinued operation in its 1984 financial statements. In addition, Tiger International's remaining 25% minority equity interest in Hall's was written off effective December 31, 1984.

From and after January 7, 1985, Tiger International did not participate in the management of Hall's. On December 13, 1985, after negotiations concerning a proposed additional refinancing of Hall's, Tiger International transferred its remaining 25% minority stock interest in Hall's to Hall's Acquisition Corp. In addition, Tiger International agreed that if Hall's could obtain \$5 million in additional debt financing by March 1, 1986, and such financing would effectuate a turnaround of Hall's results of operations, the Note held by Tiger International would be restructured as part of the proposed refinancing, and the lien securing the repayment of the Note would be released to the extent necessary for Hall's to procure such additional debt financing. As a result of this agreement, at December 31, 1985, Tiger International wrote off the Note as a \$10.5 million charge to discontinued operations. The ability of Tiger International to recover on the Note indebtedness remains uncertain. Also effective December 31, 1985, Tiger recorded a \$5 million reserve relating to guarantees of Hall's workers' compensation obligations.

As of March 1, 1986, Hall's had not accomplished arrangements for additional refinancing, and Tiger International had agreed to an extension of the deadline for such refinancing to March 15, 1986. However, on March 10, 1986, Hall's filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Pennsylvania. In connection with such filing, Hall's may have withdrawn from some or all of its multiemployer pension plans covered by the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA"). At least one pension plan has alleged that Hall's has withdrawn, and that Tiger International has MEPPAA withdrawal liability therefor.

Under MEPPAA, withdrawal liability may be imposed on an employer that withdraws from a multiemployer pension plan, and such withdrawing employer's MEPPAA withdrawal liability may be asserted jointly and severally against any corporation that is a member of the controlled group of

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

corporations that includes the withdrawing employer corporation. Until January 7, 1985, Tiger International, Flying Tigers, Warren's Transport, Inc. and all other subsidiaries of Tiger International (except for Hall's, the "Tiger International Companies") were members of the controlled group of corporations that included Hall's. As of that date, no MEPPAA withdrawal by Hall's had occurred. At December 29, 1984, Hall's audited financial statements disclosed a contingent MEPPAA withdrawal liability of approximately \$40 million; because Tiger International has not been involved in the management of Hall's since January 7, 1985, Tiger International does not have any current information concerning the amount of Hall's MEPPAA liability.

If Hall's withdraws or has withdrawn from some or all of its multiemployer pension plans and incurs or has incurred withdrawal liability, Tiger International understands that certain pension plans, with the encouragement of Hall's and/or Hall's Acquisition Corp., may commence litigation against some or all of the Tiger International Companies and assert that Tiger International's sale of Hall's should be disregarded, thereby making the Tiger International Companies jointly and severally liable with Hall's for Hall's MEPPAA withdrawal liability. Under MEPPAA, if damages are assessed, they may include the withdrawal liability and interest thereon, attorneys' fees and costs and penalties.

Withdrawal liability may not generally be assessed against entities that have ceased to be members of a controlled group of corporations at the time of a withdrawal. A sale to an unrelated party of 75% of the equity interest in a subsidiary corporation will generally terminate the controlled group relationship between the corporations so long as the sale is a bona fide transaction that does not have, as a principal purpose, the evasion or avoidance of MEPPAA withdrawal liability. Accordingly, the sale of Tiger International's 75% equity interest in Hall's to Hall's Acquisition Corp. on January 7, 1985, should cause the Tiger International Companies to cease to be members of the Hall's controlled group as of January 7, 1985, so long as Tiger International's sale of its 75% equity interest in Hall's was a bona fide sale and a principal purpose of such sale was not the evasion or avoidance of MEPPAA withdrawal liability.

If litigation to impose the MEPPAA withdrawal liability of Hall's is brought against the Tiger International Companies, or any of them, Tiger International will aggressively resist imposition of MEPPAA withdrawal liability against the Tiger International Companies and will interpose all appropriate defenses to the imposition of such liability. The outcome of any such litigation would be dependent upon certain legal and factual determinations to be made in the course of the litigation. Therefore, no assurance can be given that the MEPPAA withdrawal liability of Hall's will not be imposed on some or all of the Tiger International Companies. However, the management of Tiger International believes that its sale of 75% of Hall's stock, which was undertaken in connection with the overall financial restructuring of Hall's that was completed on January 7, 1985, constituted a bona fide sale undertaken for legitimate business purposes and that the evasion or avoidance of MEPPAA liability was not a principal purpose of such sale. Accordingly, it is the opinion of the management of Tiger International that the Tiger International Companies should prevail in any litigation asserting that the Tiger International Companies, including Flying Tigers, should be jointly and severally liable with Hall's for the MEPPAA withdrawal liability of Hall's.

If the Tiger International Companies were determined to be liable for the MEPPAA withdrawal liability of Hall's because the Tiger International Companies remained part of the controlled group of corporations including Hall's as of the date Hall's incurred withdrawal liability, Flying Tigers may be deemed to be in default under the Flying Tigers Restructuring Agreements, which provide that a MEPPAA withdrawal liability in excess of \$5 million of any Flying Tigers "ERISA Affiliate" (as defined in the Flying Tigers Restructuring Agreements) constitutes an event of default under such agreements. Such a default under the Flying Tigers Restructuring Agreements may cause acceleration of the entire principal and interest of the debt obligations covered by the Flying Tigers Restructuring Agreements.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The results of operations for Hall's, included under the caption "Discontinued Operations" in the Consolidated Statement of Operations for 1984 and 1983, are as follows:

	For the Years Ended December 31	
	1984	1983
	(In thousands)	
Revenues	\$191,255	\$193,408
Costs and expenses	<u>201,233</u>	<u>204,048</u>
Loss before income taxes	<u>\$ (9,978)</u>	<u>\$ (10,640)</u>

North American

In December 1983, Tiger completed a transaction under which General Electric Credit Corporation ("GECC") took over the management and operation of the railcar leasing and repair business of North American Car Corporation ("North American"), the largest subsidiary of Tiger Leasing Group Inc. ("Tiger Leasing Group"). In addition, GECC was given an option to purchase the remainder of North American's railcar fleet. As a result of a decision by Tiger to liquidate the North American railcar fleet, through the option given to GECC or otherwise, and the North American Restructuring Agreement finalized in 1983, Tiger accounted for these activities as a discontinued operation effective December 31, 1983. The Tiger International net investment in North American (\$31.5 million) at December 31, 1983, was fully reserved.

In connection with the North American Restructuring Agreement, Tiger International issued a promissory note to North American in the principal amount of \$132 million, representing advances previously made by North American to Tiger International. The promissory note was held by certain lenders of North American as security for the repayment of North American's debt. At December 31, 1983, Tiger International considered this obligation to be a contingent liability because management believed that sufficient cash would be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness. Effective September 30, 1984, due to an alleged default under North American's Restructuring Agreement, Tiger recorded the \$132 million obligation plus \$9.8 million of accrued interest as a liability and established a \$132 million investment in North American. The interest was charged to operations as a loss from discontinued operations. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court ("Bankruptcy Court"). As a result, the \$132 million note, which had a maturity date of January 1991 and an interest rate of 7%, became immediately due and payable. Another promissory note, payable to North American, in the principal amount of \$900,000 (for advances made to Tiger International during 1984) also became due and payable. At December 31, 1984, Tiger International's obligations to North American totaled approximately \$145.2 million, of which approximately \$12.1 million represented interest. At December 31, 1984, Tiger International wrote off its \$132 million investment in North American.

On March 1, 1985, Tiger International completed an offering of convertible preferred stock of Tiger International to certain underwriters, who in turn sold 8,050,000 shares of Depositary Convertible Preferred Stock ("Depositary Stock") to the public at \$8.25 per share. This offering was part of a proposed settlement of Tiger International's \$145.2 million obligation to North American.

In May 1985 the Bankruptcy Court approved the settlement of Tiger International's notes payable to North American, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was used to pay accrued interest and to reduce the principal balances on Tiger International's notes.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the terms of the settlement, Tiger International then issued a new promissory note payable to North American for the remaining principal balance of \$96.9 million, bearing interest at 2% over the prime rate. The note is secured by a pledge by Tiger International of 47% of the common stock of Flying Tigers. Tiger International is not required to make any interest or principal payments until June 30, 1988. Unpaid interest is to be capitalized, and 50% of such interest and 50% of the outstanding principal balance is due and payable on June 30, 1988. Thereafter, current interest accrued is payable quarterly with the remaining capitalized interest and principal balance outstanding being due and payable on June 30, 1989. However, Tiger International will be required to make prepayments of principal and interest upon the occurrence of certain events (see "Note 4 — Long-Term Debt"). If prepayments of principal are made prior to June 30, 1987, then a like amount that would otherwise be due and payable on June 30, 1989, shall be extended to become due and payable on June 30, 1990. At December 31, 1985, Tiger International's note payable to North American, including accrued and capitalized interest, was \$107.2 million.

At December 31, 1985, North American's assets consisted of operating assets, principally its railcar fleet, and a promissory note receivable from Tiger International in the amount of \$107.2 million. In addition, its financial statements include an amount due from Tiger International under a tax allocation agreement that sets forth the basis for the sharing of tax benefits and provisions, and for the settling of intercompany balances, in connection with the filing of Tiger's consolidated federal income tax returns.

The amount due under the tax allocation agreement (the "Tax Benefit Account"), accumulated over the years for which North American has been included in such consolidated tax returns, includes the amounts of North American's net operating losses, investment tax credits and foreign tax credits that have been, or were expected to be, utilized to reduce taxes otherwise payable in respect of income of members, other than North American, of the Tiger consolidated tax reporting group. The Tax Benefit Account also includes annual increments, denominated as interest, on the accumulated balances in the Tax Benefit Account. Such increments ceased in 1982. The increase made to the Tax Benefit Account for 1982 was based on estimates. Since 1982, Tiger has realized \$14.8 million of tax benefits in its consolidated federal income tax returns through the use of net operating losses generated by North American, but, unlike previous years, the Tax Benefit Account has not been increased in respect of those benefits. In addition, the Tax Benefit Account does not reflect possible reductions resulting from examination of income tax returns by the Internal Revenue Service for years subsequent to 1976. The amount recorded in the Tax Benefit Account at December 31, 1985, was \$79.9 million, including \$40 million of interest increment.

It is Tiger's position that North American's Tax Benefit Account is not required to be paid by Tiger International in cash and is recoverable by North American as a reduction of amounts that it would otherwise pay to Tiger International, pursuant to the tax allocation agreement. Tiger's position is that the Tax Benefit Account will be settled through the use of net operating losses of members of the affiliated group other than North American to shelter North American's taxable income resulting from operations or the disposition of its assets as described in the paragraph below. Accordingly, there is no amount recorded for the Tax Benefit Account in Tiger's financial statements because it is Tiger International's position that it is not obligated to pay the Tax Benefit Account in cash.

