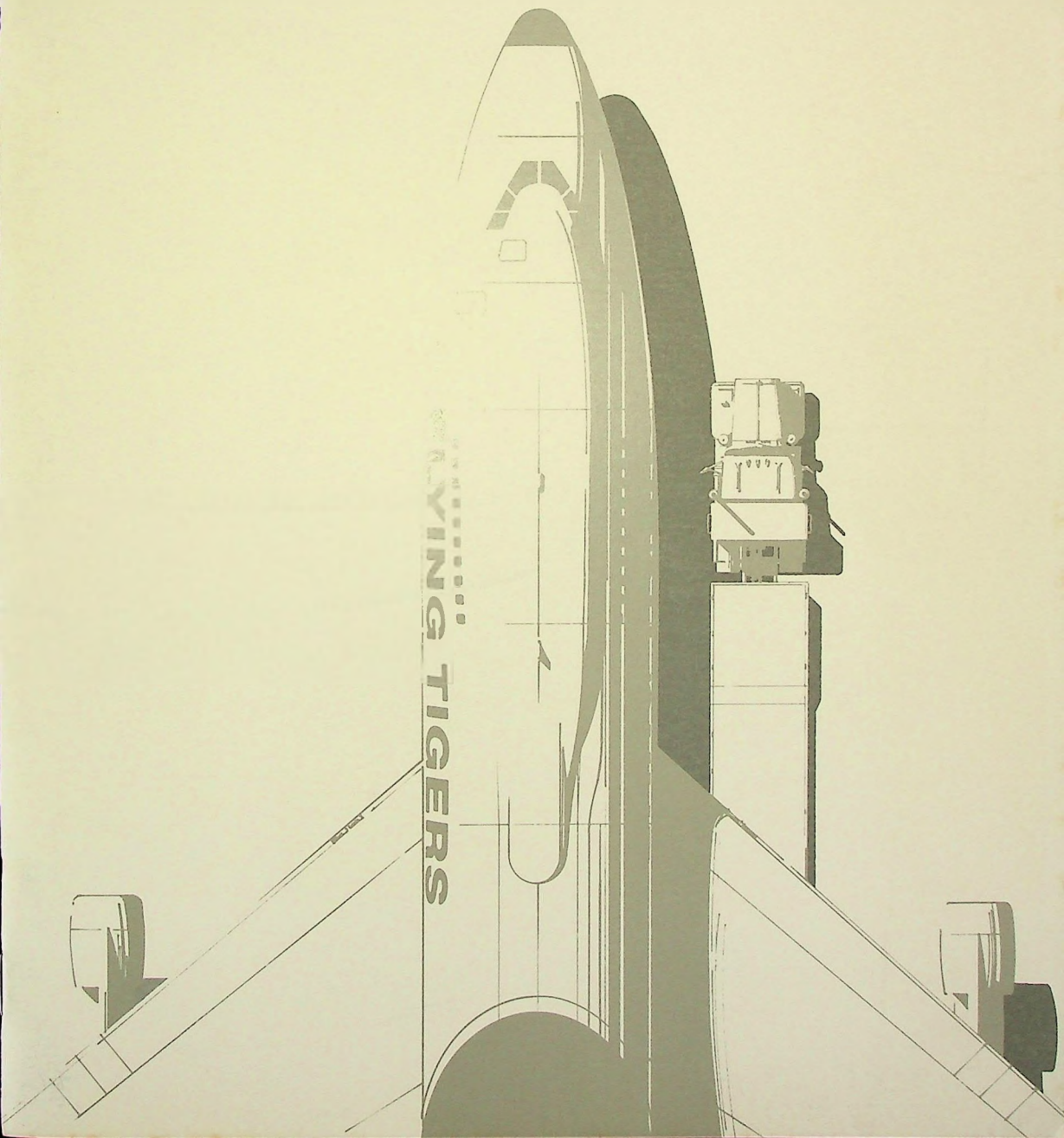


TIGER INTERNATIONAL 1984 ANNUAL REPORT



FLYING TIGERS

## FINANCIAL HIGHLIGHTS

For the year ended December 31,  
(Amounts in thousands, except  
per share data)

|   | 1984        | 1983         |
|---|-------------|--------------|
| Revenues                                    | \$1,209,890 | \$1,056,868  |
| Income (loss) from<br>continuing operations | 44,205      | (84,988)     |
| Loss from discontinued<br>operations        | (133,145)   | (157,644)    |
| Loss before<br>extraordinary gain           | (88,940)    | (242,632)    |
| Extraordinary gain                          | —           | 19,792       |
| Net loss                                    | \$ (88,940) | \$ (222,840) |
| Income (loss) per share                     |             |              |
| Continuing operations                       | \$ 2.05     | \$ (4.71)    |
| Discontinued operations                     | (6.18)      | (8.73)       |
|   | \$ (4.13)   | \$ (13.44)   |
| Extraordinary gain                          | —           | 1.10         |
| Total                                       | \$ (4.13)   | \$ (12.34)   |
| Assets                                      | \$1,026,728 | \$1,113,766  |
| Stockholders' equity                        | \$ 1,961    | \$ 84,536    |
| Book value<br>per common share              | \$ .09      | \$ 4.16      |

## TIGER INTERNATIONAL, INC. 1984 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.

Tiger International is back on the road to sustained profitability. To effectuate this turnaround we have had to take strong measures to put the losses from discontinued operations behind us while improving the performance of Flying Tiger Line and Warren Transport.

In 1984 we wrote off our investment in Tiger Leasing Group and North American Car Corporation and we sold Hall's Motor Transit. Furthermore, we took steps to settle Tiger International's \$132 million inter-company obligation to North American Car. What remains now is to restore our balance sheet to a healthy condition.

Toward that end, in February of 1985 we made a public offering of 8,050,000 shares of convertible preferred stock. These shares will be converted to Tiger International common stock on a one-for-one basis as soon as we have negotiated certain lender agreements and received the approval of the bankruptcy court overseeing the North American Car proceedings. This equity offering was well received by the investing public, raising approximately \$60 million after expenses associated with the transaction, and will substantially improve our balance sheet as well as offer us the means to make a down payment on the North American Car obligation.

Tiger International's return to profitability was the result of significant improvements in

Flying Tiger Line's performance as well as continued solid earnings of Warren Transport.

A number of important strategic and operating changes were made at Flying Tiger Line commencing in the middle of 1983. As a result, Flying Tiger Line has had five consecutive quarterly profits, achieving record net income for the year 1984.

Flying Tiger Line is unique. It is the only all cargo airline which operates throughout the world as well as the United States. It flies 25 percent of the world's 747 freighters, an aircraft whose efficiency in transoceanic cargo operations is unparalleled.

However, all freight markets do not have the same characteristics and it has been important for us to adopt overall strategies so as to produce the desired profits. For example, the domestic operations now are designed to complement the international business, not to be competitive with the small package and overnight courier segments.

European and transatlantic operations have been improved significantly through the substitution of high speed, daily truck feeder routes within Europe in place of some of the direct air service to cities in France, Italy, Switzerland and the Benelux countries.

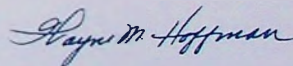
At the same time, Flying Tiger Line has expanded very aggressively to new markets in Australia, the Caribbean and Latin America. We regard the air freight market as global in scope and consider it very important that we be sensitive to new marketing opportunities.

Trucking continues to be an important component of our corporate strategy. It is clear that Flying Tiger Line will continue to expand its direct trucking activities both within the United States and in other countries. However, we are conscious of the necessity to achieve high levels of

efficiency and reliability at the very lowest possible costs in our trucking operations. Warren Transport is such an operator. It has demonstrated the ability to earn money in good years and bad and has made the transition through deregulation in good shape. We would hope to be able to build on Warren's capabilities in the future. On the other hand, we concluded that Hall's Motor Transit did not meet the required service and cost criteria and we therefore sold that company at the end of 1984.

For the immediate future we shall concentrate on increasing our profitability, reducing debt and improving our cash position. In 1984 we made substantial progress toward those goals, with Flying Tiger Line alone building its investable cash from a minuscule \$11 million at the end of 1983 to \$120 million at the end of 1984, but we still have a way to go before we can consider our goals to be met.

One thing becomes clear in times such as these. Our success is dependent upon the intelligence, skill and dedication of all of the men and women who make up the Tiger family. On behalf of the members of the board of directors, let me take this opportunity to express our gratitude to all of them and to our customers, suppliers, lenders and investors for their support, as well.



**Wayne M. Hoffman**  
Chairman of the Board  
Chief Executive Officer and  
President

## 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.

Flying Tigers experienced a significant turnaround in 1984. Pretax income rose to a record \$60.8 million, compared to the \$67.5 million pretax loss experienced in 1983. The improved results were achieved mainly through increased transpacific revenues and decreased fuel costs, as well as through cost

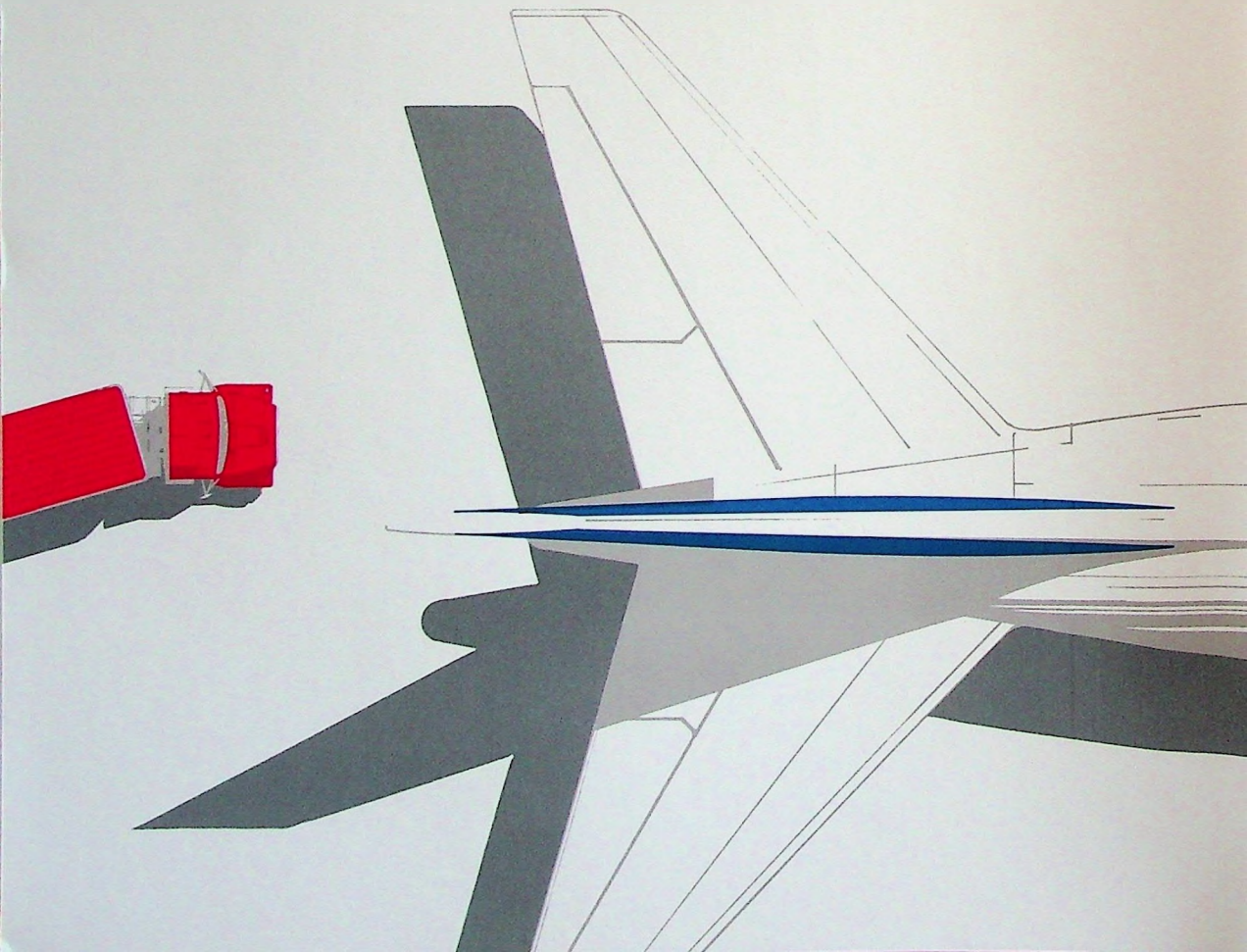
reduction programs, employee productivity improvements, organizational streamlining and service enhancements.