During March 1986, North American entered into an agreement subject to the approval of the bankruptcy court, for the sale of its railcar fleet and other assets to GECC for approximately \$420 million. It is estimated that there will be a taxable gain of approximately \$215 million for federal income tax purposes and that approximately \$200 million of this gain will be offset against Tiger's consolidated net operating losses ("NOL") exclusive of those of North American. The tax effect, \$92 million, of this utilization by North American of its affiliates' NOL will be applied by Tiger International against the \$79.9 million amount referred to above.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In pleadings filed with the bankruptcy court in March 1986, North American has maintained that the Tax Benefit Account is an account owing from Tiger International to North American which North American is entitled to collect in cash, regardless of whether the net operating losses of other members of the affiliated group other than North American are used to shelter the taxable income resulting from the sale of its assets to GECC. Furthermore, North American contends that any claims that Tiger International may acquire against North American under the tax allocation agreement as a result of such utilization are either (i) pre-petition general unsecured claims or (ii) administrative claims, the validity of which is subject to challenge by North American.

Tiger International and North American have reached an agreement in principle settling their respective claims under the tax allocation agreement. Under this proposed settlement Tiger International (and certain of its subsidiaries) and North American (and its subsidiaries) would exchange mutual releases of all claims which each might have against the other under the tax allocation agreement or the Tax Benefit Account. No cash payments will be required by either party. Tiger International has agreed that it will take no action that will prevent North American from utilizing the net operating losses of other members of the affiliated group to shelter the taxable income created by the disposition of North American's assets. This settlement cannot be implemented unless the bankruptcy court approves it. North American's application to the bankruptcy court for approval of the settlement is scheduled for hearing on March 31, 1986.

The proceeds from the sale of North American's operating assets and from the promissory note receivable from Tiger International will not be sufficient to pay off all the debt of North American, leaving a substantial portion of its debt unpaid. If the settlement is not approved and implemented, then North American or its creditors might take legal action to enforce the above described claims of North American for cash under the tax allocation agreement and the Tax Benefit Account. If such a claim were sustained, any amounts payable by Tiger International in cash would be required to be charged to operations. In the event of any such claim, Tiger International would vigorously defend its positions set forth above; however, it is not possible to assure that those positions would be sustained.

North American's results of operations, exclusive of provision for loss or disposal, and included under the caption "Discontinued Operations" in the Consolidated Statement of Operations for the year ended December 31, 1983, are as follows:

	(In thousands)
Operating revenues.....	\$185,661
Costs and expenses.....	<u>255,042</u>
Loss before income taxes.....	<u>\$ (69,381)</u>

Other Leasing Operations

Tiger's other leasing operations were also discontinued at December 31, 1983. At December 31, 1985, the principal assets consist of one owned DC-10-30 and four leased 727-200 aircraft.

The results of operations, exclusive of provision for loss on disposal, of the other leasing operations, included under the caption "Discontinued Operations" in the Consolidated Statements of Operations for the year ended December 31, 1983, are as follows:

	(In thousands)
Operating revenues.....	\$ 12,285
Costs and expenses.....	<u>31,712</u>
Loss before income taxes.....	<u>\$ (19,427)</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In December 1984, reserves of approximately \$24.5 million previously established for these operations were reversed and offset the other 1984 losses from discontinued operations noted above, because these reserves were no longer considered by Tiger International to be required.

The other leasing operations also carry tax benefits accounts aggregating \$31.4 million arising from allocation of consolidated federal income taxes. Such accounts present issues similar to those discussed above regarding North American and could result in claims for cash payment of all or a significant portion of such accounts. However, unlike North American, certain of the leasing operations are not likely to generate enough taxable income as a result of the disposition of their assets to effect a settlement of their accounts through the use of net operating losses of other members of the affiliated group to shelter their income. Though it is not possible to give any assurance as to the ultimate outcome of any such claims, Tiger's position is that no payment by it should be required to settle such accounts.

Note 2 — Acquisitions and Dispositions

During the first quarter of 1983, The Flying Tiger Line Inc. ("Flying Tigers") exchanged its ownership in three Boeing 747-200 passenger airframes for four Boeing 747-100 freighter airframes and four engines. There was no gain or loss on this transaction which was an exchange of aircraft used in flight operations. During 1983, Flying Tigers sold its interest in five DC-8 freighter airframes and engines for approximately \$31,637,000 resulting in a pretax gain of \$3,573,000.

In 1983, North American sold its Chemical and Terminal Divisions for approximately \$10,500,000 and portions of its European operations for approximately \$11,000,000. The results of these transactions are included in loss from operations of discontinued businesses.

During 1984, Flying Tigers sold 10 DC-8-63F aircraft and the associated re-engining positions for proceeds of \$69,652,000 resulting in a pretax gain of \$16,400,000.

In 1985, Flying Tigers sold two DC-8-61 aircraft, aircraft engines and parts for approximately \$14,800,000 and recognized pretax gains of approximately \$7,700,000. In addition, during 1985, Flying Tigers sold leasehold facilities for approximately \$8,500,000 resulting in a pretax gain of approximately \$4,800,000.

Note 3 — Business Segment and Geographic Data

Tiger is engaged primarily in two continuing businesses: air cargo and specialized trucking. Air cargo and trucking services are provided in the United States. International air cargo operations are conducted primarily between cities in the United States and points in Asia, Europe, Latin America, the Middle East and Australia. Effective December 31, 1984, Hall's is accounted for as a discontinued operation. The railcar

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

services business (North American) and the other leasing operations of Tiger Leasing Group were discontinued effective December 31, 1983.

Segment data	Revenues	Pretax Results Before Interest Expense	Interest Expense Net	Pretax Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
	(In thousands)						
1985							
Air Cargo.....	\$1,109,022	\$ 20,225	\$ 64,457	\$ (44,232)	\$ 911,452	\$ 26,510	\$ 56,880
Trucking.....	38,023	3,207	4	3,203	32,454	772	1,213
Other	—	5,003	21,161	(16,158)	12,212	6	331
Continuing Operations....	1,147,045	28,435	85,622	(57,187)	956,118	27,288	58,424
Discontinued Operations.	—	(15,500)	—	(15,500)	—	—	—
	<u>\$1,147,045</u>	<u>\$ 12,935</u>	<u>\$ 85,622</u>	<u>\$ (72,687)</u>	<u>\$ 956,118</u>	<u>\$ 27,288</u>	<u>\$ 58,424</u>
1984							
Air Cargo.....	\$1,171,017	\$ 125,638	\$ 64,855	\$ 60,783	\$ 978,494	\$ 46,097	\$ 64,274
Trucking.....	39,453	2,923	5	2,918	30,307	1,503	1,268
Other	(580)	(1,595)	13,001	(14,596)	17,927	9	338
Continuing Operations....	1,209,890	126,966	77,861	49,105	1,026,728	47,609	65,880
Discontinued Operations.	191,255	(125,106)	12,939	(138,045)	—	1,005	9,124
	<u>\$1,401,145</u>	<u>\$ 1,860</u>	<u>\$ 90,800</u>	<u>\$ (88,940)</u>	<u>\$1,026,728</u>	<u>\$ 48,614</u>	<u>\$ 75,004</u>
1983							
Air Cargo.....	\$1,019,832	\$ 7,086	\$ 74,603	\$ (67,517)	\$ 987,119	\$ 23,254	\$ 71,419
Trucking.....	42,932	1,034	11	1,023	28,110	622	1,409
Other	(5,896)	(8,309)	10,185	(18,494)	9,167	205	206
Continuing Operations....	1,056,868	(189)	84,799	(84,988)	1,024,396	24,081	73,034
Discontinued Operations.	391,288	(57,973)	99,671	(157,644)	89,370	31,018	69,018
	<u>\$1,448,156</u>	<u>\$ (58,162)</u>	<u>\$184,470</u>	<u>\$ (242,632)</u>	<u>\$1,113,766</u>	<u>\$ 55,099</u>	<u>\$142,052</u>

The line item "Other" includes parent company and intercompany elimination items.

All significant identifiable assets are located in the United States. Revenues from the United States Government were \$144,613,000, \$143,775,000 and \$122,123,000 for the years ended December 31, 1985, 1984 and 1983, respectively. These revenues were for services performed primarily for the Military Airlift Command of the United States Air Force and the United States Postal Service.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenues relating to scheduled and nonscheduled cargo and passenger operations are as follows:

	For the Years Ended December 31		
	1985	1984	1983
	(In thousands)		
Scheduled Cargo Operations			
Domestic.....	\$ 212,929	\$ 214,872	\$ 194,446
Transpacific.....	544,177	653,395	503,953
Transatlantic.....	105,368	98,367	123,721
Latin America	63,988	41,402	23,397
Total Scheduled Cargo Operations	926,462	1,008,036	845,517
Scheduled Passenger Operations.....	—	—	2,743
Commercial Charter	56,132	42,605	63,901
Military Airlift Command.....	105,680	104,411	84,274
Other	20,748	15,965	23,397
Total Revenues.....	<u>\$1,109,022</u>	<u>\$1,171,017</u>	<u>\$1,019,832</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 — Long-Term Debt

The outstanding balance of long-term debt under existing terms at the dates specified is as follows:

	December 31	
	1985	1984
	(In thousands)	
Notes Payable and Equipment Obligations:		
Tiger International, Inc.		
11½% Debentures due April 1995, net of imputed interest (effective rate 20.6% in 1985).....	\$ 19,839	\$ 19,090
11½% Debentures due October 1995, net of imputed interest (effective rate 13.4% in 1985).....	13,937	13,795
Note payable to North American (Prime + 2%).....	107,245	—
Subsidiaries		
9% to 12% and prime + 2% equipment trust certificates due 1986 to 1997 (average rate 10.2% in 1985).....	123,460	144,560
10.56% to 12% master sales agreements (payable in yen) due 1986 to 1992.....	107,547	94,676
12.5% to 13.5% conditional sale agreement due 1986 to 1990.....	5,233	8,708
9% to 14.5% and prime + 2% promissory notes due 1986 to 1990 (average rate 11.4% in 1985).....	10,115	11,745
Term notes at prime + ¼% and prime + 2% due 1986 to 1990 (average rate of 10.2% in 1985).....	<u>63,839</u>	<u>77,480</u>
	451,215	370,054
Less current portion	<u>49,060</u>	<u>43,516</u>
	<u>\$402,155</u>	<u>\$326,538</u>
Subordinated Debt:		
Tiger International, Inc.		
8¾% Senior Subordinated Debentures due July 1995, net of imputed interest (effective rate 19.0% in 1985).....	\$ 21,191	\$ 20,360
8¾% Convertible Subordinated Debentures due July 2005.....	4,437	4,437
Subsidiaries (net of imputed interest)		
5% Convertible Subordinated Debentures due April 1986.....	<u>2,490</u>	<u>4,960</u>
	28,118	29,757
Less current portion	<u>2,490</u>	<u>2,476</u>
	<u>\$ 25,628</u>	<u>\$ 27,281</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Scheduled Maturities

As of December 31, 1985, principal scheduled maturities of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in "Note 5 — Commitments") related to continuing operations are as follows (in thousands):

<u>Year</u>	<u>Long-term Debt</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
1986	\$ 51,550	\$ 6,912	\$ 58,462
1987	46,551	9,004	55,555
1988	105,143	10,147	115,290
1989	104,440	10,941	115,381
1990	40,339	8,806	49,145
Later Years	<u>131,310</u>	<u>207,952</u>	<u>339,262</u>
Total	<u>\$479,333</u>	<u>\$253,762</u>	<u>\$733,095</u>

Tiger International, Inc. (Parent)

Pursuant to an Exchange Offer, completed in September 1983, Tiger International acquired \$37,894,000 principal amount of its outstanding 11½% Sinking Fund Debentures due October 1, 1995, (the "Old 11½% Debentures"), and \$55,563,000 principal amount of its outstanding 8¾% Convertible Subordinated Debentures due July 1, 2005, (the "Old 8¾% Debentures"). In exchange, Tiger International issued \$28,368,600 principal amount of its 11½% Sinking Fund Debentures due April 1, 1995, (the "New 11½% Debentures"), and \$36,030,000 principal amount of its new 8¾% Senior Subordinated Debentures due July 1, 1995, (the "New 8¾% Debentures") for which both principal (including sinking fund obligations) and interest are payable, at Tiger International's option, in cash or in Common Stock. The New Debentures have been recorded at a discount to reflect the market value of the New Debentures immediately following the exchange. The exchange resulted in an extraordinary gain of \$19.8 million. Tiger International also issued in such exchange 3,156,924 shares of Common Stock and warrants to purchase an additional 3,156,924 shares of Common Stock. In addition, Tiger International issued \$1,313,000 principal amount of New 11½% Debentures, 56,022 shares of Common Stock and warrants to purchase an additional 56,022 shares of Common Stock in exchange for \$1,751,000 principal amount of Old 11½% Debentures held by Flying Tigers at the time of the Exchange Offer. Tiger International elected to satisfy its interest obligations on the New Debentures in 1983 (\$3.3 million), 1984 (\$6.5 million) and 1985 (\$6.5 million) by delivering an aggregate of 592,680, 1,139,738 and 921,768 shares, respectively, of Common Stock. Minor amounts were paid in cash for fractional shares.

As a mandatory sinking fund for the retirement of the New 11½% Debentures, Tiger International is required to deposit prior to April 1 in each year commencing in 1988 and ending in 1994, an amount, in legal tender or Common Stock, sufficient to redeem not less than 10% of the aggregate principal amount of New 11½% Debentures originally issued. Tiger International may deliver outstanding New 11½% Debentures and apply as a credit New 11½% Debentures which have been redeemed at the election of Tiger International in satisfaction of all or part of such mandatory sinking fund payment requirement.

As a mandatory sinking fund for the retirement of the New 8¾% Debentures, Tiger International is required to deposit prior to July 1 in each year commencing in 1988 and ending in 1994, an amount, in legal tender or Common Stock, sufficient to redeem not less than 5% of the aggregate principal amount of New 8¾% Debentures originally issued. Tiger International may deliver outstanding New 8¾% Debentures and apply as a credit New 8¾% Debentures which have been redeemed at the election of Tiger International in satisfaction of all or part of such mandatory sinking fund payment requirement.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Old 11½% Debentures, \$14.6 million in aggregate outstanding principal amount, were originally issued in connection with the acquisition of Seaboard World Airlines ("Seaboard"). As a mandatory sinking fund for the retirement of the Old 11½% Debentures, Tiger International is required to deposit prior to October 1, in each year commencing in 1986 and ending in 1994, an amount sufficient to redeem not less than 10% of the aggregate amount of Old 11½% Debentures outstanding at October 1, 1986. Tiger International may deliver outstanding Old 11½% Debentures and apply as a credit Old 11½% Debentures which have been redeemed at the election of Tiger International or through optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement. Tiger International has acquired through the Exchange Offer sufficient Old 11½% Debentures to meet the mandatory sinking fund requirement for the years 1986 through 1992 and partially for the year 1993.

The \$4.4 million outstanding principal amount of Old 8¾% Debentures is convertible into Common Stock at an adjusted price of \$31 per share and are redeemable at a premium at any time at the option of Tiger International. As a mandatory sinking fund for the retirement of the Old 8¾% Debentures, Tiger International is required to deposit prior to July 1 in each year, commencing in 1990 and ending in 2004, an amount sufficient to redeem not less than \$3 million and not more than \$6 million principal amount of Old 8¾% Debentures. Tiger International may deliver outstanding Old 8¾% Debentures and apply as a credit Old 8¾% Debentures which have been converted or redeemed either at the election of Tiger International or through optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement. Tiger International has acquired through the Exchange Offer sufficient Old 8¾% Debentures to meet the mandatory sinking fund requirement for all years.

Tiger International's note payable to North American in principal amount of approximately \$107.2 million is secured by a pledge by Tiger International of 47% of the common stock of Flying Tigers presently outstanding (the "Pledged Shares") and requires prepayments of principal and interest upon certain events. If Flying Tigers pays any dividends on its common stock or Tiger International sells any of the Pledged Shares, 100% of any dividend payments allocable to the Pledged Shares or proceeds of the sale shall be applied first to interest and then to principal, in the order of maturity. Further, to the extent Tiger International receives net cash proceeds from any other source, including, but not limited to, sales of shares of common stock of Flying Tigers other than the Pledged Shares, dividends from Flying Tigers allocable to shares other than the Pledged Shares, dividends from any of Tiger International's other subsidiaries, or sales of its equity or debt securities, 60% of all proceeds received in any year in excess of \$10 million are required to be applied to payment of the note, first to interest and then to principal, in the order of maturity. Under the terms of the note payable to North American, a default would occur only upon nonpayment of the note, a breach of any anti-dilution provisions contained in the note, any bankruptcy proceeding involving Tiger International or Flying Tigers or upon a default under certain other agreements of Tiger International and Flying Tigers (see "Note 1 — Discontinued Operations — North American" for further information).

Subsidiaries

During December 1983, Flying Tigers and substantially all of its private lenders executed restructuring agreements whereby defaults on approximately \$588 million principal amount of indebtedness were waived or suspended, and a new \$45 million credit facility was provided. The Flying Tigers restructuring agreements provided for the deferral, until July 2, 1985, of approximately \$48 million of principal and interest otherwise payable in 1983 and 1984. The credit facility expired on June 30, 1985, with no borrowings outstanding. The deferred amounts are payable in 20 quarterly installments of approximately \$2.4 million commencing July 2, 1985. In addition to stated interest, Flying Tigers has agreed to pay annually in each of the years 1986 through 1990 contingent interest if certain earnings levels are achieved. The cumulative amount of such contingent interest may not exceed \$20 million. Flying Tigers did not achieve the 1985 earnings level to cause contingent interest payments to be required in 1986.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A Flying Tigers debt agreement requires the maintenance of compensating balances or fees in lieu thereof. At December 31, 1985, approximately \$4.3 million of cash, the use of which was unrestricted, was intended to meet the compensating balance requirement.

Pursuant to an exchange offer, completed in April 1984, Flying Tigers exchanged \$2.4 million of 9% Equipment Trust Certificates due October 1, 1991, and \$85,000 of 5% Convertible Subordinated Debentures due April 1, 1986, for 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock. As a result of this exchange offer, Tiger International's ownership of Flying Tigers' common stock has been reduced to 99%, of which 47.5% has been pledged to North American, which in turn pledged the Pledged Shares to the Collateral Agent for North American's lenders.

The \$2.5 million principal amount of 5% Convertible Subordinated Debentures due 1986, was assumed in connection with the acquisition of Seaboard. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of Tiger International's Old 11½% Debentures and 19 shares of Tiger International's Common Stock.

Restrictions on Cash, Dividend Payments and Assets Secured by Debt

At December 31, 1985, Flying Tigers' cash balance was \$123.3 million. However, under the Flying Tigers restructuring agreements, Flying Tigers is presently prohibited from providing funds to Tiger International. Also, the Flying Tigers restructuring agreements require that 80% of the aggregate net proceeds from sales of assets be paid to the participating creditors to reduce the outstanding amounts of deferred principal and interest. In addition, the Flying Tigers restructuring agreements contain strict financial covenants and substantially all previously unencumbered assets have been pledged to secure the obligations thereunder. Warren Transport is free from restrictions limiting dividends and advances to Tiger International.

Note 5 — Commitments

Leases

At December 31, 1985, Tiger was lessee under long-term leases on aircraft and engines, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase options on most of the leased equipment. Rentals during the renewal option periods are generally at rates that are as favorable as for the initial lease periods. Under most equipment leases, Tiger is obligated for the cost of maintaining and operating the equipment.

Capital Leases: Property and equipment recorded as assets under capital leases at December 31 are as follows:

	1985	1984
	(In thousands)	
Equipment used in air cargo operations	\$268,869	\$270,400
Less accumulated amortization.....	78,822	64,919
	\$190,047	\$205,481

Operating Leases: Total rental expense, net of sublease rentals, for all operating leases with lease terms in excess of one month for the years ended December 31, 1985, 1984 and 1983 was \$55,587,000, \$44,797,000 and \$33,793,000, respectively.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Scheduled Minimum Future Lease Payments: At December 31, 1985, scheduled minimum future lease payments due under capital leases and non-cancellable operating leases having initial or remaining terms of one year or more are as follows (in thousands):

<u>Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1986.....	\$ 36,648	\$ 35,103
1987.....	38,408	30,608
1988.....	38,799	22,330
1989.....	38,691	19,647
1990.....	35,681	16,156
Later years	<u>377,077</u>	<u>160,484</u>
Total minimum lease payments.....	565,304	<u>\$284,328</u>
Less amount representing interest	<u>311,542</u>	
Present value of net minimum future lease payments.....	253,762	
Less current portion.....	6,912	
Long-term capital lease obligations.....	<u>\$246,850</u>	

Minimum payments under non-cancellable operating leases have not been reduced by minimum sublease rentals of \$18,275,000 due in the future under non-cancellable subleases.

Purchase Commitments

At December 31, 1985, Tiger had no significant future purchase commitments.