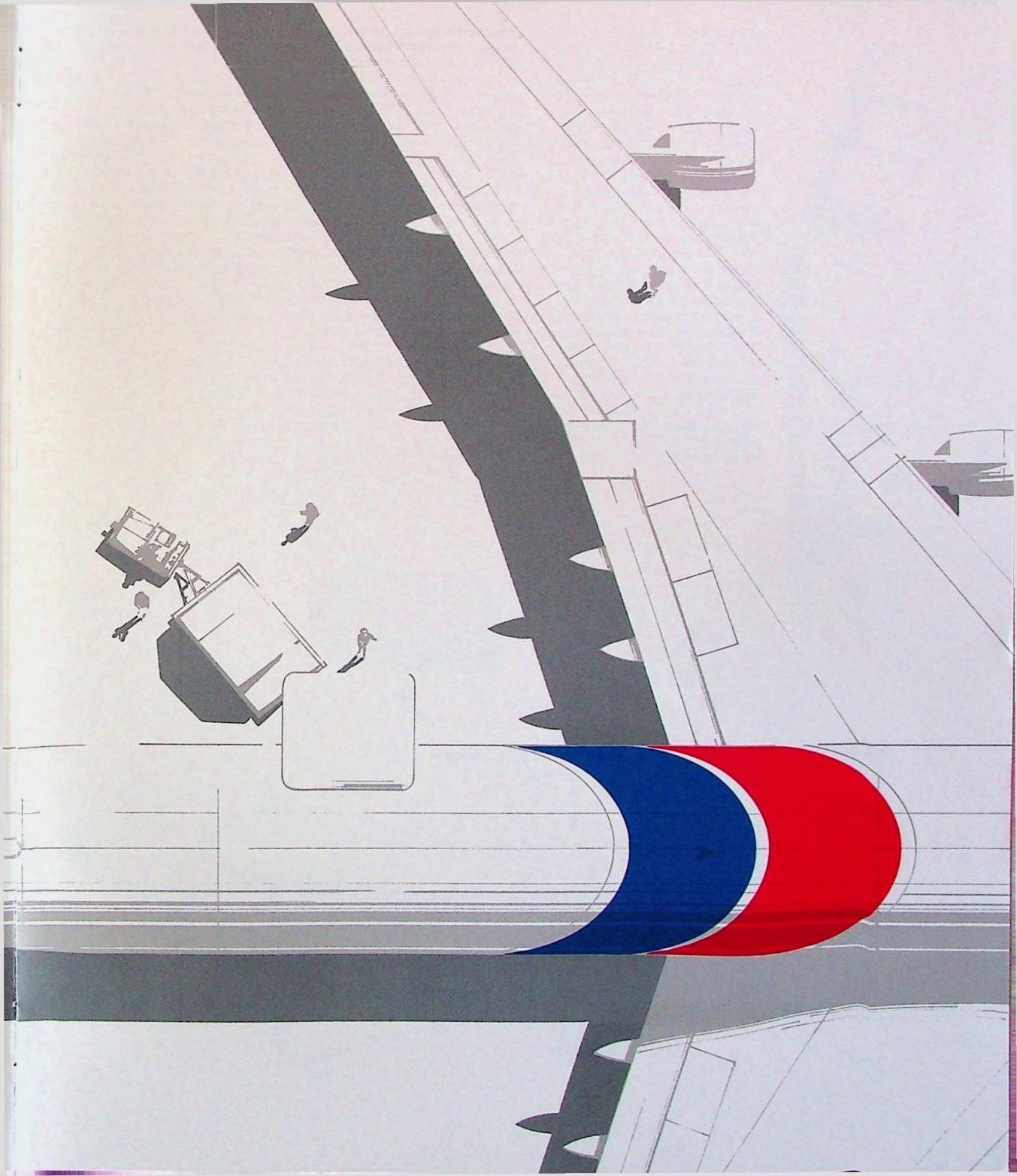
During 1984, Flying Tigers aggressively expanded its international operations. Weekly southbound scheduled service from the United States to Australia, inaugurated in 1983, consistently operated with high load factors, prompting the addition of a second weekly flight in July, 1984. Growing traffic volumes in Latin America allowed the company to increase capacity to Brazil and Argentina. Scheduled B-747 service also was launched to Port of Spain, Trinidad in January, 1985.

The transpacific market continues to be the major strength of Flying Tigers' inter-

national operations, and in 1984 the airline marked 15 years of scheduled service to Asia. Business was strong during the year with transpacific revenues increasing 30 percent.

In the North Atlantic marketplace, Flying Tigers has significantly improved its operating results and has moved closer to profitability since the realignment of its transatlantic route structure in late 1983. This realignment improved transatlantic yields through capacity constraint while allowing additional lift in the faster growing transpacific market.





In 1984, the company took steps to integrate its domestic system with its international system. Flying Tigers provides international shippers with direct service to and from all major U.S. markets and offers a service capability unmatched by any other carrier, foreign or American.

Flying Tigers reached an agreement in principle with officials of Rickenbacker Port Authority to locate Flying Tigers' hub for international and domestic operations at the Rickenbacker Air National Guard Base in Columbus, Ohio. The company looks forward to the opportunities for service improvement, cost reduction, growth and development that will be available as a result of the establishment of this important hub.

The United States Air Force's Military Airlift Command awarded Flying Tigers a \$60.8 million contract for cargo and

passenger services for the fiscal year commencing in October, 1984. This award amounted to a 26 percent share of the basic contract offered to all air carriers by the Air Force, and was the largest contract offered to a single carrier.

Flying Tigers operates 19 B-747 international jettfreighter aircraft, constituting one-fourth of the world's B-747 commercial freighter fleet, as well as a fleet of B-727 feeder jettfreighters. This efficient all-freighter fleet enables Flying Tigers to offer more services worldwide than any other carrier in the air cargo industry. The company is well positioned to continue its leadership role in providing expedited transportation services to shippers around the globe.



## TRUCKING

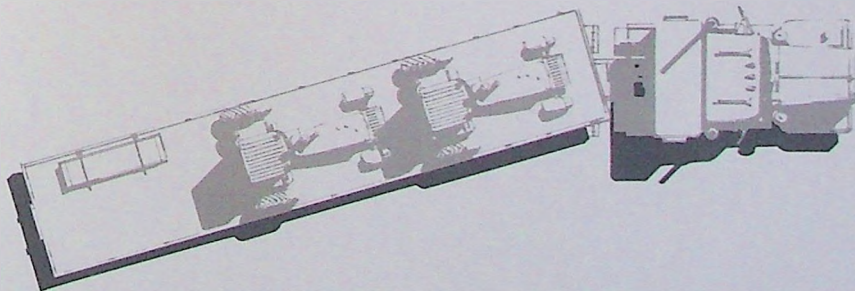
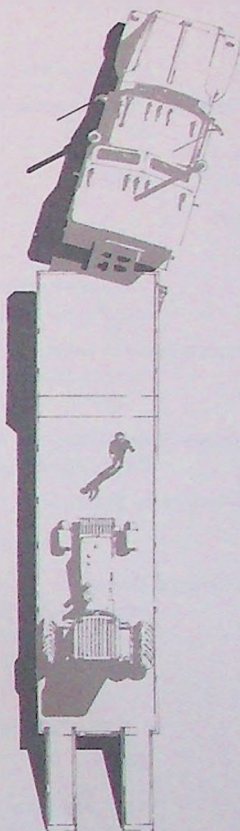
Tiger International's wholly owned trucking subsidiary, Warren Transport, Inc., is a general commodities motor carrier with 48-state operating authority. Headquartered in Waterloo, Iowa, Warren operates 17 terminal facilities and serves customers in Canada and Mexico.

Warren, the nation's foremost carrier of farm equipment, operates primarily as a specialized truckload hauler of heavy machinery and other specialized equipment. Warren has contracts with approximately 400 independent owner-operators and owns more than 1,200 trailer units, including lowboys, flatbeds, vans and many other types of specialized equipment capable of handling almost any type of heavy or over-size load.

Warren Transport had excellent results in 1984 due in part to effective cost controls and good growth. Pretax profit

increased 42 percent over last year and revenues increased seven percent. These increases occurred despite the continuing economic difficulties in the United States farm equipment and construction industries upon which Warren primarily relies for its revenues. Since its acquisition in 1981, Warren has continued to be a consistently strong and profitable carrier with a growing customer base.

In 1984, Tiger international sold its other trucking subsidiary, Hall's Motor Transit, to a group of Hall's executives. Tiger retained a 25 percent equity interest in Hall's as a minority investor, and does not participate in the on-going management of Hall's.



## FIVE YEAR FINANCIAL SUMMARY

(Amounts in thousands, except per share and ratio data)

|  | 1984               | 1983                | 1982                | 1981               | 1980              |
|--|--------------------|---------------------|---------------------|--------------------|-------------------|
| <b>Revenues from Continuing Operations</b>                   |                    |                     |                     |                    |                   |
| Air cargo  | \$1,171,017        | \$1,019,832         | \$ 905,496          | \$ 879,104         | \$ 708,485        |
| Trucking   | 39,453             | 42,932              | 47,012              | 33,806             | —                 |
| Other  | (580)              | (5,896)             | (6,647)             | (4,133)            | —                 |
| <b>Total</b>   | <b>\$1,209,890</b> | <b>\$1,056,868</b>  | <b>\$ 945,861</b>   | <b>\$ 908,777</b>  | <b>\$ 708,485</b> |
| Income (loss) from continuing operations before income taxes | \$ 49,105          | \$ (84,988)         | \$ (111,721)        | \$ (56,088)        | \$ (15,068)       |
| Income tax provision (benefit)                               | 4,900              | —                   | (47,900)            | (37,826)           | (16,530)          |
| <b>Income (Loss) from Continuing Operations</b>              | <b>44,205</b>      | <b>(84,988)</b>     | <b>(63,821)</b>     | <b>(18,262)</b>    | <b>1,462</b>      |
| Income (loss) from discontinued operations                   | (133,145)          | (157,644)           | (72,402)            | 1,649              | 40,913            |
| <b>Income (Loss) Before Extraordinary Gain</b>               | <b>(88,940)</b>    | <b>(242,632)</b>    | <b>(136,223)</b>    | <b>(16,613)</b>    | <b>42,375</b>     |
| Extraordinary gain   | —                  | 19,792              | —                   | —                  | —                 |
| <b>Net Income (Loss)</b>                                     | <b>\$ (88,940)</b> | <b>\$ (222,840)</b> | <b>\$ (136,223)</b> | <b>\$ (16,613)</b> | <b>\$ 42,375</b>  |
| <b>Per Share Data</b>  |                    |                     |                     |                    |                   |
| Income (loss) per share                                      |                    |                     |                     |                    |                   |
| Continuing operations  | \$ 2.05            | \$ (4.71)           | \$ (3.77)           | \$ (1.07)          | \$ .09            |
| Discontinued operations                                      | (6.18)             | (8.73)              | (4.27)              | .09                | 2.59              |
| Extraordinary gain   | (4.13)             | (13.44)             | (8.04)              | (.98)              | 2.68              |
| Total  | \$ (4.13)          | \$ (12.34)          | \$ (8.04)           | \$ (.98)           | \$ 2.68           |
| Book value per share   | \$ .09             | \$ 4.16             | \$ 16.72            | \$ 24.76           | \$ 26.45          |
| Cash dividends paid per share                                | \$ —               | \$ —                | \$ —                | \$ .88             | \$ .80            |
| Shares used for computation of income (loss) per share (000) | 21,518             | 18,050              | 16,936              | 17,000             | 15,810            |
| <b>Other Data</b>  |                    |                     |                     |                    |                   |
| Funds from operations  | \$ 84,503          | \$ 114,568          | \$ 105,253          | \$ 337,650         | \$ 301,196        |
| Stockholders' equity   | \$ 1,961           | \$ 84,536           | \$ 283,166          | \$ 419,389         | \$ 446,279        |
| Total assets   | \$1,026,728        | \$1,113,766         | \$2,440,619         | \$2,702,397        | \$2,758,425       |
| Number of employees  | 6,300              | 10,800              | 13,200              | 13,952             | 14,769            |

# FIVE YEAR SUMMARY OF OPERATING STATISTICS

|   | 1984      | 1983      | 1982      | 1981      | 1980      |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>Air Cargo</b>                        |           |           |           |           |           |
| Scheduled Cargo Service                 |           |           |           |           |           |
| Freight revenue ton miles (000)         | 2,273,030 | 2,018,563 | 1,604,964 | 1,603,217 | 1,405,117 |
| Mail and other revenue ton miles (000)  | 111,381   | 99,630    | 85,224    | 86,730    | 66,291    |
| Sources of Operating Revenues (percent) |           |           |           |           |           |
| Scheduled cargo operations              | 86.1      | 82.9      | 72.0      | 71.3      | 73.1      |
| Military Airlift Command                | 8.9       | 8.3       | 12.7      | 12.7      | 12.1      |
| Charter                                 | 3.6       | 6.3       | 10.3      | 11.3      | 11.3      |
| Other                                   | 1.4       | 2.5       | 5.0       | 4.7       | 3.5       |
| Fuel Cost per Gallon (\$)               | .89       | .94       | 1.09      | 1.13      | .99       |

## Trucking

|                                 |         |         |         |         |         |
|---------------------------------|---------|---------|---------|---------|---------|
| Warren Transport <sup>(a)</sup> |         |         |         |         |         |
| Ton miles (000)                 | 432,228 | 430,811 | 463,307 | 525,022 | 484,800 |
| Intercity miles (000)           | 31,909  | 31,665  | 35,067  | 42,452  | 42,071  |
| Operating ratio (percent)       | 94.1    | 95.4    | 95.5    | 92.0    | 91.3    |
| Number of trailers owned        | 1,246   | 1,237   | 1,315   | 1,281   | 1,128   |

(a) Warren Transport was acquired in June 1981.

## EXECUTIVES

### **Tiger International**

**Wayne M. Hoffman**  
Chairman of the Board,  
Chief Executive Officer and  
President

**Rolf Bodenbug**  
Vice President—Taxes

**James A. Cronin**  
Vice President—  
Assistant to the Chairman

**Robert J. Harter, Jr.**  
Vice President—  
General Counsel and Secretary

**Joseph K. McDonnell**  
Vice President—Controller

### **Flying Tigers**

**Wayne M. Hoffman**  
Chairman of the Board and  
President

**Lewis H. Jordan**  
Executive Vice President

**Peter E. Hubbard**  
Senior Vice President—Sales &  
Service

**Lawrence M. Nagin**  
Senior Vice President—  
Administration & General Counsel

**Harold M. Woody**  
Senior Vice President—  
Air Operations

**Thomas H. Barron**  
Vice President—Finance

**William C. Bond**  
Vice President—Flight Operations

**Albert O. Hicks**  
Vice President—Europe

**Denis P. Kalscheur**  
Vice President—Treasurer

**Jack T. Kane**  
Vice President—Sales

**David L. Lokken**  
Vice President—Technical  
Operations

**Cyril D. Murphy**  
Vice President—International &  
Governmental Affairs

**Paul A. Stokes**  
Vice President—Asia & Australasia

**Ned H. Wallace**  
Vice President—Contract Programs

**George A. Zettler**  
Vice President—Latin America

### **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 and  
Director of Marketing

**Howard A. Peterson**  
Executive Vice President and  
Comptroller

**Adel J. Warren**  
Executive Vice President—  
Operations

**George S. Warren**  
Executive Vice President

**Richard C. Donnelly**  
Vice President

## DIRECTORS

**Wayne M. Hoffman**  
Chairman of the Board,  
Chief Executive Officer and  
President  
Tiger International

**J. Howard Edgerton**  
Chairman of the Board—Emeritus  
California Federal Savings  
& Loan Association

**The Honorable  
Gerald R. Ford**  
Former President of the United  
States of America

**Peter M. Kennedy**  
Chairman  
Dominick & Dominick,  
Incorporated  
(Investment Banking Firm)

**Charles Luckman**  
Founder  
The Luckman Partnership, inc.  
(Architects)

**Charles T. Manatt**  
Mannatt, Phelps,  
Rothenberg & Tunney (Attorneys)

**William E. McKenna**  
General Partner  
McKenna Equities  
(Private Investment Company)

**Gordon M. Metcalf**  
Retired Chairman and Chief  
Executive Officer  
Sears, Roebuck & Company

**Houston Rehrig**  
President  
Rehrig International, Inc.  
(Plastic Molders)

FORM 10-K

Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-K  
Annual Report Pursuant to Section 13 of  
The Securities Exchange Act of 1934  
For the fiscal year ended December 31, 1984

Commission file number:  
(Exact name of registrant as  
specified in its charter)  
(State or other jurisdiction of  
incorporation or organization)

1-6457

(I.R.S. Employer Identification No.)  
(Address of principal executive offices)

TIGER INTERNATIONAL, INC.

Delaware

95-2623176

1888 Century Park East,  
Los Angeles, California

90067

(Zip Code)

Registrant's telephone number,  
including area code:

(213) 552-6300

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

Common Stock, \$1 Par Value\*

\*Listed on the New York, Midwest and Pacific Stock  
Exchanges

11½% Sinking Fund Debentures Due October 1, 1995\*\*  
8% Convertible Subordinated Debentures  
Due July 1, 2005\*\*

\*\*Listed on the New York Stock Exchange only

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 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

State the aggregate market value of  
the voting stock held by non-affiliates  
of the registrant:

\$195,698,225 as of March 25, 1985 based  
upon the average high and low sale prices for that date.

Indicate the number of shares  
outstanding of each of the  
registrant's classes of common  
stock, as of March 25, 1985:

21,980,686 Shares of Common Stock, \$1 Par Value

Documents Incorporated by Reference:

Information called for by Part III is incorporated  
by reference from registrant's definitive proxy  
statement for registrant's 1985 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, 1985, pursuant to  
Regulation 14A.

**ANNUAL REPORT ON FORM 10-K**

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\* Certain Portions Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1985 Annual Meeting of Stockholders.

\*\* Incorporated by Reference from Registrant's definitive Proxy Statement for Registrant's 1985 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"). Tiger International also owns 25% of Hall's Motor Transit Co. ("Hall's"). 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 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 and geographic area is included in "Financial Statements and Supplementary Data."

#### **AIR CARGO TRANSPORTATION**

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

Flying Tigers is the largest air cargo carrier in the free world as measured by cargo revenue ton miles carried in 1984, based on statistics maintained by the International Air Transport Association ("IATA"), and is currently the primary international all-cargo air carrier which also serves the United States domestic market. It is a certificated air carrier primarily engaged in scheduled common carriage of freight and mail over a route system serving major cities in the United States, Asia, Australia, Latin America, Europe and the Middle East.

#### **General**

Flying Tigers transports freight primarily through its aircraft and trucking operations. Air service is provided by owned and leased aircraft operated by Flying Tigers, by other airlines pursuant to interline arrangements and by contracts with independent aircraft operators. Trucking services are provided by Flying Tigers' owned vehicles, affiliated trucking companies and independent trucking companies.

Flying Tigers currently offers both regularly scheduled cargo services as well as charter cargo services within the United States and throughout the world. Additionally, Flying Tigers provides both passenger and cargo service to the Military Airlift Command ("MAC").

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.

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. Prior to its acquisition, Seaboard provided cargo air carriage as well as aircraft leasing and maintenance services, primarily in Europe. With the acquisition of Seaboard, Flying Tigers added scheduled routes in the transatlantic market.

Flying Tigers has five subsidiaries, one of which is currently active, all of which taken together represent approximately one-tenth of 1% of both Flying Tigers' total assets and total revenues. Flying Tigers is currently a 99% owned subsidiary of Tiger International.

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

#### **Scheduled Operations**

##### **International Operations**

As of March 4, 1985, Flying Tigers provided international scheduled air service for both cargo and mail between points in the United States and destinations in Asia, Europe, Latin America, Australia and the Middle East.

International destinations on Flying Tigers' route structure are located in Japan, the Republic of Korea, Hong Kong, the Republic of China (Taiwan), the Philippines, Malaysia, Singapore, Australia, Belgium, the Federal Republic of Germany, Switzerland, the United Kingdom, the Republic of Ireland, the

United Arab Emirates, Trinidad, Brazil and Argentina. Flying Tigers serves France, the Netherlands and Italy through a trucking network.

In October 1983, as part of a comprehensive program to improve the results of operations, Flying Tigers realigned its transatlantic route structure which permitted the redeployment of certain aircraft from the highly competitive and lower yielding transatlantic market to higher yielding markets. Flying Tigers established two European hubs, one located in London and one in Frankfurt. Scheduled flights to France, the Netherlands and Italy were replaced by a trucking network operating out of these hubs. As a result of this realignment, revenue ton miles in the transatlantic market decreased 33% during 1984 as compared to 1983.

Concurrent with the realignment of the transatlantic route structure, Flying Tigers deployed additional aircraft to the transpacific market. Flying Tigers launched southbound scheduled service to Australia in 1983, filling a shortage of cargo capacity for United States shippers. Flying Tigers markets its flights outbound from Australia by offering charter service to Asian markets, which positions aircraft in Asia for the return flights to the United States. The integration of the Australian route with previously existing transpacific routes has permitted Flying Tigers to increase revenue ton miles.

Flying Tigers expanded its service to Latin America by increasing its scheduled services to destinations in Brazil and Argentina in 1982 and 1983 and by commencing service to Trinidad in 1985. Subject to receipt of required U.S. and foreign authorizations, Flying Tigers intends to provide additional scheduled services in Latin America. Flying Tigers provides non-scheduled service to Mexico.

#### Domestic Operations

As of March 4, 1985, Flying Tigers provided domestic scheduled service for both cargo and mail directly to 31 United States cities and territories. Prior to 1982, Flying Tigers operated primarily on an airport-to-airport basis serving long-haul, high density markets both internationally and in the United States. In response to deregulation of the air freight industry, which resulted in competition from certain former customers, and operating losses in 1981, Flying Tigers revised its operating and marketing strategy in 1982 and initiated a new domestic guaranteed door-to-door service offered directly to retail customers in the United States and abroad. This door-to-door service was a significant expansion of Flying Tigers' traditional domestic operating strategy which previously was limited primarily to providing airport-to-airport freight service to freight forwarders and other shippers. The customer base for the door-to-door services is comprised of small to medium size industrial companies as well as larger national accounts. Flying Tigers does not seek to position itself as an express document courier.

In providing the door-to-door service, Flying Tigers developed a trucking capability, enabling it to control all phases of the movement of freight. In 1982, the first year of operation, guaranteed door-to-door revenues grew to represent approximately 23.6% of Flying Tigers' domestic scheduled service revenues. In 1983, door-to-door revenues represented 48.9% of the domestic scheduled service revenues and for 1984, 56.9% of domestic scheduled service revenues. The door-to-door service has a substantially higher yield (revenue per revenue ton mile) than Flying Tigers' traditional domestic airport-to-airport business. Together with the international and domestic airport-to-airport business, the door-to-door service provides the international customer with direct service to and from a wide selection of cities in the United States. Flying Tigers also began to utilize more extensively other airlines and aircraft operators as well as trucking operators in transporting freight both internationally and in the United States.

O'Hare International Airport in Chicago is the principal hub for the door-to-door service. On January 25, 1985, Flying Tigers accepted the offer of the Rickenbacker Port Authority to relocate Flying Tigers' principal domestic service hub to Columbus, Ohio. The proposed relocation is subject to acceptable documentation with regard to the financing, development and leasing proposal. Flying Tigers plans to be operational from this hub in the fourth quarter of 1985 and intends to maintain O'Hare International Airport as a significant origination and destination point in the Flying Tigers distribution system. It is anticipated that the combined cost of operating the principal hub in Columbus, Ohio and maintaining O'Hare International Airport as a significant origination and destination point will be less than the current cost of operating the principal hub at O'Hare International Airport.

#### Charters

Flying Tigers provides commercial cargo charters within the United States and throughout the world. In 1981, Flying Tigers implemented a commercial charter passenger operation, Metro International Airways ("Metro"), utilizing passenger B-747 aircraft acquired from an affiliate. Early in 1982, Metro supplemented this charter operation with a scheduled passenger operation. Upon termination of the

Metro operation in 1983, 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 which enabled Flying Tigers to increase its lift capacity in its worldwide markets. Total cargo charter and passenger operations generated revenues of \$109,513,000 in 1982, \$66,644,000 in 1983, and \$42,605,000 in 1984, of which commercial cargo charter operations contributed \$53,157,000 in 1982, \$50,272,000 in 1983, and all revenues in 1984.

#### **Military Airlift Command**

MAC contracts for both passenger and cargo services are awarded annually on the basis of an airline's participation in the Civilian Reserve Air Fleet ("CRAF"). All of Flying Tigers' B-747F aircraft are committed to CRAF. Revenues from MAC charters were \$114,984,000 in 1982, \$84,274,000 in 1983, and \$104,411,000 in 1984. Flying Tigers was awarded a new MAC contract for the twelve months commencing October 1, 1984, the fixed portion of which is \$60,833,000, subject to expansion. MAC contracts contain standard provisions which make them subject to renegotiation and to termination at the convenience of the U.S. Government.