Guarantees

At December 31, 1985, Tiger was contingently liable under outstanding guarantees in the amount of \$24,858,000, which will be fully amortized by the year 2010. One guarantee is related to the financing for a DC-8 aircraft sold in 1979 by Seaboard and is secured by the aircraft. The remaining guarantees primarily are related to bonds sold to finance construction of certain airport improvements, and fueling and cargo facilities at the Anchorage, Dallas-Fort Worth, Houston and Los Angeles airports. There are no defaults existing on these guarantees as of December 31, 1985.

Note 6 — Capital Stock

Common Stock

At December 31, 1985, Tiger International had reserved the following number of shares of common stock for possible future issuance:

Key Employees Incentive Stock Option Plan	750,000
Conversion of Convertible Subordinated Debentures.....	600,000
Exercise of Common Stock Warrants.....	4,950,000
Non-Statutory Stock Option	<u>1,000,000</u>
	<u>7,300,000</u>

In 1984, the authorized number of shares of Common Stock was increased from 35 million shares to 50 million shares.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock Option Plan

During 1981, the stockholders approved a Key Employees Incentive Stock Option Plan (the "Plan") under which options may be granted covering no more than 750,000 shares of Common Stock. The option price is the market value on the date of grant. The options granted are exercisable from 1986 to 1994.

A summary of changes in stock options under the Plan for the three years ended December 31, 1985, is as follows:

	<u>Number of Shares</u>	<u>Option Price Per Share</u>
Outstanding at December 31, 1982.....	421,725	\$12.38-14.13
Granted.....	104,141	9.25
Exercised.....	—	—
Cancelled or expired.....	<u>185,200</u>	<u>9.25-14.13</u>
Outstanding at December 31, 1983.....	340,666	9.25-14.13
Granted.....	387,776	6.13- 8.00
Exercised.....	—	—
Cancelled or expired.....	<u>87,936</u>	<u>9.25-14.13</u>
Outstanding at December 31, 1984.....	640,506	6.13-14.13
Granted.....	—	—
Exercised.....	—	—
Cancelled or expired.....	<u>87,050</u>	<u>8.00-12.38</u>
Outstanding at December 31, 1985.....	<u>553,456</u>	<u>\$ 6.13-14.13</u>

The aggregate purchase price of shares subject to outstanding options granted under the Plan was \$5,014,000 at December 31, 1985, \$5,932,000 at December 31, 1984, and \$3,937,000 at December 31, 1983. At December 31, 1985, all stock options are exercisable.

In January 1986, options to purchase 100,000 shares of Common Stock were granted under the Plan at a price of \$8 per share, the market value on the date of grant.

Non-Statutory Stock Options

As an inducement essential to Mr. Jensen's employment as President and Chief Executive Officer of Tiger International, the Board of Directors granted Mr. Jensen a Non-Statutory Stock Option to purchase 1,000,000 shares of Common Stock at \$7 per share, the market value of the Common Stock on the date of the grant.

Warrants

Pursuant to an Exchange Offer completed in September 1983, Tiger International issued, in registered form, 3,212,946 warrants (including 56,022 issued to Flying Tiger) to purchase Common Stock at \$12.50 per share, subject to adjustment. The warrants can be exercised at any time on or after January 1, 1984, through June 30, 1988, subject to certain call provisions. The warrant holder may elect to pay all or part of the exercise price by surrender of New Debentures to the Warrant Agent which shall be credited at the principal amount thereof plus accrued interest. (See "Note 4 — Long-Term Debt.")

In connection with the above mentioned Exchange Offer, Tiger International issued warrants to purchase 200,000 shares of Common Stock to the investment banker as compensation for services performed. Each warrant entitles the warrant holder to purchase one share of Common Stock at \$8.00 per share, subject to adjustment, at any time on or after January 1, 1984, through June 30, 1988. These warrants are not subject to redemption.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the restructuring agreements entered into by North American and Flying Tiger, Tiger International executed agreements which provided, among other things, that Tiger International issue to the creditors of North American and Flying Tigers warrants with an expiration date of September 30, 1993, in connection with (i) the deferral of interest at North American and (ii) advances made by North American and Flying Tigers to Tiger International. In connection with the deferral of interest, warrants to purchase 246,204 shares of Common Stock have been issued to North American's lenders at exercise prices ranging from \$5.15 to \$6.99. In connection with advances made by North American and Flying Tigers during 1984, 140,069 warrants have been issued to North American's and Flying Tigers' lenders at exercise prices ranging from \$5.94 to \$7.39. No additional warrants will be issued in connection with these agreements.

Note 7 — Contingencies and Legal Actions

On December 5, 1984, Tiger Leasing Group filed a voluntary petition for reorganization in the Bankruptcy Court. The North American and Tiger Leasing Group bankruptcy proceedings could result in unsatisfied creditors' claims of up to \$300 million after sale of their assets and completion of the bankruptcy proceedings. See "Note 1 — Discontinued Operations" for a discussion of pending proceedings in the Bankruptcy Court and possible claims pertaining to tax benefit accounts.

Alter ego claims against Tiger arising out of the North American bankruptcy have been asserted in the following pending lawsuits: *Mecanoexportimport adv. Robert Tidball, et al.* (Cook County Circuit Court, Illinois, No. 85L 08193), and *Hunter-Keith, Incorporated v. General Electric Credit Corporation, et al.* (United States District Court for the District of Minnesota, Action No. 4-84-804).

The plaintiff in *Mecanoexportimport* is a trading company owned by the Socialist Republic of Romania. The individual defendants include former officers and employees of North American. The suit alleges that North American improperly obtained proceeds of certain letters of credit plaintiff provided in connection with the sale of certain railcar kits to North American. It further alleges that North American improperly refused to purchase additional railcar kits. The suit contains 22 counts which appear to allege claims for breach of contract, fraud, breach of fiduciary duty, conversion and possibly other claims.

Tiger is sued as North American's alter ego based on allegations that Tiger through Tiger Leasing Group owned all of the stock of North American; that Tiger exercised total control and dominion over the affairs of North American by interlocking directors; that Tiger officers had signatory powers on North American bank accounts and drew funds from North American bank accounts without notice to North American; and that Tiger intermingled its financial affairs with North American, including the transfer of North American's earnings to Tiger.

The current complaint supersedes a complaint against North American that was stayed as a result of North American's bankruptcy proceedings in December 1984. As of March 19, 1986, no discovery has been conducted. The suit seeks compensatory damages against Tiger of over \$25 million and punitive damages against Tiger of approximately \$21 million. Tiger intends to defend vigorously against the claims in this lawsuit.

One of the individual defendants has asserted a claim for indemnity against Tiger in the event of any judgment or settlement against him in the litigation. Tiger has denied responsibility to indemnify the officers and directors of North American and has indicated an intention to defend vigorously against any such claims of indemnity by North American officers and directors.

On December 19, 1985, the plaintiff in *Hunter-Keith* was granted leave to amend its complaint to state claims against Tiger and served Tiger with a complaint on March 19, 1986.

The suit involves two consolidated actions. The first action was filed on June 9, 1983, against North American seeking specific performance of an agreement to purchase certain pressure-differential railcars

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from North American (the "specific performance action"). Plaintiff obtained a temporary restraining order against the sale by North American of either the railcars or the right to manage the railcars.

On August 7, 1984, the plaintiff filed a second complaint against GECC and the former president of North American, alleging that North American violated the temporary restraining order by granting certain management rights to the railcars to GECC and by granting certain liens to First National Bank of Chicago. The complaint further alleged that GECC interfered with North American's performance of the alleged purchase agreement and that GECC's transactions with North American violated the antitrust laws.

The commencement of North American's Chapter 11 bankruptcy proceedings on December 5, 1984, (see "Note 1 — Discontinued Operations — North American") automatically stayed the actions relating to North American. The two lawsuits were consolidated on December 10, 1984.

Plaintiff's proposed amended complaint against Tiger alleges four causes of action, two of which claim that Tiger has alter ego liability for North American's alleged obligations to plaintiff. The alter ego claims assert that Tiger and North American had interlocking managements; that Tiger controlled North American; that Tiger transferred more than \$300 million to Tiger from North American; and that Tiger otherwise mismanaged North American. The third cause of action alleges interference with contractual or prospective contractual advantage. The fourth cause of action alleges that Tiger is a co-conspirator with GECC, North American and North American's former president in violating the antitrust laws by promoting GECC's monopolization of the management of pressure differential railcars. On the alter ego causes of action the plaintiff seeks payment of any damages in the specific performance action against North American; in the interference with contractual or prospective contractual advantage cause of action, plaintiff seeks approximately \$38,000,000; and on the antitrust cause of action, plaintiff seeks damages of \$38,000,000 to \$47,000,000, trebled. Tiger intends to defend vigorously against the claims in this action.

Although no assurance can be given that Tiger International will prevail in either the *Mecanoexport-import* or *Hunter-Keith* lawsuits, Tiger International management believes that Tiger International has meritorious defenses to these actions.

See "Note 1 — Discontinued Operations — Hall's Motor Transit" for a discussion of possible claims pertaining to Hall's.

Note 8 — Retirement Plans

Tiger maintains retirement plans for substantially all of its union and nonunion employees. The total employer cost for all pension plans was \$13,651,000 in 1985, \$9,846,000 in 1984 and \$13,812,000 in 1983. Of these amounts, \$11,240,000 in 1985, \$8,088,000 in 1984 and \$11,936,000 in 1983 were for union employee plans. The total costs include amortization of unfunded prior service costs over periods from 25 to 40 years.

Tiger's policy is to fund part of the pension costs in the year in which they are accrued and the remainder in the following year. In 1984, the interest rate assumption used to calculate the normal cost for 1983 and subsequent years was increased from 7.5% to 8.5%. Accordingly, the amount funded for 1983 was approximately \$3,667,000 less than the amount originally accrued in 1983. The resultant excess accrual is being amortized over a period of 10 years.

For 1985, 1984 and 1983, benefits were increased for certain of Tiger's plans pursuant to agreements with its labor unions. In addition, certain assumed rates of return on investments used to determine accumulated plan benefit information were adjusted to reflect changes in the rates set by the Pension Benefit Guaranty Corporation ("PBG"). In 1984, the actuarial assumption for the retirement age of one of the plans was modified, and in 1985, the assumption for valuation earnings for certain of the plans was decreased. These changes did not significantly affect pension expenses for 1985, 1984 and 1983. These

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

changes increased the actuarial present value of accumulated plan benefits by approximately \$1,243,000 and \$6,464,000 in 1985 and 1984, respectively.

The following table summarizes accumulated plan benefit information and plan net assets for Tiger's retirement plans as of the date of the most recent valuations. The PBGC rates of return used by consulting actuaries were between 4% and 9.75% in 1985 and between 4% and 9.5% in 1984.