### Statistics

The following table presents certain statistics relating to Flying Tigers' scheduled and nonscheduled cargo 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.

| (In thousands)              | For the Year Ended December 31 |                     |                     |
|-----------------------------|--------------------------------|---------------------|---------------------|
|                             | 1982                           | 1983                | 1984                |
| <b>Revenues</b>             |                                |                     |                     |
| Scheduled Cargo Services    |                                |                     |                     |
| Domestic                    | \$ 165,974                     | \$ 194,446          | \$ 214,872          |
| International               | 485,667                        | 651,071             | 793,164             |
| Total Scheduled Cargo       | 651,641                        | 845,517             | 1,008,036           |
| Scheduled Passenger         | 16,359                         | 2,743               | —                   |
| Commercial Charter          | 93,154                         | 63,901              | 42,605              |
| Military Airlift Command    | 114,984                        | 84,274              | 104,411             |
| Other                       | 29,358                         | 23,397              | 15,965              |
| Total Revenues              | <u>\$ 905,496</u>              | <u>\$ 1,019,832</u> | <u>\$ 1,171,017</u> |
| <b>Scheduled Capacity</b>   |                                |                     |                     |
| (available ton miles)       |                                |                     |                     |
| Scheduled Services          |                                |                     |                     |
| Domestic                    | 458,144                        | 485,395             | 465,574             |
| Asia                        | 1,304,493                      | 1,770,917           | 2,393,897           |
| Europe                      | 649,956                        | 665,554             | 413,820             |
| Latin America               | 16,657                         | 73,213              | 135,548             |
| Total Scheduled Services    | <u>2,429,250</u>               | <u>2,995,079</u>    | <u>3,408,839</u>    |
| <b>Load Factor</b>          |                                |                     |                     |
| (percentages)               |                                |                     |                     |
| Scheduled Services          |                                |                     |                     |
| Domestic                    | 58.2%                          | 60.9%               | 57.2%               |
| Asia                        | 73.7                           | 76.7                | 72.7                |
| Europe                      | 69.8                           | 63.0                | 68.1                |
| Latin America               | 54.8                           | 62.8                | 71.2                |
| Total Scheduled Services    | <u>69.6%</u>                   | <u>70.8%</u>        | <u>70.0%</u>        |
| <b>Yield</b>                |                                |                     |                     |
| (revenue per RTM) (cents)   |                                |                     |                     |
| Scheduled Services          |                                |                     |                     |
| Domestic                    | 60.6c                          | 65.8c               | 80.7c               |
| International               | 34.4                           | 35.7                | 37.4                |
| Total Scheduled Services    | <u>38.6c</u>                   | <u>39.9c</u>        | <u>42.3c</u>        |
| <b>Yield</b>                |                                |                     |                     |
| (revenue per pound) (cents) |                                |                     |                     |
| Scheduled Services          |                                |                     |                     |
| Domestic                    | 50.3c                          | 60.0c               | 68.1c               |
| International               | 98.7                           | 106.7               | 118.7               |
| Total Scheduled Services    | <u>79.7c</u>                   | <u>90.5c</u>        | <u>102.5c</u>       |

## Aircraft Fleet

The following table illustrates the composition of Flying Tigers' operating fleet at March 4, 1985:

|           | Aircraft Under   |                | Aircraft |       |
|-----------|------------------|----------------|----------|-------|
|           | Operating Leases | Capital Leases | Owned    | Total |
| 747-200F  | —                | 5              | 5        | 10    |
| 747-100F  | —                | —              | 7        | 7     |
| 747-200C  | 2                | —              | —        | 2     |
| 747-200P* | 1                | —              | —        | 1     |
| 727-100F  | 9                | —              | —        | 9     |
| 727-100QC | 2                | —              | —        | 2     |

\* A passenger aircraft held for use under the MAC contract.

All of Flying Tigers' operating fleet is encumbered by equipment trust certificates, capital leases or similar obligations. The operating leases expire during the period March 1985 to December 1989. Flying Tigers has an option to purchase the five Boeing 747-200 freighter aircraft subject to capital leases and nine Boeing 727-100 aircraft subject to operating leases all for fair market value at each lease expiration date. The capital leases expire during the period July 1990 to January 2001.

Commencing in 1982, Flying Tigers began to sell its DC-8-63 and DC-8-61 aircraft and related equipment in order to allow for the transition to aircraft which were more appropriate to Flying Tigers' route structure, eliminate re-engining obligations necessitated by federally mandated environmental regulations, reduce required capital investment, and improve liquidity. As of March 4, 1985, Flying Tigers had sold or was in the process of selling its remaining 2 DC-8-61 aircraft and currently operates eleven leased B-727 aircraft and has committed to lease eight additional B-727 aircraft under operating leases. Flying Tigers intends to replace the lift capacity formerly provided by its DC-8 fleet through the use of these existing and additional B-727 aircraft, trucking, freight forwarding and interline arrangements.

In 1983, Flying Tigers exchanged three B-747-200 passenger airframes and related equipment previously used by Metro for four B-747-100 freighter airframes, four aircraft engines and related equipment. Flying Tigers now operates 19 B-747 freighter aircraft, which constitute approximately one fourth of the world's civilian B-747 freighter capacity.

## Fuel

The results of Flying Tigers' air cargo operations are greatly 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 for fuel dropped from \$1.09 in 1982 to \$.94 in 1983 and to \$.89 in 1984. While Flying Tigers has fuel supply contracts providing for an amount of fuel currently estimated to be adequate for its anticipated needs, such contracts do not provide protection against price increases.

## Customers

Approximately 17% of Flying Tigers' business in 1982, 12% in 1983 and 12% in 1984 was performed for two agencies of the United States Government, MAC and the United States Postal Service. Except for these two agencies, no customer of Flying Tigers accounts for 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, although 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 will be determined from a negotiating and bidding process with the U.S. Postal Service. Flying Tigers anticipates that the volume of domestic business attributable to the United States Postal Service will decrease in the future as Flying Tigers emphasizes higher yielding routes and services.

Flying Tigers' domestic and international cargo customers are freight forwarders, brokers, direct shippers and cargo agents. Since deregulation of the domestic air freight business in 1978, Flying Tigers has lost a significant amount of freight forwarding business as customers purchased or leased aircraft for use directly in their operations.

The customer base for the door-to-door services is comprised of small to medium size industrial companies as well as larger national accounts. Flying Tigers does not seek to position itself in the express document segment of this market.

## **Regulation of Air Transport Industry**

Flying Tigers is subject to the Federal Aviation Act under which 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 extends to several 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.

## **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 to be issued by DOT following December 31, 1984) authorize Flying Tigers to operate its Asian, Australian, European and Middle-Eastern routes. With the exception of Japan, Flying Tigers holds permanent certificate authority for all of the Australian, Asian, European and Middle-Eastern points it now serves. Its authority to serve Japan, first granted in 1968, was issued on a temporary basis. In February, 1985 this temporary authority was extended for three years until February 13, 1988. Flying Tigers also holds exemption authority issued pursuant to Section 416 of the Federal Aviation Act to operate its all-cargo services to Brazil and Argentina. That authority must be renewed annually. Flying Tigers will make timely application for such renewal in 1985 and is confident that renewal will 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 U.S. air carriers abroad. The right of a foreign carrier to provide service into the United States and of a U.S. carrier to service foreign points is subject to DOT approval and may require a bilateral agreement between the United States and such foreign carrier's government. Flying Tigers' authorization to operate its international routes and to serve foreign points is further dependent upon the permission of foreign authorities. Often, Flying Tigers' rights stem from bilateral agreements between the United States and a foreign government.

Flying Tigers is a member of the International Air Transport Association ("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 following December 31, 1984 (and when so approved may be exempted from the antitrust laws of the United States) and generally, of 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. From December 1982 through December 1984, Flying Tigers sold its interests in DC-8 aircraft and intends to sell the remaining two DC-8 aircraft in 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. To date these regulations 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. The Airline Deregulation Act of 1978 has promoted competition by enabling carriers to enter and depart air cargo routes with greater freedom, reducing the authority of the CAB (now, of the DOT) to control fares and enhancing the ability of persons not already engaged in aviation to acquire control of air carriers without CAB approval. Domestically, a number of airlines, as well as trucking companies, have entered or expanded major operations in the air cargo

market since deregulation. A number of previous airfreight customers, including in particular United Parcel Service of America, Inc., which accounted for 24% of Flying Tigers' domestic revenues in 1981, and Emery Air Freight Corp., and Airborne Freight Corp., respectively, purchased or chartered their own aircraft to handle their cargo and substantially reduced their airport-to-airport business with Flying Tigers. As a result of increased competition, it has become increasingly difficult to raise rates as costs increase. Flying Tigers has responded to the loss of major airport-to-airport domestic customers by entering the door-to-door delivery market, which is also highly competitive.

Internationally, competition increased on routes between the United States and certain foreign countries because of the United States Government's "open skies" policies, which provided greater access to the United States market for certain foreign carriers. Since a number of Flying Tigers' foreign based competitors are government-owned or subsidized, they are in a better position to charge lower prices.

In its domestic operation, Flying Tigers competes with cargo services provided by most of the major passenger air carriers. However, United Airlines terminated its all freighter service during the fourth quarter of 1984 and American Airlines has sold all of its freighters. In international service, Japan Air Lines, Northwest Orient Airlines, China Airlines and Korean Airlines are Flying Tigers' major transpacific competitors. An application by Nippon Cargo Airlines ("NCA") is currently pending before the DOT for authority to commence air cargo operations in the transpacific market with destinations in the United States. A majority of NCA is owned by shippers and forwarders which are estimated to originate more than three-fourths of Flying Tigers' Japan-U.S. eastbound freight. NCA proposes to utilize initially only two B-747 aircraft and to offer substantially fewer frequencies than the number provided by either Flying Tigers or Japan Air Lines, the two major competitors on these routes. At the present time it is impossible to predict whether such application will be approved, if so, on what terms, and whether Flying Tigers will obtain additional rights or concessions in Japan in exchange for rights which may be granted NCA. Air France, Alitalia, British Airways, Cargolux, KLM, Lufthansa, Pan American, Sabena, SAS and TWA are Flying Tigers' major transatlantic competitors; Varig and Aerolineas Argentinas are Flying Tigers' major South American competitors; and Qantas and Air New Zealand are Flying Tigers' major Australian competitors.

### **Employee Relations**

On December 31, 1984 Flying Tigers employed approximately 6,100 persons, approximately 700 of whom were based outside the United States. About one-half of Flying Tigers' employees are covered by contracts with labor unions which conform generally to the pattern of labor agreements in the air cargo industry, but which, in some instances, contain provisions necessary to comply with the labor laws of the various foreign countries in which Flying Tigers operates. Such 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.

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 and reductions in previously scheduled wage increases, estimated to exceed \$85,000,000 through 1987.

The ALPA agreement, effective from July 1, 1984 through July 31, 1987, postpones certain wage increases originally scheduled to occur in 1984 and 1985 to 1985 and 1986, postpones a specified wage increase for 1986 to 1987, permits Flying Tigers to continue certain subcontract operations through December 31, 1985 and provides Flying Tigers with increased flexibility to schedule crews in a more efficient manner. Further, Flying Tigers is permitted to operate its additional B-727 aircraft under more productive work rules.

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

### **TRUCKING**

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 \$39,745,000 in 1982, \$36,031,000 in 1983 and \$38,616,000 in 1984. Warren handled 463 million ton-miles in 1982, 431 million ton-miles in 1983 and 432 million ton-miles in 1984. Warren's operating ratio was 95.5% in 1982, 95.4% in 1983 and 94.1% in 1984. A significant portion of Warren's business is performed for Deere and Company. As of December 31, 1984, Warren owned 17 tractors (switch only) and 1,246 semi-trailers. Warren leases truck tractors with drivers from owner-operators.

For further information concerning the operations of Warren, see "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 Warren 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 uses owner-operators who are responsible for purchasing their own fuel.

### **TIGER EMPLOYEES**

As of January 15, 1985, Tiger had approximately 6,300 employees.

### **DISCONTINUED OPERATIONS**

#### **Hall's Motor Transit Company**

Hall's, which was acquired in 1980, is a unionized common carrier of general commodities by motor vehicle under a grant of nationwide, general commodities authority from the ICC. Hall's operates primarily

in the Central, Mid-Atlantic and North Eastern portions of the United States principally in the less-than-truckload ("LTL") market, but also in the truckload market. Hall's operates in foreign commerce to and from specified points in the Province of Quebec under authority granted by the Transport Commission of Quebec, and in intrastate commerce in five states under authority granted by the applicable state commissions. Hall's also operates under certain contract authority issued by the ICC.

As of December 31, 1984, Tiger International sold 75% of its equity interest in Hall's to certain members of the management group at Hall's and it is now accounted for as a discontinued operation. Tiger International has retained a 25% minority equity interest in Hall's. Tiger International is not participating in the ongoing management of Hall's.

Hall's operating revenues were \$215,335,000 in 1982, \$193,408,000 in 1983 and \$191,255,000 in 1984. Hall's handled 778 million ton-miles in 1982, 649 million ton-miles in 1983 and 583 million ton-miles in 1984. Hall's currently receives more than half of its volume and over 77.5% of its revenues from its LTL operations. Hall's operating ratio was 104.1% in 1982, 103.1% in 1983 and 103.7% in 1984.

During the last three fiscal years, approximately 80% of Hall's gross revenue from the intercity hauling of freight was accounted for by regular customers. Intercity freight hauling services are provided to a broad cross-section of important industries. No Hall's customer accounted for more than 2% of Hall's revenues in 1983.

As of December 31, 1984, Hall's owned 1,468 truck tractors, 2,929 van semi-trailers and 59 trucks, substantially all of which are encumbered by debt.

### **Railcar Services**

Through subsidiaries of Tiger Leasing Group, Tiger previously engaged in the railcar and aviation services businesses and other leasing activities.

North American Car Corporation ("North American"), the railcar services division of Tiger, 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. Accordingly, Tiger determined to dispose of its railcar services business, through a transaction with General Electric Credit Corporation and its subsidiaries ("GECC") and is treating its railcar services 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 "Tiger International Note" and "History of Financial Restructuring", below, for further information.

### **Aviation Services**

Effective December 31, 1982, the sale and disposition of TigerAir, Inc. ("TigerAir"), which included four fixed base operations (primarily fueling, light maintenance and storing services), spare parts sales activities and commercial and corporate aircraft sales and leasing activities, was announced. At December 31, 1984, the principal remaining TigerAir assets consisted of one DC-10-30 and four 727-200 aircraft, all of which are leased. One DC-10-30 aircraft was sold in May 1984 for proceeds approximating book value. The remaining DC-10 aircraft secures certain of TigerAir's lenders.

## **HISTORY OF FINANCIAL RESTRUCTURING AND TIGER INTERNATIONAL NOTE**

### **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.

In 1983 Tiger International executed a promissory note in the principal amount of approximately \$132,000,000 payable to North American, representing advances previously made to Tiger International by North American (the "Tiger International Note"). The Tiger International Note bears interest at 7% per annum and is held by certain lenders of North American, in connection with 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"), to secure North American's obligations thereunder. At December 31, 1984 accrued interest on such note was approximately \$12,100,000.

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 Title 11 of the United States Code (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 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.

As a result of the filing of the reorganization petition, the Tiger International Note is now due and payable. As of December 31, 1984, Tiger International wrote off its entire investment in North American. Management of Tiger International has reached agreement on the financial terms of a settlement of the Tiger International Note with representatives of the North American lenders holding the Tiger International Note as collateral under the North American Restructuring Agreement. The proposed settlement is subject to approval by the Bankruptcy Court and execution of definitive agreements. Assuming a proposed settlement of the Tiger International Note, as outlined below, is approved by the Bankruptcy Court and consummated, and the order approving the settlement is not reversed on appeal, Tiger International believes that the outcome of the Chapter 11 cases will not have a materially adverse effect on the financial condition or results of operations of Tiger.

The terms of the proposed settlement, including certain modifications designed to obtain the concurrence of certain of North American's other creditors, provide that 80% of the net proceeds to Tiger International from the sale of the Depository Stock described below would be applied first to pay accrued interest on the Tiger International Note and then to reduce the principal, provided that the maximum amount to be retained by Tiger International would be \$10,000,000. Tiger International would then issue a new promissory note for the remaining principal balance (the "New Tiger International Note"). Terms of the New Tiger International Note are described in "Management's Discussion and Analysis of the Results of Operations" and Note 12 of "Notes to Consolidated Financial Statements".

The New Tiger International Note would require prepayments of principal and interest upon the occurrence of certain events and would be secured by a pledge of 47% of the outstanding common stock of Flying Tigers, 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.

Under the New Tiger International Note, 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 cross defaults, if any, to be negotiated and included in the final documents

To make the initial payment contemplated by the Tiger International Note settlement 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. Proceeds of the underwritten public offering have been invested by the bank acting as escrow holder of the funds (the "Depositary"). The Depositary also holds a promissory note of Tiger International in the amount of \$4,700,000, which is to be paid down from interest earned on the invested funds. After underwriting discounts and commissions and other expenses, the net proceeds of the underwritten public sale will be approximately \$59,900,000. Of this amount, approximately \$49,900,000 would be used to reduce amounts due under the Tiger International Note pursuant to the proposed settlement of that note.

If a settlement of the Tiger International Note on substantially the same terms as described herein is not approved and consummated on or before December 1, 1985 or upon the occurrence of certain other events, holders of Depositary Stock will have the right to rescind the purchases thereof.

A hearing will be held to obtain Bankruptcy Court approval of the proposed settlement of the Tiger International Note and the issuance of the New Tiger International Note. No assurance can be given that the Bankruptcy Court will approve the proposed settlement. Further, even if the Bankruptcy Court enters an order approving the proposed settlement, parties in interest in the North American Chapter 11 case may appeal such order prior to the consummation of the proposed settlement. If any such appeal is brought, it may be accompanied by a stay of the order approving the consummation of the proposed settlement pending the appeal, which stay, if not vacated, would preclude consummation of the proposed settlement. On the other hand, such appeal might be brought without application for or grant of such a stay, or such stay, if granted, might be vacated, in which event the proposed settlement could be consummated.

If Tiger International is not able to successfully consummate a settlement of the Tiger International Note on satisfactory terms, holders of the Common Stock of Tiger International are likely to be adversely affected.

The following contains 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.

### **Tiger International Exchange Offer**

Pursuant to the Tiger International Exchange Offer, 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 8½% Convertible Subordinated Debentures due July 1, 2005 (the "Old 8½% 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"), \$36,030,000 principal amount of its 8½% Senior Subordinated Debentures (the "New 8½% Debentures"), 3,156,924 shares of Common Stock and warrants to purchase an additional 3,156,924 shares of Common Stock. Both principal (including sinking fund obligations) of and interest on the New Debentures are payable at Tiger International's option in cash or in 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 exchange, Tiger International's outstanding long-term debt was reduced by \$29,058,000 principal amount. Furthermore, if Tiger International elects to pay interest on the New Debentures by issuing Common Stock rather than paying in cash, annual cash requirements for interest expense with respect to Tiger International's outstanding public debentures will be reduced from \$11,500,000 annually prior to the Tiger International Exchange Offer to \$2,100,000 annually. Tiger International did so elect with respect to the payment of interest during 1983 and 1984 on its New 11½% Debentures and its New 8½% Debentures, satisfying its aggregate \$9,800,000 interest obligations by delivering 1,732,418 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 Private Lenders (as defined therein), dated as of December 21, 1983, as amended, and the Credit Agreement as amended, among Flying Tigers, Private Lenders and a certain bank as agent for 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 in connection with the deferral of interest on North American loans, and 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 (the "Restructuring Warrants"). As of December 31, 1984, 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 warrants and Common Stock 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.

During 1984 advances were made in equal amounts by North American and Flying Tigers. The advances for payment of interest on the Old Debentures, amounting to approximately \$900,000 during 1984 from each of Flying Tigers and North American, have become intercompany obligations owing from Tiger International to such subsidiaries, evidenced by promissory notes bearing interest at 7% per annum. Such notes have been pledged by North American and Flying Tigers to the lenders under their respective restructuring agreements. As a result of the filing by North American under Chapter 11 of the Bankruptcy Code, no further advances from North American or Flying Tigers to Tiger International currently are permitted, and the notes now are due and payable.

### **Flying Tigers**

Pursuant to the Flying Tigers Restructuring Agreements, defaults on approximately \$588,000,000 principal amount of indebtedness were waived or suspended, \$48,100,000 principal and interest payments were deferred, and a new \$45,000,000 credit facility was provided. The agreements contain strict financial covenants and are secured by substantially all unencumbered assets, whether then held or subsequently acquired, of Flying Tigers. The Flying Tigers Restructuring Agreements also require that 80% of the aggregate net proceeds in excess of \$15,000,000 from sales on or after May 11, 1983 of certain of the assets pledged under the Flying Tigers Restructuring Agreements be paid to the participating creditors to reduce the outstanding amount of the revolving loan and, if such sales occur prior to June 30, 1985, to reduce correspondingly the amount of the available revolving credit facility. As a result of such sales, at December 31, 1984 approximately \$27,460,000 was available under the revolving credit facility. In addition, 80% of the net proceeds from sales on or after May 11, 1983 above \$15,000,000 of all other assets pledged under the Flying Tigers Restructuring Agreements must be paid to the participating creditors to reduce the outstanding amount of the revolving loan and outstanding amounts of deferred principal.

In March and April of 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 an aggregate of 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock; the financial advisor to Flying Tigers also received 50,000 warrants of Flying Tigers as part of the transactions (the "Flying Tigers Exchange Offers"). As a result of the Flying Tigers Exchange Offers, approximately one percent of Flying Tigers' common stock is publicly held.

### **Other Subsidiaries**

As a result of the Chapter 11 proceedings, 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 date either has been accelerated or is subject to acceleration by the lenders. Individual secured creditors of such subsidiaries where debt is currently in default could foreclose on the equipment and other assets securing their respective obligations, could bring actions to attach assets of such subsidiaries or could commence proceedings under the Federal bankruptcy laws 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 such subsidiaries. However, Tiger International believes that the outcome of any such action will not have a materially adverse impact on the financial condition or results of operations of Tiger.

## ITEM 2. PROPERTIES.

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

Flying Tigers' ground facilities are composed principally of (a) leasehold improvements, including cargo terminals, flight equipment maintenance facilities and sales and administrative offices, and (b) equipment used in servicing aircraft, in conducting a worldwide communication system, maintaining its flight and ground properties, and in 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.

## ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business, Tiger International or its subsidiaries may become involved as a defendant in various legal proceedings. It is the opinion of Tiger's management, based upon the advice of its counsel, that the ultimate disposition of pending litigation will not be material in relation to its consolidated financial position.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of the fiscal year ended December 31, 1984, there was no matter 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. Hoffman is to serve in an executive capacity until the normal retirement age of 65.

The following table provides certain information as of March 25, 1985 concerning those persons who serve as executive officers of Tiger International.

| Name                  | Title   | Age |
|-----------------------|---|-----|
| Wayne M. Hoffman      | Chairman of the Board, Chief Executive Officer, President and Director <sup>(1)</sup> | 62  |
| Rolf Bodenburg        | Vice President — Taxes <sup>(2)</sup>   | 56  |
| Robert J. Harter, Jr. | Vice President, General Counsel and Secretary <sup>(3)</sup>                          | 40  |
| Joseph K. McDonnell   | Vice President — Controller <sup>(4)</sup>  | 41  |
| James A. Cronin III   | Vice President — Assistant to the Chairman of Tiger International <sup>(5)</sup>      | 30  |

(1) 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.

(2) Mr. Bodenburg became Vice President — Taxes in July 1979.

(3) Before becoming Vice President, General Counsel and Secretary in July 1983, Mr. Harter had been 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.

(4) Before becoming Vice President — Controller, in February 1984, Mr. McDonnell had been Controller since June 1983, Assistant Controller since October 1980 and Director of Accounting from 1977 to October 1980.

(5) Mr. Cronin became Vice President — Assistant to the Chairman of Tiger International in February 1984. Mr. Cronin had been Assistant to the Chairman since July 1983, Director, Strategic Planning from July 1982 to June 1983, Manager, Corporate Planning from October 1981 to June 1982 and Senior Corporate Planning Analyst from September 1980 to September 1981. Prior to joining Tiger International, Mr. Cronin had been Corporate Banking Officer from September 1979 to September 1980 and Assistant Planning and Control Officer for United California Bank, a banking corporation which is not a parent, subsidiary or other affiliate of Tiger International. Mr. Cronin was President of Hall's from May 1984 until the sale of Hall's.