	As of January 1	
	1985	1984
	(In thousands)	
Actuarial present value of accumulated plan benefits		
Vested.....	\$190,340	\$172,357
Non-vested	30,676	30,332
	<u>\$221,016</u>	<u>\$202,689</u>
Net plan assets including Company balance sheet accruals for benefits	<u>\$223,970</u>	<u>\$210,513</u>

In addition to providing pension benefits, Tiger provides certain health care and life insurance benefits for retired employees. Substantially all of Tiger's domestic employees may become eligible for these benefits if they reach normal retirement age while working for Tiger. The cost of retiree health care and life insurance benefits is recognized as an expense as claims are paid. For the years ended December 31, 1985, and 1984, these costs were not significant.

Tiger has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. Amounts awarded under the plan for 1984 were \$714,000. No amounts were awarded for 1985 and 1983.

During 1985, the Financial Accounting Standards Board issued new standards on employers' accounting for pensions. For United States plans, companies are required to adopt the new expense and disclosure standards no later than 1987 and, in certain circumstances, to reflect a minimum pension liability no later than 1989. These new standards will be adopted prospectively; thus the financial statements included herein will not be restated.

Tiger has not decided when it will implement the new standards. The effects this change in accounting may have on Tiger's financial position and results of operations have not been determined.

Note 9 — Income Taxes

There was no income tax benefit recorded for the losses incurred in 1985 and 1983 because prior years received all tax benefits arising from the reversal of all available domestic deferred income taxes not previously reduced by tax credits. The 1984 provision of \$4,900,000 for income taxes associated with income from continuing operations primarily consists of deferred Federal income tax less the application of investment tax credits of approximately \$20,800,000. The 1984 loss from discontinued operations received an income tax benefit of \$4,900,000.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The income tax provision related to continuing operations differs from the amount computed using the United States federal income tax rate. A reconciliation between this rate and the effective rate is as follows:

	<u>1985</u>	<u>1984</u>	<u>1983</u>
United States Federal income tax rate	(46.0%)	46.0%	(46.0%)
Investment tax credits.....	—	(42.4)	—
Permanent differences between book and tax income	—	4.0	—
Book losses not benefitted	46.0	—	46.0
State income taxes, net of Federal tax benefit, and other	—	2.4	—
Income tax provision (benefit) effective rate	<u>— %</u>	<u>10.0%</u>	<u>— %</u>

In 1984, Tiger utilized investment tax credit carryforwards to reduce the provision for income tax prior to the recognition of net operating loss carryforwards for financial statement reporting purposes.

In 1985 and 1983, the principal timing differences relate to depreciation and the recognition of various other income and expense items in different financial reporting and tax years. In 1984, the principal timing differences related to the aforementioned items and expenses recognized for financial reporting purposes but deferred for tax purposes relating to the recording of the North American liability and the Hall's sale as discussed in "Note 1 — Discontinued Operations."

For Federal income tax purposes, Tiger files a consolidated income tax return, and at December 31, 1985, the Tiger International tax consolidated group remains substantially unchanged from December 31, 1984. In 1985, Hall's withdrew from the group. At December 31, 1985, Tiger had net operating loss carryforwards of approximately \$632 million, of which approximately \$296 million is available to reduce future continuing operations tax provisions for financial reporting purposes. Tiger has approximately \$94 million of investment tax credit carryforwards available to reduce future Federal income taxes for income tax purposes of which approximately \$73 million is available to reduce future continuing operations income tax provisions for financial reporting purposes. These net operating loss and investment tax credit carryforwards are exclusive of the effect from the North American sale and Tiger Leasing Group liquidation.

The Tiger consolidated net operating loss and investment tax credit carryforwards expire for tax reporting purposes as follows (in thousands):

<u>Year of Expiration</u>	<u>Net Operating Loss</u>	<u>Investment Tax Credits</u>
1989 through 1990.....	\$ —	\$15,000
1991 through 1995.....	46,000	66,000
1996 through 2000.....	<u>586,000</u>	<u>13,000</u>
	<u>\$632,000</u>	<u>\$94,000</u>

The proposed sale by North American of its railcar fleet and other assets as described in "Note 1 — Discontinued Operations," will result in Federal taxable income estimated at \$215 million. Of this amount, it is anticipated that \$15 million will be applied against net operating losses of North American, and \$200 million will be applied against net operating losses of Tiger and its tax return affiliates other than North American.

Included in the above consolidated net operating loss and investment tax credit carryforwards are \$265 million and \$38 million, respectively, related to North American and Tiger Leasing Group's other subsidiaries. To the extent that there is relief from indebtedness for Federal income tax purposes as a result of the proposed North American asset sale or from the sale of the assets or liquidation of Tiger Leasing Group's other subsidiaries, the amount of such relief will be applied as a reduction of the respective

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

subsidiary's net operating loss and investment tax credit carryforwards. These carryforwards would then be unavailable to the continuing operations of Tiger, and, as a consequence, both the tax and book net operating loss and investment tax credit carryforwards reflected above could be reduced substantially.

Also, the net operating losses and investment tax credits related to North American and Tiger Leasing Group's other subsidiaries, indicated above, would not be available to Tiger if these subsidiaries were to leave the consolidated tax return group. The amount of net operating losses and investment tax credits which would not be available to Tiger is substantially dependent upon whether North American and/or Tiger Leasing Group were to leave the tax consolidated group before or after the sale of their assets or relief from indebtedness.

Included in the tax net operating loss and investment tax credit carryforwards are approximately \$22.8 million and \$11.3 million, respectively, which were acquired in connection with the Seaboard acquisitions. To the extent such carryforwards are utilized in the future, the goodwill acquired will be reduced to reflect realization of the tax benefits acquired.

Tiger's Federal income tax returns for the years 1977 through 1981 have been examined, and certain adjustments have been proposed by the Internal Revenue Service. In the opinion of management, adequate provision has been made for all income tax liabilities. A petition for redetermination of certain deficiencies asserted against Tiger by the Internal Revenue Service is presently pending in the United States Tax Court. The amounts at issue include approximately \$8,000,000 of investment tax credit claimed by Flying Tigers in 1977 in connection with the modification of certain used B-747 aircraft. The Internal Revenue Service has answered the petition, generally denying all of Tiger's allegations, but has not engaged in any discovery or filed any motions. As a consequence, the resolution of this major issue is dependent on a number of factual matters which have not as yet been fully developed. Since the outcome will be dependent upon determinations to be made by the trier of fact, it is not possible to predict the outcome of any such litigation with certainty.

Note 10 — Details of Certain Accounts

Supplemental Consolidated Balance Sheet Information

	December 31	
	1985	1984
	(In thousands)	
Receivables, Net:		
Trade	\$169,415	\$175,630
Other.....	3,868	4,593
Less allowance for doubtful accounts and revenue adjustments	(16,912)	(11,952)
Receivables, net.....	<u>\$156,371</u>	<u>\$168,271</u>
Accounts Payable and Accrued Liabilities:		
Accounts payable.....	\$ 73,748	\$ 76,933
Accrued liabilities		
Payroll.....	9,886	11,866
Vacations	20,583	19,329
Interest.....	21,665	35,731
Income taxes	70	70
Taxes other than payroll and income taxes	3,784	4,401
Pensions	8,009	6,368
Other.....	34,386	28,248
Accounts Payable and Accrued Liabilities.....	<u>\$172,131</u>	<u>\$182,946</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Supplemental Consolidated Statement of Operations Information

	1985	1984 (In thousands)	1983
Maintenance and repairs	<u>\$ 114,757</u>	<u>\$ 95,631</u>	<u>\$ 87,733</u>
Taxes other than payroll and income taxes.....	<u>\$ 9,486</u>	<u>\$ 7,937</u>	<u>\$ 7,648</u>
Amortization of cost in excess of fair value of acquired businesses(1)	<u>\$ 1,608</u>	<u>\$ 1,608</u>	<u>\$ 2,124</u>
Advertising costs.....	<u>\$ 6,909</u>	<u>\$ 9,859</u>	<u>\$ 24,580</u>

(1) Includes \$192,000 for the year ended December 31, 1983, relating to Discontinued Operations.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
(Unaudited)

SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION (UNAUDITED)

Background

The following information regarding the effects of changing prices is provided as required by the Financial Accounting Standards Board Statement No. 33 "Financial Reporting and Changing Prices," as amended. This amended statement requires disclosure of historical financial statements adjusted for inflation under the current cost method.

The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1985. This method is an attempt to measure the effect of specific price changes on a business enterprise. However, this rate of increase would not, except by coincidence, be the same rate of increase reflected by the change in the Consumer Price Index. The Consumer Price Index encompasses a wide range of commodities and is not necessarily representative of cost trends for specific services or assets of a business enterprise.

Comments on Statement of Operations and Selected Financial Data Adjusted for the Effects of Changing Prices

Current cost disclosure requires adjustments for changes in specific prices of property and equipment. Depreciation expense has been recomputed, utilizing the same lives and depreciation methods as in the historical financial statements, to reflect the cost of Tiger's property and equipment adjusted for changes in specific prices.

The current cost of property and equipment was determined by use of a combination of applicable indices and direct pricing. For the most part, the current cost represents replacement in-place and in-kind. No consideration has been given to making improvements or installing different types of replacement assets. The current cost methods used, while believed reasonable, are subjective. They do not necessarily represent amounts for which the assets could be sold or independently appraised nor do they represent the cost which would be incurred in replacing such assets.

Monetary assets represent money or a claim to receive money without reference to future changes in prices. Similarly, a monetary liability represents an obligation to pay a sum of money which is fixed or determinable without reference to changes in future prices. Holding a monetary asset during periods of inflation results in a decline in the value of the asset since the dollar loses purchasing power when it is held. Conversely, holders of monetary liabilities benefit during inflationary periods because less purchasing power is required to satisfy future obligations that can be paid with less valuable dollars. Unrealized gains or losses resulting from a net monetary liability or asset position is separately disclosed as "Gain From Decline in Purchasing Power of Net Amounts Owed."