## PART II

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

The Common Stock of Tiger International is traded on the New York, Midwest and Pacific Stock Exchanges, and was held as of March 25, 1985 by approximately 21,612 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:

|  | High                           | Low                             |
|--|--------------------------------|---------------------------------|
| <b>1983</b>                            |                                |                                 |
| First Quarter                          | \$ 9                           | \$5 <sup>3</sup> / <sub>8</sub> |
| Second Quarter                         | 11 <sup>3</sup> / <sub>8</sub> | 5 <sup>3</sup> / <sub>4</sub>   |
| Third Quarter                          | 11 <sup>3</sup> / <sub>8</sub> | 5 <sup>1</sup> / <sub>2</sub>   |
| Fourth Quarter                         | 6 <sup>1</sup> / <sub>4</sub>  | 4 <sup>1</sup> / <sub>4</sub>   |
| <b>1984</b>                            |                                |                                 |
| First Quarter                          | 8 <sup>1</sup> / <sub>8</sub>  | 5 <sup>5</sup> / <sub>8</sub>   |
| Second Quarter                         | 7 <sup>1</sup> / <sub>2</sub>  | 4 <sup>7</sup> / <sub>8</sub>   |
| Third Quarter                          | 8                              | 5 <sup>5</sup> / <sub>8</sub>   |
| Fourth Quarter                         | 9                              | 5 <sup>3</sup> / <sub>4</sub>   |
| <b>1985</b>                            |                                |                                 |
| First Quarter (through March 25, 1985) | 10 <sup>1</sup> / <sub>2</sub> | 6 <sup>1</sup> / <sub>4</sub>   |

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.

The Depositary Stock is traded on the New York Stock Exchange and was held of record as of March 25, 1985 by approximately 72 stockholders. From February 14, 1985, when trading began in the Depositary Stock, through March 25, 1985, the high and low sales prices on the consolidated transaction reporting system were \$10<sup>3</sup>/<sub>8</sub> and \$8, respectively.

Tiger International has not paid a cash dividend since December 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. Dividends are not expected to be paid until at least 1991. See "Management's Discussion and Analysis of the Results of Operations" and Note 5 — Long Term Debt, of "Notes to the 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, 1984 (in thousands, except per share and ratio data):

|  | 1984         | 1983         | 1982         | 1981         | 1980         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Results of Operations</b>   |              |              |              |              |              |
| Revenues from Continuing Operations                                      | \$ 1,209,890 | \$ 1,056,868 | \$ 945,861   | \$ 908,777   | \$ 708,485   |
| Income (Loss) from Continuing Operations <sup>(1)</sup>                  | \$ 44,205    | \$ (65,196)  | \$ (63,821)  | \$ (18,262)  | \$ 1,462     |
| Net Income (Loss)  | \$ (88,940)  | \$ (222,840) | \$ (136,223) | \$ (16,613)  | \$ 42,375    |
| Income (Loss) Per Common Share From Continuing Operations <sup>(1)</sup> | \$ 2.05      | \$ (3.61)    | \$ (3.77)    | \$ (1.07)    | \$ .09       |
| Income (Loss) Per Share  | \$ (4.13)    | \$ (12.34)   | \$ (8.04)    | \$ (.98)     | \$ 2.68      |
| Cash Dividends Declared Per Common Share                                 | \$ —         | \$ —         | \$ —         | \$ .675      | \$ .80       |
| Total Funds Provided by Operations <sup>(2)</sup>                        | \$ 84,503    | \$ 114,568   | \$ 105,253   | \$ 337,650   | \$ 301,196   |
| <b>Financial Position</b>  |              |              |              |              |              |
| Total Assets <sup>(3)</sup>  | \$ 1,026,728 | \$ 1,113,766 | \$ 2,440,619 | \$ 2,702,397 | \$ 2,758,425 |
| Long-Term Obligations <sup>(3)</sup>                                     | \$ 603,058   | \$ 691,892   | \$ 1,632,849 | \$ 1,703,399 | \$ 1,655,575 |
| Stockholders' Equity   | \$ 1,961     | \$ 84,536    | \$ 283,166   | \$ 419,389   | \$ 446,279   |
| Book Value Per Common Share  | \$ .09       | \$ 4.16      | \$ 16.72     | \$ 24.76     | \$ 26.45     |

- (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) Includes total working capital provided by continuing and discontinued operations, collection of long-term and other receivables, sale or retirement of property, plant and equipment and other assets. See Managements Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Statement of Changes in Financial Position for additional information pertaining to source and application of funds.
- (3) In 1984 and 1983, excludes assets and liabilities associated with discontinued operations. See Note 2 — 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 which has investments in operating companies providing air cargo transportation and trucking.

Since 1980, over \$1.1 billion has been spent on acquisitions and equipment additions. During 1980, Tiger entered the trucking business with the acquisition of Hall's and expanded its air cargo operations by acquiring Seaboard. During 1981, Dohrn Transfer Company, now a part of Hall's, and Warren were acquired and two smaller acquisitions were also completed. Losses during 1982, 1983 and 1984, combined with funds required for such acquisitions and equipment additions, had the effect of adversely affecting liquidity while reducing Tiger's equity from \$419.4 million at December 1981 to \$2.0 million at December 31, 1984.

The worldwide recession and the precipitous decline in the United States economy during 1981 and 1982 have had a significant adverse effect on each of Tiger's operations. Tiger reported a net loss of \$88.9 million in 1984 compared to a net loss of \$222.8 million in 1983 and a net loss of \$136.2 million in 1982. These adverse operating results caused management to seek additional financial resources and dispose of activities not essential to Tiger's core business of transporting cargo. However, results from continuing operations improved significantly during 1984 as Tiger reported income from continuing operations of \$44.2 million compared to losses from continuing operations of \$85.0 million in 1983 and losses of \$63.8 million in 1982.

Effective December 31, 1984, Tiger sold a majority of its interest in Hall's and has accounted for this business as a discontinued operation effective December 31, 1984.

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 purchased 1,405 railcars and 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.

In connection with the North American Restructuring Agreement Tiger International issued a promissory note to North American in the principal amount of \$132 million which bears interest at 7% (the "Tiger International Note") representing advances previously made by North American to Tiger International. The Tiger International Note is held by certain lenders of North American as security for the repayment of North American's debt. At December 31, 1983, Tiger International considered the Tiger International Note to be a contingent liability as management believed that sufficient cash would be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness. In November 1984, certain creditors of North American advised North American that they believed a net worth default had occurred effective September 30, 1984 under the North American Restructuring Agreement. Due to the alleged default and the possibility that the Tiger International Note could have become immediately due and payable, Tiger recorded the \$132 million obligation plus accrued interest of \$9.8 million, as a liability as of September 30, 1984. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, the Tiger International Note, which has a maturity date of January 1991, is now pursuant to its terms immediately due and payable. Tiger International has reached agreement on the financial terms of a proposed settlement of the Tiger International Note with representatives of the North American lenders holding the Tiger International Note as collateral under the North American Restructuring Agreement. The proposed settlement is subject to the approval of the Bankruptcy Court and execution of definitive agreements. 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 to the public at \$8.25 per share. The net proceeds of this offering, however, have been deposited in an escrow account and will not be released to Tiger International except upon the occurrence of certain events, including a final settlement of the Tiger International Note. (See "Liquidity" below and Note 2 — Discontinued Operations and Note 12 — Subsequent Events of the "Notes to Consolidated Financial Statements.")

Also in December 1983, Tiger International announced its decision to sell or liquidate all of Tiger Leasing Group's other operations. Accordingly, these operations have also been reported as discontinued operations effective December 31, 1983.

In September 1983, Tiger International completed the Tiger International Exchange Offer whereby Old Debentures were exchanged for New Debentures, Common Stock and warrants. In early 1984, Flying Tigers completed an exchange offer whereby debt was exchanged for Flying Tigers common stock and warrants to purchase Flying Tigers common stock. As a result of this exchange offer, Tiger International's ownership has been reduced to 99% of Flying Tigers outstanding common stock.

In the months of September through December of 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 were waived or suspended. Such defaults included payment defaults commencing February 14, 1983 when Tiger International's subsidiaries declared a moratorium on certain bank and institutional debt as a cash conservation measure. The deferral of debt payments did not include any of Tiger's public debt and did not affect trade creditors and suppliers.

In December 1982, Tiger International decided to dispose of its aviation services segment, TigerAir, and in July 1982, Tiger International sold its investment in Purolator, Inc. common stock.

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

## **LIQUIDITY**

Funds provided by operations, including sales of assets and collections of long-term receivables, amounted to \$84.5 million in 1984 compared to \$114.6 million for 1983 and \$105.3 million for 1982. Funds provided by continuing operations, before extraordinary item, were \$105.2 million in 1984 compared to \$9 million in 1983. In 1982, \$67.8 million of funds were used by continuing operations.

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 and TigerAir 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, North American, Tiger Leasing Group and TigerAir are in default under their restructuring agreements. Assuming the proposed settlement of the Tiger International Note is consummated (see below), Tiger International believes the outcome of the Chapter 11 cases will not have a material adverse effect on the financial condition or results of operations of Tiger.

The Flying Tigers Restructuring Agreements provide 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 deferred amounts will be payable in 20 quarterly installments of approximately \$2.4 million commencing July 2, 1985. The new credit facility is a revolving loan with amounts outstanding at June 30, 1985 convertible into a five-year term loan with 20 equal quarterly payments of principal and interest. Amounts outstanding under the revolving loan and the term loan will bear interest at two percent above the prime rate. In addition to stated interest, Flying Tigers has agreed to pay annually in each of the years 1986 through 1990 supplemental interest contingent upon its earnings. The cumulative amount of such supplemental interest may not exceed \$20 million. The Flying Tigers Restructuring Agreements also require that 80% of the aggregate net proceeds in excess of \$15 million from sales on or after May 11, 1983 of certain of the assets pledged under the Flying Tigers Restructuring Agreements be paid to the participating creditors to reduce the outstanding amount of the revolving loan and/or amounts of deferred principal and, if such sale occurs prior to June 30, 1985, to reduce correspondingly the available amount of the revolving credit facility. As a result of such sales, only \$27.5 million of the credit facility was contractually available as of December 1984. There are no borrowings outstanding under this facility at December 31, 1984. The Restructuring Agreements contain strict financial covenants and substantially all previously unencumbered assets have been pledged to secure the obligations thereunder. In addition, a \$4.0 million one year revolving credit facility with a Japanese bank, secured by Japanese trade accounts receivable of Flying Tigers, was obtained by Flying Tigers. In April 1984, a five-year term loan of approximately \$3.4 million, denominated in yen, was obtained to finance the construction of a new cargo handling facility in Japan. Flying Tigers, with its available lines of credit and investable cash of approximately \$120 million at December 31, 1984, anticipates no liquidity problems in 1985.

In September 1983, the Tiger International Exchange Offer was completed, whereby \$37.9 million principal amount of the Old 11½% Debentures and \$55.6 million principal amount of the Old 8¾% Debentures were exchanged for new securities consisting of the New Debentures, Common Stock and warrants to purchase Common Stock. The exchange resulted in an extraordinary gain of \$19.8 million. The New 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. If Tiger International elects to pay interest on the New Debentures by issuing Common Stock rather than paying cash, annual cash requirements for interest expense will be reduced from \$11.5 million annually prior to the exchange to \$2.1 million. Tiger International did so elect with respect to the interest payments due for 1983 thereby satisfying its \$3.3 million interest obligation by delivering an aggregate of 592,680 shares of Common Stock. In addition, Tiger International satisfied its 1984 interest obligations of \$6.5 million by delivering an aggregate of 1,139,738 shares of Common Stock.

In connection with the Flying Tigers and North American Restructuring Agreements, Tiger International agreed to restrictions on the amount of advances from North American and Flying Tigers to Tiger International for payment of Tiger International's general and administrative expenses through 1990, for the amounts required to pay interest due on the Old Debentures through September 30, 1986 and for payment of federal income taxes attributable to taxable earnings of North American and Flying Tigers. Such advances have been made in equal amounts by North American and Flying Tigers. The advances for payment of interest on the Old Debentures, amounting to approximately \$900,000 during 1984 from each of Flying Tigers and North American, have become intercompany obligations owing from Tiger International to such subsidiaries, evidenced by promissory notes bearing interest at 7% per annum. Such notes have been pledged by North American and Flying Tigers to the lenders under their respective Restructuring Agreements. As a result of the filing by North American of a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code, no further advances from North American or Flying Tigers to Tiger International are currently permitted and the notes issued to North American and Flying Tigers and the Tiger International Note are now due and payable. At December 31, 1984, the amount due on the Tiger International Note plus accrued interest is approximately \$145.2 million.

Therefore, pending a satisfactory settlement of the Tiger International Note, Tiger International must either obtain funds from Warren to meet Tiger International's cash needs or raise capital from other sources. Tiger International's cash needs for 1985 for normal general and administrative expenses and interest on the Old Debentures is approximately \$7.5 million. At December 31, 1984, Tiger International had cash resources of approximately \$4.0 million. However, Warren is free from restrictions limiting dividends and advances to Tiger International.

Tiger International has reached agreement on the financial terms of a settlement of the Tiger International Note with representatives of certain lenders of North American. The proposed settlement is subject to approval by the Bankruptcy Court and execution of definitive agreements. The terms of the proposed settlement provide that 80% of the net proceeds (after deducting underwriting commissions and expenses of the offering) to Tiger International from the sale of the stock, would be applied to the Tiger International Note. Tiger International would then issue a new promissory note for the remaining principal balance (the "New Tiger International Note") with a four year term, subject to extension to five years under certain circumstances and bearing interest at 2% over the prime rate. Tiger International would not be required to make any interest or principal payments during the first three years. The new Tiger International Note would be secured by a pledge by Tiger International of 47% of the common stock of Flying Tiger presently outstanding. (For further information on the proposed settlement of the Tiger International Note and the proposed terms and conditions of the New Tiger International Note see Note 12 — Subsequent Events of the "Notes to Consolidated Financial Statements").

On March 1, 1985, Tiger International completed an offering of convertible preferred stock 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. Tiger International received a promissory note from the Representatives of the Underwriters in the principal amount of approximately \$61.7 million as payment for the convertible preferred stock. Proceeds from the sale of the Depositary Stock of approximately \$61.7 million (after deducting underwriting commissions for the offering) have been deposited in a Preferred Stock Escrow Account with a depositary (the "Depositary") and invested pursuant to the terms of the Depositary Agreement. Pursuant to the terms of the offering and the Depositary Agreement, the Depositary also holds a promissory note of Tiger International in the amount of approximately \$4.7 million, which Tiger International anticipates will be paid in full, pursuant to its terms, by either the conversion of shares of Depositary Stock into shares of Common Stock or with the investment income earned on the funds held in the Preferred Stock Escrow Account. Assuming that the proposed settlement of the Tiger International Note is consummated, Tiger International anticipates the net proceeds (after deducting underwriting commissions and other anticipated expenses of the offering) will be approximately \$59.9 million, of which approximately \$49.9 million will be applied to the Tiger International Note first to pay accrued interest and then to reduce the principal.

However, if the proposed settlement of the Tiger International Note is not consummated on or before December 1, 1985, or upon certain other events, the holders of the Depositary Stock have the right to rescind the purchase and tender their shares of Depositary Stock to the Depositary for \$8.25 per share.

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.

During 1983, Flying Tigers sold its interests in five DC-8 aircraft and related re-engining contracts for approximately \$31.6 million. During 1984, Flying Tigers sold its interest in 10 DC-8 aircraft and related re-engining contracts for \$69.7 million.

## **CAPITAL RESOURCES**

Capital expenditures were \$48.6 million in 1984 compared to \$55.1 million in 1983 and \$139.1 million in 1982. At December 31, 1984 Tiger had no significant future purchase commitments.

## **RESULTS OF OPERATIONS**

### **Continuing Operations Overview**

Revenues from continuing operations in 1984 were \$1,209.9 million, an increase of 14% from revenues from continuing operations of \$1,056.9 million in 1983. Revenues from continuing operations in 1983 increased approximately 12% compared to revenues from continuing operations of \$945.9 million in 1982.

Income from continuing operations of \$44.2 million in 1984 compares to a loss in 1983 from continuing operations of \$85.0 million and a loss in 1982 from continuing operations of \$63.8 million.

There was an extraordinary gain in 1983 of \$19.8 million resulting from the Tiger International Exchange Offer whereby new securities consisting of New Debentures, Common Stock and warrants to purchase Common Stock were exchanged for the Old Debentures.

### **Air Cargo**

Flying Tigers' revenues for 1984 were \$1,171.0 million, an increase of 15% over 1983 revenues of \$1,019.8 million. Flying Tigers' 1983 revenues increased by 13% over 1982 revenues of \$905.5 million. Flying Tigers reported a pretax profit in 1984 of \$60.8 million compared to a pretax loss of \$67.5 million in 1983. 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 for reduced activity in Europe and a gain of \$3.6 million on the sale of Flying Tigers' interest in five DC-8 aircraft. Flying Tigers sustained a pretax loss of \$72.6 million in 1982.

Included in the 1982 results is a pretax gain of \$4.8 million on the sale of three DC-8-73's and related equipment and a pretax gain of \$18.4 million on the revaluation of foreign denominated debt resulting from the strengthened dollar. The strengthened U.S. dollar, however, adversely affected yields on both Asian and European traffic because revenues from these markets are generated in foreign currencies. The decline in yields approximately offset the translation gain.

Flying Tigers' major services include domestic, transpacific and transatlantic scheduled services, Military Airlift Command ("MAC") and commercial charters. The transpacific route system remained strong during 1984 with revenues increasing by 30% due primarily to a 28% increase in volumes. The transatlantic market had a 22% decline in revenues associated with a 33% decrease in revenue ton miles which in part was the result of Flying Tigers revising its marketing approach in that market as a result of low yields prevailing at the time. The transatlantic route system continued to be adversely affected during 1983 and excess capacity made implementation of rate increases difficult. Therefore, effective October 3, 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 the Netherlands, France and Italy were replaced 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 continued to increase. In September, 1983, Flying Tigers began weekly scheduled service to Australia. An additional frequency was added in July 1984 to meet increased demand. The domestic route system experienced substantial growth during 1984 as 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 arranging for their own aircraft. In early 1982, Flying Tigers introduced door-to-door service for retail customers. The volumes, measured by revenue pounds received, have increased from 104 million pounds in 1983 to 132 million pounds in 1984.

To support Flying Tigers domestic and international growth, 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 will incorporate specific design features and specialized data entry capabilities to facilitate aircraft and freight handling as well as integrated truck hub operations. The new hub is expected to be operational in 1985.

MAC revenues increased 24% in 1984 from 1983 levels. However, in 1983 revenues were 27% lower than 1982 levels. The higher MAC revenues in 1984 are a result of a return of military cargo traffic to civilian carriers and an increased number of military exercises requiring freight transportation.

Commercial charters revenues were \$42.6 million in 1984, a decline of 33% from 1983, while 1983 revenues declined 31% from 1982 levels. The continued decrease in commercial charter revenues in 1984 and 1983 was due in large part to the elimination of Metro International Airways (Metro) charter passenger service in October, 1983. In addition, a significant portion of the decline is attributable to limited availability of aircraft stemming from the gradual elimination of DC-8 aircraft from the fleet and increased utilization of aircraft in the scheduled service markets. In 1983 Flying Tigers and Pan American World Airways exchanged four Pan American B-747-100 freighters for three Flying Tiger B-747-200 passenger aircraft associated with the Metro program. The swap enabled Flying Tigers to concentrate its resources in the cargo business. In addition, Flying Tigers increased capacity on scheduled routes to South America while providing service to the Middle East and Australia.

Operating expenses during 1984 have increased 6% or \$58.4 million over 1983. Total fuel and oil costs increased \$5.9 million (2%) due to an 8% increase in total miles flown in 1984 offset by a decrease in the average price per gallon of fuel by 5 cents from 1983. Other flying operations expenses 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 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 \$6.8 million decrease in depreciation expense. Ground operations expenses increased \$28.7 million (11%) as a result of expansion of operations associated with the door-to-door delivery service and additional international volume over 1983. Maintenance expenses increased \$7.9 million (9%) primarily as a result of increased use of Boeing 747 aircraft in the Asian markets. Interest expense for 1984 was \$65.8 million compared to \$76.7 million for 1983.

#### **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. Total tons carried decreased slightly in 1984 over 1983 while revenue per ton increased to \$76.24 in 1984 compared to \$70.07 in 1983. Warren's revenues for 1984 were \$38.6 million, an increase from 1983 revenues of \$36.0 million. Revenues increased 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. Pretax income increased from \$2.3 million in 1983 to \$3.3 million in 1984. During 1982, Warren reported operating revenues of \$39.7 million and pretax income of \$3.5 million.

#### **Discontinued Operations**

##### **Trucking — Hall's**

Effective as of December 31, 1984, Tiger International sold a 75% interest in Hall's to certain members of the management group of Hall's. Tiger International retained a 25% minority equity interest in Hall's. Tiger International is not participating in the on-going management of Hall's. The sale proceeds, \$10.5 million, are evidenced by a promissory note collateralized by certain of Hall's assets. Tiger International realized a loss of \$10.6 million on the sale of its equity interest in Hall's. In addition, Hall's operating losses for 1984, \$10.0 million, are included in losses from discontinued operations. Hall's revenues for 1984 were \$191.3 million. Hall's experienced intense competition in 1984 and 1983, spurred by deregulation, resulting in competitive bidding, rate discounting and lower yields. During the years 1983 and 1982, Hall's reported pretax losses, also included in losses from discontinued operations, of \$10.6 million and \$15.7 million, respectively, on revenues of \$193.4 million and \$215.3 million, respectively.

##### **Railcar Services**

North American is an international lessor of railcars, conducting business in the United States, Canada and Mexico, with an owned and leased fleet of approximately 46,000 railcars as of December 31, 1984. North American also conducts businesses ancillary to its leasing operations, such as car repair services and remarketing services.

On September 7, 1983, North American entered into a Purchase and Loan Agreement with GECC for the sale of certain assets. On December 15, 1983, North American completed the transfer of the management of, and the sale of certain assets of, its railcar services business to GECC.

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.

##### **Aviation Services**

Effective December 31, 1982, the sale and disposition of the Aviation Services segment, TigerAir, which included four fixed base operations (primarily fueling, light maintenance and storing services), spare parts sales activities and commercial and corporate aircraft sales and leasing activities, was announced. At December 31, 1984, the principal assets consisted of one DC-10-30 and four 727-200 aircraft, all of which are leased.

#### **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 Tiger's "Supplemental Financial Information — Selected Financial Data Adjusted for Effects of Inflation (Unaudited)."

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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## 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, 1984 and 1983, 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, 1984. 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.

As more fully discussed in Notes 1, 2 and 12, Tiger International, Inc.'s note payable to North American of \$132,151,000 plus accrued interest is currently due and payable. If Tiger International, Inc. is unable to consummate a settlement of the above-mentioned note or obtain satisfactory refinancing thereof, it may be forced to reorganize or to sell some or all of its assets. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should Tiger International, Inc. be unable to consummate a settlement of the note.

In our opinion, subject to the effects on the financial statements as of December 31, 1984 and for the year then ended of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the financial statements referred to above present fairly the consolidated financial position of Tiger International, Inc. and subsidiaries as of December 31, 1984 and 1983, and the results of their operations and the changes in their financial position for the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles.

In our auditors' report dated March 9, 1984, our opinion on the 1983 financial statements was subject to the effect of such adjustment, if any, as might have been required had the outcome of uncertainties been known. Such uncertainties related to the recoverability of Tiger's investment in non current assets, which was dependent upon the success of future operations, and the ultimate liability to North American. As shown in the accompanying financial statements, Tiger had income from continuing operations of \$44,205,000 for the year ended December 31, 1984, and recorded the note payable to North American of \$132,151,000 and fully reserved the resulting investment in North American. Accordingly, our present opinion on the 1983 financial statements, as presented herein, is no longer qualified.

ARTHUR ANDERSEN & CO.  
Los Angeles, California,  
March 26, 1985.

## 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 1984 presentation.

Effective December 31, 1984, Tiger International sold a majority of its interest in Hall's Motor Transit Company, ("Hall's"), and has accounted for this operation as a discontinued operation effective December 31, 1984. The Railcar Services segment (North American) and other leasing businesses were accounted for as discontinued operations at December 31, 1983 and the Aviation Services business (TigerAir) was accounted for as a discontinued operation at December 31, 1982. Accordingly, the results of operations of these businesses have been segregated in the Consolidated Statement of Operations. In addition, footnote information for 1984 does not include the accounts of these businesses except as specifically indicated. Hall's has been consolidated for purposes of presenting 1983 balance sheet information.