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
STATEMENT OF OPERATIONS ADJUSTED FOR CHANGING PRICES (UNAUDITED)

	For the Year Ended December 31, 1985	
	Historical Financial Statements	Adjusted For Current Cost
	(In thousands)	
Operating revenues.....	\$1,147,045	\$1,147,045
Costs and Expenses		
Cost of Operations.....	907,756	907,756
Selling, general and administrative.....	158,980	158,980
Depreciation and amortization.....	58,424	99,581
Interest expense, net.....	85,622	85,622
Other income.....	(6,550)	(6,550)
	1,204,232	1,245,389
Loss from continuing operations.....	\$ (57,187)	\$ (98,344)
Other Supplementary Information		
Increase in specific prices of property and equipment.....		\$ 113,000
Effect of increase in general price level on property and equipment.....		37,000
Excess of increase in specific prices over increase in general price level..		\$ 76,000
Current cost of net property and equipment at December 31, 1985.....		\$1,034,000

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR
EFFECTS OF CHANGING PRICES STATED IN 1985 DOLLARS (UNAUDITED)

	For the Years Ended December 31				
	1985	1984	1983	1982	1981
	(In thousands except per share data and index)				
Operating revenues	\$1,147,045	\$1,253,400	\$1,141,400	\$1,053,700	\$1,075,100
CURRENT COST INFORMATION					
Income (loss) from continuing operations.....	(98,344)	17,800	(107,900)	(94,600)	(42,400)
Income (loss) from continuing operations per common share	(3.64)	.83	(5.98)	(5.58)	(2.49)
Net assets at year end	492,000	396,000	378,000	1,545,000	1,487,000
Gain from decline in purchasing power of net amounts owed	23,000	25,000	23,000	57,000	169,000
Cash dividends declared per common share.....	—	—	—	—	.80
Market price per common share at year end.....	7.88	6.87	6.22	9.48	15.99
Average consumer price index (base year 1967=100)	322.2	311.1	298.4	289.1	272.4

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands except per share data)			
1985				
Revenues	\$269,971	\$279,246	\$283,883	\$313,945
Loss from Continuing Operations	\$ (4,725)	\$ (10,165)	\$ (23,266)	\$ (19,031)
Loss from Discontinued Operations	—	—	—	(15,500)
Net Loss	\$ (4,725)	\$ (10,165)	\$ (23,266)	\$ (34,531)
Loss Per Share —				
Continuing	\$ (.21)	\$ (.40)	\$ (.77)	\$ (.62)
Discontinued	—	—	—	(.51)
Total	\$ (.21)	\$ (.40)	\$ (.77)	\$ (1.13)
1984				
Revenues	\$276,309	\$293,623	\$313,321	\$326,637
Income (Loss) from Continuing Operations	\$ (3,047)	\$ 2,384	\$ 16,507	\$ 28,361
Loss from Discontinued Operations	(3,949)	(1,690)	(6,903)	(120,603)
Income (Loss) Before Extraordinary Item	(6,996)	694	9,604	(92,242)
Extraordinary Item	—	—	3,100	(3,100)
Net Income (Loss)	\$ (6,996)	\$ 694	\$ 12,704	\$ (95,342)
Income (Loss) Per Share —				
Continuing	\$ (.15)	\$.11	\$.78	\$ 1.32
Discontinued	(.19)	(.08)	(.33)	(5.61)
Total	(.34)	.03	.45	(4.29)
Extraordinary Item	—	—	.15	(.14)
Total	\$ (.34)	\$.03	\$.60	\$ (4.43)
1983				
Revenues	\$228,518	\$247,475	\$271,284	\$309,591
Income (Loss) from Continuing Operations	\$ (35,854)	\$ (27,236)	\$ (26,558)	\$ 4,660
Loss from Discontinued Operations	(14,917)	(23,298)	(36,082)	(83,347)
Loss Before Extraordinary Item	(50,771)	(50,534)	(62,640)	(78,687)
Extraordinary Item	—	—	19,792	—
Net Loss	\$ (50,771)	\$ (50,534)	\$ (42,848)	\$ (78,687)
Income (Loss) Per Share —				
Continuing	\$ (2.12)	\$ (1.61)	\$ (1.48)	\$.23
Discontinued	(.88)	(1.37)	(2.01)	(4.10)
Total	(3.00)	(2.98)	(3.49)	(3.87)
Extraordinary Item	—	—	1.10	—
Total	\$ (3.00)	\$ (2.98)	\$ (2.39)	\$ (3.87)

Continuing Operations

The seasonal fluctuations in the transportation business and fluctuations in foreign exchange rates are reflected in the above summary.

The first quarter of 1983 includes a pretax gain of \$1,318,000 from the sale of a re-engined DC-8-63F aircraft. The second quarter of 1983 includes a pretax gain of \$2,255,000 from the sale of four DC-8-63F aircraft. The third quarter of 1983 includes an extraordinary gain of \$19,792,000 (\$1.10 per share) from the exchange of debt for new securities and pretax reserves of \$6,100,000 relating to reduced activity in Europe.

The third quarter of 1984 includes pretax gains of \$13,100,000 from the sale of DC-8 aircraft and an extraordinary credit \$3,100,000 (\$.15 per share) resulting from the utilization of operating loss carryforwards. The fourth quarter of 1984 includes pretax gains of \$3,300,000 from the sale of DC-8 aircraft.

The first quarter of 1985 includes pretax gains of approximately \$5,900,000 from DC-8 aircraft, engine and parts sales and \$4,900,000 from the sale of leasehold property. The fourth quarter of 1985 includes pretax gains of approximately \$1,500,000 from the sale of DC-8 aircraft parts. In addition, the fourth quarter of 1985 includes pretax reserves of \$10,000,000, most of which relate to increases in engine overhaul costs, and a \$14,111,000 loss on yen-denominated debt.

Discontinued Operations

The fourth quarter of 1983 includes a \$66,153,000 provision related to discontinued operations.

The third quarter of 1984 includes a pretax charge for interest expense of \$9,800,000 on Tiger International's \$132,151,000 liability to North American. The fourth quarter of 1984 losses for discontinued operations includes the write off of the investment in North American and losses associated with the sale of Hall's.

The fourth quarter of 1985 includes a \$10,500,000 charge relating to the write-off of a note receivable from Hall's, and a charge of \$5 million relating to guarantees of Hall's workers' compensation obligations.

Item 9. Disagreements on Accounting and Financial Disclosure.

Within the 24 month period prior to the date of Tiger's most recent financial statements, no report on Form 8-K under the Exchange Act reporting a change of or disagreement with accountants has been filed by Tiger with the SEC.

Part III

Except as provided under the heading "Executive Officers of the Registrant" following Item 4, of Part I hereof, Items 10, 11, 12 and 13 are incorporated by reference to Tiger International's definitive proxy statement (to be filed pursuant to Regulation 14A) which will involve the election of directors.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statement Schedules and Exhibits Filed

<u>Financial Statement Schedules</u>	<u>Page</u>
Report of Independent Public Accountants on Financial Statements Schedules	68
Schedule III — Condensed Parent Company Financial Data	69
Schedule V — Property and Equipment	72
Schedule VI — Accumulated Depreciation and Amortization of Property and Equipment	73
Schedule VIII — Valuation and Qualifying Accounts and Reserves	74

The statements and schedules referred to above should be read in conjunction with the consolidated financial statements and notes thereto included in Part II of this Annual Report on Form 10-K. Schedules not included in this section have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

Exhibit
Number

Description of Exhibit

- 3.1 — Restated Certificate of Incorporation of Tiger International, Inc. dated May 20, 1981, filed as Exhibit 3.1 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 3.2 — Certificate of Amendment, dated July 9, 1984, to Restated Certificate of Incorporation of Tiger International, Inc., filed as Exhibit 3.3, to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 3.3 — Form of Certificate of Determination of Preferences of Tiger International, Inc., filed as Exhibit 3.7 to Tiger International Inc.'s Registration Statement on Form S-1, Registration No. 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.
- 3.4 — By-Laws of Tiger International Inc. as amended on November 13, 1985.
- 4.1 — Indenture for 11½% Sinking Fund Debentures due April 1, 1995 between Tiger International, Inc. and Midlantic National Bank dated as of July 1, 1983, filed as Exhibit 4.1 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.2 — Indenture for 8%% Senior Subordinated Debentures due July 1, 1995 between Tiger International, Inc. and American Fletcher National Bank and Trust Company dated as of July 1, 1983, filed as Exhibit 4.2 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.3 — Warrant Agreement between Tiger International, Inc. and Midlantic National Bank dated as of July 1, 1983, filed as Exhibit 4.3 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.4 — Stock Purchase Warrant for the First National Bank of Chicago, as Collateral Agent, to purchase 117,245 shares of Common Stock of Tiger International, Inc. dated as of October 1, 1983, filed as Exhibit 4.4 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.5 — Stock Purchase Warrant for the First National Bank of Chicago, as Collateral Agent, to purchase 54,109 shares of Common Stock of Tiger International, Inc. dated as of January 1, 1984, filed as Exhibit 4.8 to Tiger International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1983, filed with the Securities and Exchange Commission, and which hereby is incorporated by reference.
- 4.6 — Form of July Warrant to purchase shares of Common Stock of Tiger International, Inc., filed as Exhibit 4.6 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.7 — Indenture dated as of September 1, 1980, between Tiger International, Inc. and Crocker National Bank, as Trustee, filed as Exhibit 2(b) to Tiger International, Inc.'s Registration Statement on Form S-16, Registration No. 2-68885, filed with the Securities and Exchange Commission, on August 20, 1980, and which hereby is incorporated by reference.

Exhibit
Number

Description of Exhibit

- 4.8 — Indenture, dated as of September 1, 1980, between Tiger International, Inc. and Bankers Trust Company, as Trustee, filed as Exhibit 6.2.2 to Tiger International, Inc.'s Registration Statement on Form S-14, Registration No. 2-68788, filed with the Securities and Exchange Commission on August 11, 1980 and which hereby is incorporated by reference.
- 4.9 — Indenture dated as of April 1, 1966 between Seaboard World Airlines, Inc. and Schroeder Trust Company, Trustee, as supplemented by the First Supplemental Indenture, dated as of September 30, 1980 between Tiger International, Inc., Seaboard World Airlines, Inc. and J. Henry Schroeder Bank and Trust Company, formerly called Schroeder Trust Company, as Trustee, filed as Exhibit 4.1 to The Flying Tiger Line Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1980 filed with the Securities and Exchange Commission on March 20, 1981 and which hereby is incorporated by reference.
- 4.10 — Forms of Stock Purchase Warrant issued on March 20, 1984 to purchase shares of Common Stock of Tiger International, Inc., filed as Exhibit 4.10 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.11 — Stock Purchase Warrant dated as of April 1, 1984 for the First National Bank of Chicago, as Collateral Agent, to purchase 74,850 shares of Common Stock of Tiger International, Inc., filed as Exhibit 4.11 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.12 — Forms of Stock Purchase Warrant issued on June 20, 1984 to purchase shares of Common Stock of Tiger International, Inc., filed as Exhibit 4.12 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 4.13 — Equipment Trust Agreement dated as of October 1, 1976, between The Bank of New York, as Trustee, and The Flying Tiger Line Inc., filed as Exhibit 4.13.(a) to Tiger International Inc.'s Registration Statement on Form S-1, Registration Number 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.
- 4.14 — Forms of Stock Purchase Warrant issued on September 20, 1984 to purchase shares of Common Stock of Tiger International, Inc., filed as Exhibit 4.15.(a) to Tiger International, Inc.'s Registration Statement on Form S-1, Registration Number 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.
- 4.15 — Instruments with respect to issue of long-term debt which are not registered have not been filed as exhibits as the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Tiger International, Inc. and its subsidiaries on a consolidated basis. Registrant agrees to furnish to the Commission a copy of each such instrument upon its request.
- 10.1 — Purchase and Loan Agreement between General Electric Credit Corporation and North American Car Corporation dated September 7, 1983, filed as Exhibit 10.1 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.2 — First Amendment to Purchase and Loan Agreement between General Electric Credit Corporation and North American Car Corporation dated December 5, 1983, filed as Exhibit 10.2 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.

Exhibit
Number

Description of Exhibit

- 10.3 — North American Car Corporation Amended and Restated Master Credit Terms Agreement among North American Car Corporation, Creditors of North American Car Corporation and First National Bank of Chicago, as Collateral Agent, dated as of December 6, 1983, filed as Exhibit 10.3 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.4 — North American Car Corporation Intercreditor Agreement between the Creditors of North American Car Corporation and First National Bank of Chicago, as Collateral Agent, dated as of September 8, 1983, filed as Exhibit 10.4 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.5 — Tiger International Agreement among Tiger International, Inc., Creditors of North American Car Corporation and First National Bank of Chicago, as Collateral Agent, dated as of December 6, 1983, filed as Exhibit 10.5 to Tiger International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1983, filed with the Securities and Exchange Commission, and which hereby is incorporated by reference.
- 10.6 — Tiger Note, principal amount of up to \$10,000,000, from Tiger International, Inc. to North American Car Corporation dated September 30, 1983, filed as Exhibit 10.6 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.7 — Tiger Note, principal amount of \$132,154,622, from Tiger International, Inc. to North American Car Corporation dated as September 30, 1983, filed as Exhibit 10.7 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.8 — Tiger Leasing Group Agreement among Tiger Leasing Group, Inc., Creditors of North American Car Corporation and First National Bank of Chicago, as Collateral Agent, dated September 30, 1983, filed as Exhibit 10.8 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.9 — Tiger Leasing Group Note, principal amount of \$81,261,000 from Tiger Leasing Group, Inc. to North American Car Corporation dated September 30, 1983 filed as Exhibit 10.9 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.10 — Pledge Agreement between North American Car Corporation and First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.12 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.11 — General Security Agreement between North American Car Corporation and First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.13 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.12 — Credit Agreement among The Flying Tiger Line Inc., Private Lenders and Chase Manhattan Bank, as agent for the Private Lenders, dated as of September 30, 1983, filed as Exhibit 10.15.

Exhibit
Number

Description of Exhibit

- 10.13 — Override Agreement among The Flying Tiger Line Inc., Tiger International, Inc. and Private Lenders dated as of December 21, 1983, filed as Exhibit 10.16 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.14 — First Amendment to Override Agreement among The Flying Tiger Line Inc., Tiger International, Inc. and Private Lenders dated as of December 21, 1983, filed as Exhibit 10.17 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.15 — Chattel Mortgage, Pledge Agreement and Security Agreement between The Flying Tiger Line Inc. and United States Trust Company of New York dated as of September 30, 1983, filed as Exhibit 10.18 to Tiger International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1983, filed with the Securities and Exchange Commission, and which hereby is incorporated by reference.
- 10.16 — Warrant Agreement between Tiger International, Inc. and Private Lenders dated as of September 30, 1983, filed as Exhibit 10.19 to Tiger International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1983, filed with the Securities and Exchange Commission, and which hereby is incorporated by reference.
- 10.17 — Tiger Note, principal amount of up to \$5,349,000, from Tiger International, Inc. to The Flying Tiger Line Inc. dated December 30, 1983, filed as Exhibit 10.21 to Tiger International, Inc.'s Registration Statement on Form S-1, Registration No. 2-88929, filed with the Securities and Exchange Commission on January 17, 1984 and which hereby is incorporated by reference.
- 10.18 — Supplemental Retirement Income Plan, as amended, between Tiger International, Inc. and Wayne M. Hoffman dated December 13, 1977, filed as Exhibit 10.1 to Tiger International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 1980, filed with the Securities and Exchange Commission on March 23, 1981 and which hereby is incorporated by reference.
- 10.19 — 1981 Key Employees Stock Option Plan for Tiger International, Inc. and subsidiaries, filed as Exhibit "A" to Tiger International, Inc.'s Proxy Statement, filed with the Securities and Exchange Commission on April 30, 1981 and which hereby is incorporated by reference.
- 10.20 — Form of Preferred Stock Note filed as Exhibit 10.28 to Tiger International Inc.'s Registration Statement on Form S-1, Registration Number 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.
- 10.21 — Form of Company Note filed as Exhibit 10.29 to Tiger International Inc.'s Registration Statement on Form S-1, Registration Number 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.
- 10.22 — Note Exchange and Payment Agreement among Tiger International, Inc., North American Car Corporation, and the Collateral Agent, and Exhibits A to I thereto, dated as of May 7, 1985.
- 10.23 — Secured Tiger Note, between Tiger International, Inc. and North American Car Corporation, dated as of February 22, 1985.
- 10.24 — Stock Pledge Agreement and Assignment, among Tiger International, Inc., North American Car Corporation and the Collateral Agent, dated as of May 21, 1985.
- 10.25 — Assignment of 8,549,067 shares of Common Stock of the Flying Tiger Line Inc., pursuant to Stock Pledge Agreement and Assignment.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.26	— Flying Tiger Line Stock Agreement, among the Flying Tiger Line Inc., North American Car Corporation and the Collateral Agent, dated as of May 21, 1985.
10.27	— Cash Proceeds Agreement, between North American Car Corporation and the Collateral Agent, dated as of May 21, 1985.
10.28	— Certificate of Ownership of 8,549,067 shares of Common Stock of the Flying Tiger Line Inc., dated May 3, 1985.
10.29	— Agreement between Tiger International, Inc., Hall's Motor Transit Company and Hall's Acquisition Corporation, dated December 13, 1985.
10.30	— Receipt and Acknowledgement by Hall's Acquisition Corporation of twenty-five shares of Hall's Motor Transit Company Capital Stock.
10.31	— Certificate of Ownership of twenty-five shares of Capital Stock of Hall's Motor Transit Company.
10.32	— Assignment Separate from Certificate by Tiger International, Inc. of twenty-five shares of Capital Stock of Hall's Motor Transit Company.
10.33	— Employment Agreement between Tiger International, Inc. and Robert P. Jensen, dated September 13, 1985.
10.34	— Stock Option to Purchase Common Stock of Tiger International, Inc., for Robert P. Jensen, dated as of August 28, 1985.
10.35	— Severance Compensation Agreement between Tiger International, Inc., and Robert J. Harter, dated as of August 2, 1985.
10.36	— Proposed Asset Purchase Agreement between North American Car Corporation, et al. and General Electric Credit Corporation dated February 14, 1986, together with all Exhibits and Schedules thereto.
10.37	— Tax Allocation Agreement, between Tiger International, Inc. and Members of the group of affiliated corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1954 (as amended) dated as of December 20, 1977.
10.38	— Proposed Settlement Agreement between Tiger International, Inc. and North American Car Corporation, relating to the tax benefit account of North American Car Corporation, together with all Exhibits thereto.
22	— List of subsidiaries of Tiger International, Inc. filed as Exhibit 22 to Tiger International, Inc. Registration Statement on Form S-1, as amended, Registration No. 2-94413, filed with the Securities and Exchange Commission on November 19, 1984 and which hereby is incorporated by reference.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger International during the last quarter of the fiscal year ended December 31, 1985.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES**

To the Board of Directors and Stockholders of Tiger International, Inc.:

In connection with our examinations of the consolidated financial statements included in the Tiger International, Inc. and Subsidiaries' annual report to stockholders included in this Form 10-K, we have also examined the Financial Statement Schedules listed in the Index to Item 14(a). Our examinations of the consolidated financial statements were made for the purpose of forming an opinion on those financial statements taken as a whole. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

TIGER INTERNATIONAL, INC.

**SCHEDULE III — CONDENSED PARENT COMPANY FINANCIAL DATA
CONDENSED STATEMENT OF OPERATIONS AND STATEMENT OF
CHANGES IN FINANCIAL POSITION**

	For the Years Ended December 31		
	1985	1984	1983
		(In thousands)	
Condensed Statement of Operations:			
Revenues	\$ 988	\$ 840	\$ 1,096
Costs and expenses	17,606	15,009	20,695
Deferred income tax provision (benefit), net	(1,667)	3,387	—
	15,939	18,396	20,695
Loss before equity in undistributed earnings (losses) of subsidiaries	(14,951)	(17,556)	(19,599)
Equity in undistributed earnings (losses) of consolidated subsidiaries	(42,236)	61,761	(65,389)
Income (loss) from continuing operations	(57,187)	44,205	(84,988)
Losses and provision for losses on disposal of discontinued subsidiaries	(15,500)	(133,145)	(157,644)
Loss before extraordinary gain	(72,687)	(88,940)	(242,632)
Extraordinary gain	—	—	19,792
Net loss	\$(72,687)	\$ (88,940)	\$(222,840)
Condensed Statement of Changes in Financial Position:			
Source of Funds			
Loss before extraordinary item	\$(72,687)	\$ (88,940)	\$(242,632)
Equity in undistributed (earnings) losses of consolidated subsidiaries	42,236	(61,761)	65,389
Other, net	2,052	695	2,011
Funds used by continuing operations	(28,399)	(150,006)	(175,232)
Undistributed equity of discontinued subsidiaries	15,500	(3,906)	157,644
Funds used by Parent Company operations before extraordinary item	(12,899)	(153,912)	(17,588)
Extraordinary item	—	—	19,792
Refinancing of Note Payable to North American Car	96,911	—	—
Proceeds from issuance of stock and debt	67,896	6,516	73,529
Funds Provided (Used)	151,908	(147,396)	75,733
Application of Funds			
Payments of long-term debt and notes payable	—	—	7,516
Debentures retired in exchange offer	—	—	92,073
Decrease in investments, notes, advances or other	(124)	(2,481)	(6,303)
Funds Applied	(124)	(2,481)	93,286
Net increase (decrease) in working capital	\$152,032	\$(144,915)	\$ (17,553)

TIGER INTERNATIONAL, INC.
CONDENSED BALANCE SHEET

A S S E T S

	December 31	
	1985	1984
	(In thousands)	
Cash.....	\$ 9,223	\$ 3,995
Other current assets.....	176	145
	<u>9,399</u>	<u>4,140</u>
Investments in subsidiaries:		
The Flying Tiger Line Inc.	216,267	260,039
Warren Transport, Inc.	29,871	28,335
	<u>246,138</u>	<u>288,374</u>
Property and equipment, net.....	938	1,263
Investments and other.....	1,875	12,524
	<u>\$258,350</u>	<u>\$306,301</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities(1).....	\$ 5,121	\$151,894
Long-term obligations:		
Debentures(2).....	61,305	58,519
Note Payable to North American.....	107,245	—
	<u>168,550</u>	<u>58,519</u>
Net payables to subsidiaries:		
The Flying Tiger Line Inc.	74,855	74,856
Warren Transport, Inc.	2,974	4,261
	<u>77,829</u>	<u>79,117</u>
Deferred credits and other.....	9,442	13,508
Stockholders' equity(3).....	(2,592)	3,263
	<u>\$258,350</u>	<u>\$306,301</u>

(1) Includes a note payable and accrued interest of \$145,184,000 to North American at December 31, 1984.

(2) Includes \$837,000 of New 11½% Debentures held by Flying Tigers at December 31, 1985 and 1984 and \$1,064,000 of Old 11½% Debentures held by Flying Tigers at December 31, 1985.

(3) Includes Common Stock at a cost of \$1,870,000 at December 31, 1985 and \$1,302,000 at December 31, 1984, held by Flying Tigers.

TIGER INTERNATIONAL, INC.

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

At December 31, 1985, Warren Transport is free from restrictions limiting dividends and advances to Tiger International. In connection with the debt restructuring agreements, The Flying Tiger Line Inc. is prohibited from advancing funds to Tiger International, Inc. See "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements."

Cash Dividends Paid to Parent From Consolidated Subsidiaries

During the years ended December 31, 1985, 1984 and 1983, Tiger International did not receive any dividends from its subsidiaries.

Parent Company Debt

Included in parent company long-term obligations is \$13.9 million of 11½% Debentures due October 1995 and \$19.8 million of 11½% Debentures due April 1995 issued in connection with the acquisition of Seaboard World Airlines. Tiger's investment in Seaboard World Airlines was contributed to The Flying Tiger Line Inc. in October 1980. For further information on the parent company long-term debt, see "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements."

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE V — PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1985

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Retirements or Sales</u>	<u>Transfers, Adjustments and Other(1)</u>	<u>Balance at End of Period</u>
	(In thousands)				
Year Ended December 31, 1983					
Equipment used in operations:					
Equipment for lease or under lease	\$1,210,672	\$29,782	\$112,368	\$(1,128,086)	\$ —
Equipment used in air cargo operations.....	996,280	6,048	69,333	(16,635)	916,360
Equipment used in trucking operations	54,301	338	2,103	2,047	54,583
	<u>2,261,253</u>	<u>36,168</u>	<u>183,804</u>	<u>(1,142,674)</u>	<u>970,943</u>
Buildings and leasehold improvements	143,837	2,477	11,357	(46,267)	88,690
Shop properties, terminal facilities and other	116,627	8,463	21,420	(21,955)	81,715
Construction in process	41,704	7,991	20,758	(53)	28,884
	<u>\$2,563,421</u>	<u>\$55,099</u>	<u>\$237,339</u>	<u>\$(1,210,949)</u>	<u>\$1,170,232</u>
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$ 916,360	\$ 9,245	\$108,603	\$ (3,825)	\$ 813,177
Equipment used in trucking operations	54,583	1,425	8,294	(41,061)	6,653
	<u>970,943</u>	<u>10,670</u>	<u>116,897</u>	<u>(44,886)</u>	<u>819,830</u>
Buildings and leasehold improvements	88,690	5,399	2,831	(37,307)	53,951
Terminal facilities and other	81,715	2,778	5,073	(5,919)	73,501
Construction in process	28,884	29,767	56,070	—	2,581
	<u>\$1,170,232</u>	<u>\$48,614</u>	<u>\$180,871</u>	<u>\$(88,112)</u>	<u>\$ 949,863</u>
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$ 813,177	\$17,230	\$ 19,201	\$ 1,678	\$ 812,884
Equipment used in trucking operations	6,653	394	37	171	7,181
	<u>819,830</u>	<u>17,624</u>	<u>19,238</u>	<u>1,849</u>	<u>820,065</u>
Buildings and leasehold improvements	53,951	2,234	6,024	2	50,163
Terminal facilities and other	73,501	3,499	1,406	4	75,598
Construction in process	2,581	3,931	3,944	(10)	2,558
	<u>\$ 949,863</u>	<u>\$27,288</u>	<u>\$ 30,612</u>	<u>\$ 1,845</u>	<u>\$ 948,384</u>

(1) Includes \$1,172 million and \$88 million related to discontinued operations for the years 1983 and 1984, respectively.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SCHEDULE VI — ACCUMULATED DEPRECIATION AND
AMORTIZATION OF PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1985

	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1983					
Equipment used in operations:					
Equipment for lease or under lease	\$391,610	\$ 53,800	\$ 46,434	\$(398,976)	\$ —
Equipment used in air cargo operations.....	311,807	59,939	55,838	(6,367)	309,541
Equipment used in trucking operations.....	19,896	9,128	6	(1,770)	27,248
	<u>723,313</u>	<u>122,867</u>	<u>102,278</u>	<u>(407,113)</u>	<u>336,789</u>
Buildings and leasehold improvements	29,157	6,088	4,110	(7,812)	23,323
Shop properties, terminal facilities and other.	46,291	10,973	6,431	(9,618)	41,215
	<u>\$798,761</u>	<u>\$139,928</u>	<u>\$112,819</u>	<u>\$(424,543)</u>	<u>\$401,327</u>
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$309,541	\$ 53,900	\$ 78,405	\$ 4,011	\$289,047
Equipment used in trucking operations.....	27,248	7,577	2,474	(29,484)	2,867
	<u>336,789</u>	<u>61,477</u>	<u>80,879</u>	<u>(25,473)</u>	<u>291,914</u>
Buildings and leasehold improvements	23,323	4,363	847	(6,948)	19,891
Terminal facilities and other	41,215	7,556	3,651	(3,744)	41,376
	<u>\$401,327</u>	<u>\$ 73,396</u>	<u>\$ 85,377</u>	<u>\$ (36,165)</u>	<u>\$353,181</u>
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$289,047	\$ 47,940	\$ 19,084	\$ (2,394)	\$315,509
Equipment used in trucking operations.....	2,867	592	4	—	3,455
	<u>291,914</u>	<u>48,532</u>	<u>19,088</u>	<u>(2,394)</u>	<u>318,964</u>
Buildings and leasehold improvements	19,891	2,795	1,914	—	20,772
Terminal facilities and other	41,376	5,489	974	(5)	45,886
	<u>\$353,181</u>	<u>\$ 56,816</u>	<u>\$ 21,976</u>	<u>\$ (2,399)</u>	<u>\$385,622</u>

(1) Includes \$405 million and \$39 million related to discontinued operations for the years 1983 and 1984, respectively.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Three Years Ended December 31, 1985

	<u>Trade Receivables(1)</u>	<u>Inventories Allowance</u> (In thousands)	<u>Aircraft Overhaul Reserves</u>
Balance at December 31, 1982	\$ 19,695	\$ 5,790	\$ 34,277
Additions (deductions) —			
Provisions charged to costs and expenses	30,205	3,143	39,252
Amounts charged to reserve	(33,956)	(403)	(26,013)
Transfers to discontinued operations	(6,053)	(3,587)	—
Other	—	—	1,177(2)
Balance at December 31, 1983	9,891	4,943	48,693
Additions (deductions) —			
Provisions charged to costs and expenses	31,205	2,235	43,836
Amounts charged to reserve	(28,819)	—	(39,328)
Transfers to discontinued operations	(325)	—	—
Other	—	—	(4,588)(3)
Balance at December 31, 1984	11,952	7,178	48,613
Additions (deductions) —			
Provisions charged to costs and expenses	32,166	686	57,157
Amounts charged to reserve	(27,206)	(2,028)	(58,300)
Other	—	—	1,678
Balance at December 31, 1985	<u>\$ 16,912</u>	<u>\$ 5,836</u>	<u>\$ 49,148(4)</u>

(1) Includes revenue adjustments.

(2) Consists primarily of overhaul additions added to asset cost of the four engines acquired in the exchange of Boeing 747 aircraft.

(3) Consists primarily of the settlement of overhaul deposits and other related assets.

(4) Includes \$31,928 classified in accumulated depreciation and \$17,220 classified as other deferred credits.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIGER INTERNATIONAL, INC.
(Registrant)

By JOSEPH K. McDONNELL
Joseph K. McDonnell
Vice President — Controller & Treasurer

Date: March 27, 1986

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
WAYNE M. HOFFMAN Wayne M. Hoffman	Chairman of the Board	March 27, 1986
ROBERT P. JENSEN Robert P. Jensen	President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 1986
LARRY G. MORRIS Larry G. Morris	Senior Vice President — Finance and Administration (Principal Financial Officer)	March 27, 1986
JOSEPH K. McDONNELL Joseph K. McDonnell	Vice President—Controller and Treasurer (Principal Accounting Officer)	March 27, 1986
KELLY H. BURKE Kelly H. Burke	Director	March 27, 1986
J. Howard Edgerton	Director	March, 1986
GERALD R. FORD Gerald R. Ford	Director	March 27, 1986
PETER M. KENNEDY Peter M. Kennedy	Director	March 27, 1986

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>CHARLES LUCKMAN</u> Charles Luckman	Director	March 27, 1986
<u>CHARLES T. MANATT</u> Charles T. Manatt	Director	March 27, 1986
<u>WILLIAM E. McKENNA</u> William E. McKenna	Director	March 27, 1986
<u>STEPHEN M. PECK</u> Stephen M. Peck	Director	March 27, 1986
<u>SAUL P. STEINBERG</u> Saul P. Steinberg	Director	March 27, 1986

*By _____
Robert P. Jensen
Attorney-in-Fact and Agent

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**Corporate
Information**

Tiger International, Inc.	1888 Century Park East, Los Angeles, California 90067, (213) 552-6300
The Flying Tiger Line Inc.	7401 World Way West, Los Angeles, California 90009, (213) 646-6161
Warren Transport, Inc.	P.O. Box 420, Waterloo, Iowa 50704, (319) 233-6113
Auditors	Arthur Andersen & Co., 911 Wilshire Blvd., Los Angeles, California 90017
Stock Exchanges	New York Stock Exchange, 20 Broad Street, New York, New York 10005 Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104 Midwest Stock Exchange, 1 Financial Plaza, 440 S. LaSalle Street, Chicago, Illinois 60605
Transfer Agents	Manufacturers Hanover Trust Company, 450 West 33rd Street, New York, New York 10001 Manufacturers Hanover Trust Company of California, 50 California Street, San Francisco, California 94111
Registrars	The Bank of New York, 90 Washington Street, New York, New York 10015 Manufacturers Hanover Trust Company of California, 50 California Street, San Francisco, California 94111
Annual Meeting	The Annual Meeting of Stockholders will be held on Thursday, May 22, 1986 at 10:00 a.m. at the Beverly Hilton Hotel, 9876 Wilshire Blvd, Beverly Hills, California 90210.

Tiger International, Inc.
1888 Century Park East
Los Angeles, California 90067