### Translation of Foreign Currencies

Effective January 1, 1983, Tiger adopted Statement of Financial Accounting Standards ("SFAS") No. 52 "Foreign Currency Translation" which changed the method of accounting for the translation of foreign currency accounts. As permitted under SFAS No. 52, the financial statements of prior periods have not been restated. If the Statement of Operations for 1982 had been restated retroactively, the net loss would have been increased by approximately \$10.4 million. In 1984, approximately \$613,000 of translation gains were recognized. In 1983 the translation effects were not significant. There were no cumulative translation adjustments as of January 1, 1983. As of December 31, 1983, \$1.2 million of translation losses were deferred and as of December 31, 1984, \$6.5 million of translation gains were deferred.

### Inventories

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

### Property, Plant 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. Expenditures for maintenance, 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, plant 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, plant 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. Provision is not made for federal income taxes on earnings of foreign operations which are expected to be invested indefinitely.

Investment tax credits on equipment acquired for use in air cargo and trucking operations and on equipment for lease under operating leases 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 which 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 Common Stock outstanding during each period increased by the effect of dilutive stock options, stock purchase plans and stock purchase agreements.

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. There was no significant dilution of earnings per share from the fully diluted computation for the years ended December 31, 1984, 1983 and 1982.

**CONSOLIDATED STATEMENT OF OPERATIONS**

| (In thousands, except per share data)  | For the Years Ended December 31 |                     |                     |
|--|---------------------------------|---------------------|---------------------|
|  | 1984                            | 1983                | 1982                |
| <b>Revenues</b>  |                                 |                     |                     |
| Operating revenues   | \$1,209,890                     | \$1,056,868         | \$ 945,861          |
| <b>Costs and Expenses</b>  |                                 |                     |                     |
| Costs of operations  | 875,525                         | 806,508             | 775,737             |
| Selling, general and administrative  | 160,762                         | 171,390             | 139,577             |
| Depreciation and amortization  | 65,880                          | 73,034              | 75,428              |
|  | <u>1,102,167</u>                | <u>1,050,932</u>    | <u>990,742</u>      |
| Income (loss) from operations  | 107,723                         | 5,936               | (44,881)            |
| Other income (expense)   |                                 |                     |                     |
| Gain on sale of equipment  | 16,591                          | 3,909               | 4,792               |
| Interest expense   | (78,847)                        | (86,894)            | (103,162)           |
| Interest capitalized   | 986                             | 2,095               | 5,168               |
| Other  | 2,652                           | (10,034)            | 26,362              |
|  | <u>(58,618)</u>                 | <u>(90,924)</u>     | <u>(66,840)</u>     |
| Income (loss) from continuing operations before income taxes   | 49,105                          | (84,988)            | (111,721)           |
| Income tax provision (benefit)   | 4,900                           | —                   | (47,900)            |
| <b>Income (Loss) From Continuing Operations</b>  | <u>44,205</u>                   | <u>(84,988)</u>     | <u>(63,821)</u>     |
| Discontinued operations  |                                 |                     |                     |
| Loss from operations of discontinued businesses, less<br>applicable tax benefit of \$(4,900), \$-0- and \$(14,300) | (14,878)                        | (99,448)            | (52,402)            |
| Provision for loss on disposal of discontinued operations  | (118,267)                       | (58,196)            | (20,000)            |
|  | <u>(133,145)</u>                | <u>(157,644)</u>    | <u>(72,402)</u>     |
| <b>Loss Before Extraordinary Gain</b>  | <u>(88,940)</u>                 | <u>(242,632)</u>    | <u>(136,223)</u>    |
| Extraordinary Gain   | —                               | 19,792              | —                   |
| <b>Net Loss</b>  | <u>\$ (88,940)</u>              | <u>\$ (222,840)</u> | <u>\$ (136,223)</u> |
| Income (loss) per share  |                                 |                     |                     |
| — Continuing operations  | \$ 2.05                         | \$ (4.71)           | \$ (3.77)           |
| — Discontinued operations  | (6.18)                          | (8.73)              | (4.27)              |
|  | <u>(4.13)</u>                   | <u>(13.44)</u>      | <u>(8.04)</u>       |
| — Extraordinary Gain   | —                               | 1.10                | —                   |
| <b>Loss Per Share</b>  | <u>\$ (4.13)</u>                | <u>\$ (12.34)</u>   | <u>\$ (8.04)</u>    |
| Shares used in computation of income (loss) per share  | <u>21,518</u>                   | <u>18,050</u>       | <u>16,936</u>       |

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

**CONSOLIDATED BALANCE SHEET**

| (In thousands)   | December 31        |                    |
|--|--------------------|--------------------|
|  | 1984               | 1983               |
| <b>ASSETS</b>  |                    |                    |
| <b>Current Assets</b>                                    |                    |                    |
| Cash and short-term investments                          | \$ 158,803         | \$ 42,604          |
| Receivables, net   | 168,271            | 188,096            |
| Inventories  | 17,029             | 24,526             |
| Prepaid expenses and other                               | 12,266             | 9,430              |
| Total Current Assets                                     | <u>356,369</u>     | <u>264,656</u>     |
| <b>Property, Plant and Equipment</b>                     |                    |                    |
| Equipment used in operations                             | 819,830            | 970,943            |
| Buildings and leasehold improvements                     | 53,951             | 88,690             |
| Terminal facilities and other                            | 73,501             | 81,715             |
| Construction in process                                  | 2,581              | 28,884             |
|  | <u>949,863</u>     | <u>1,170,232</u>   |
| Less accumulated depreciation and amortization           | <u>353,181</u>     | <u>401,327</u>     |
|  | <u>596,682</u>     | <u>768,905</u>     |
| <b>Other Assets</b>                                      |                    |                    |
| Investments, other receivables and deposits              | 16,405             | 20,951             |
| Cost in excess of fair value of acquired businesses, net | 57,272             | 59,254             |
|  | <u>73,677</u>      | <u>80,205</u>      |
| <b>Total Assets</b>                                      | <u>\$1,026,728</u> | <u>\$1,113,766</u> |

**CONSOLIDATED BALANCE SHEET**

| (In thousands)  | December 31        |                    |
|---|--------------------|--------------------|
|   | 1984               | 1983               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>               |                    |                    |
| <b>Current Liabilities</b>                                |                    |                    |
| Note payable to North American Car                        | \$ 132,151         | \$ —               |
| Current portion of long-term obligations                  | 58,864             | 48,997             |
| Accounts payable and accrued liabilities                  | 182,946            | 205,610            |
| Total Current Liabilities                                 | <u>373,961</u>     | <u>254,607</u>     |
| <b>Long-term Obligations</b>                              |                    |                    |
| Notes payable and equipment obligations                   | 326,538            | 399,521            |
| Subordinated debt   | 27,281             | 29,086             |
| Capital lease obligations                                 | 249,239            | 263,285            |
|   | <u>603,058</u>     | <u>691,892</u>     |
| <b>Deferred Credits</b>                                   |                    |                    |
| Deferred income taxes and tax credits                     | 1,417              | 3,299              |
| Reserve for discontinued operations                       | —                  | 31,261             |
| Other   | 43,705             | 48,171             |
|   | <u>45,122</u>      | <u>82,731</u>      |
| <b>Commitments</b>  |                    |                    |
| <b>Minority Stockholders' Equity</b>                      | 2,626              | —                  |
| <b>Stockholders' Equity</b>                               |                    |                    |
| Common stock, \$1 par value                               |                    |                    |
| Authorized — 50,000,000 and 35,000,000 shares;            |                    |                    |
| outstanding — 21,710,976 and 20,508,257 shares            | 21,711             | 20,508             |
| Additional paid-in capital                                | 256,311            | 250,998            |
| Retained deficit  | (273,566)          | (184,626)          |
|   | 4,456              | 86,880             |
| Less treasury stock, at cost (192,608 and 166,835 shares) | 2,495              | 2,344              |
| Total Stockholders' Equity                                | <u>1,961</u>       | <u>84,536</u>      |
| <b>Total Liabilities and Stockholders' Equity</b>         | <u>\$1,026,728</u> | <u>\$1,113,766</u> |

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

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

| For the three years ended<br>December 31, 1984<br>(in thousands)                       | \$ 1 Par<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings<br>(Deficit) | Treasury<br>Stock    | Total           |
|--|-----------------------------|----------------------------------|-----------------------------------|----------------------|-----------------|
| <b>Balance at December 31, 1981</b>  | \$17,001                    | \$219,052                        | \$ 184,780                        | \$ (1,444)           | \$ 419,389      |
| Net loss   | —                           | —                                | (136,223)                         | —                    | (136,223)       |
| Issuance of Common Stock upon conversion<br>of debentures                              | 34                          | 205                              | —                                 | —                    | 239             |
| Treasury stock acquired in connection with<br>conversion of debentures by an affiliate | —                           | —                                | —                                 | (239)                | (239)           |
| <b>Balance at December 31, 1982</b>  | 17,035                      | 219,257                          | 48,557                            | (1,683)              | 283,166         |
| Net loss   | —                           | —                                | (222,840)                         | —                    | (222,840)       |
| Issuance of Common Stock and warrants in<br>exchange offer                             | 3,213                       | 30,299                           | —                                 | (585) <sup>(1)</sup> | 32,927          |
| Issuance of Common Stock in lieu of cash<br>interest payments                          | 260                         | 1,442                            | —                                 | (76) <sup>(2)</sup>  | 1,626           |
| Effect of change in accounting principle for<br>foreign currency transactions          | —                           | —                                | (10,343)                          | —                    | (10,343)        |
| <b>Balance at December 31, 1983</b>  | 20,508                      | 250,998                          | (184,626)                         | (2,344)              | 84,536          |
| Net loss   | —                           | —                                | (88,940)                          | —                    | (88,940)        |
| Issuance of Common Stock in lieu of cash<br>interest payments                          | 1,203                       | 5,313                            | —                                 | (151) <sup>(2)</sup> | 6,365           |
| <b>Balance at December 31, 1984</b>  | <u>\$21,711</u>             | <u>\$256,311</u>                 | <u>\$(273,566)</u>                | <u>\$ (2,495)</u>    | <u>\$ 1,961</u> |

(1) Represents Common Stock and warrants issued to Flying Tigers in exchange for Old 11½% Debentures. See Note 5 — Long-Term Debt.

(2) Represents Common Stock issued to Flying Tigers for interest on the New 11½% Debentures.

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

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

| (In thousands)   | For the Years Ended December 31 |                  |                    |
|--|---------------------------------|------------------|--------------------|
|  | 1984                            | 1983             | 1982               |
| <b>Source of Funds</b>   |                                 |                  |                    |
| Continuing operations  |                                 |                  |                    |
| Income (loss) from continuing operations before extraordinary item                 | \$ 44,205                       | \$ (84,988)      | \$ (63,821)        |
| Items not involving working capital—   |                                 |                  |                    |
| Depreciation and amortization  | 65,880                          | 73,034           | 75,428             |
| Deferred income taxes  | 4,900                           | —                | (48,021)           |
| Translation gain on yen denominated debt   | —                               | —                | (18,391)           |
| Gain on sale of equipment used in operations                                       | (16,591)                        | (3,909)          | (4,792)            |
| Overhaul reserves, net   | 4,508                           | 13,239           | (10,376)           |
| Other  | 2,261                           | 11,627           | 2,178              |
| Working capital provided (used) by continuing operations before extraordinary item | 105,163                         | 9,003            | (67,795)           |
| Discontinued operations  |                                 |                  |                    |
| Loss from discontinued operations  | (133,145)                       | (157,644)        | (72,402)           |
| Items not involving working capital—   |                                 |                  |                    |
| Depreciation and amortization  | 9,124                           | 69,018           | 82,372             |
| Other  | (20,006)                        | 43,394           | (9,739)            |
| Working capital provided (used) by discontinued operations                         | (144,027)                       | (45,232)         | 231                |
| Total working capital used by operations before extraordinary item                 | (38,864)                        | (36,229)         | (67,564)           |
| Collection of finance lease and long-term receivables                              | —                               | 20,658           | 52,186             |
| Retirement of property, plant and equipment  | 43,983                          | 98,502           | 33,391             |
| Net proceeds from sale of investments  | 9,732                           | —                | 31,740             |
| Proceeds from sale of aircraft   | 69,652                          | 31,637           | 55,500             |
|  | 84,503                          | 114,568          | 105,253            |
| Extraordinary item   | —                               | 19,792           | —                  |
| Proceeds from debt financing, net of prepayments                                   | 9,703                           | 51,003           | 109,809            |
| 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  | 6,365                           | 34,553           | —                  |
| Assets of discontinued operations  | —                               | 1,058,974        | —                  |
| Working capital of discontinued businesses   | 3,649                           | 42,090           | —                  |
| Total Source of Funds  | 104,220                         | 1,420,012        | 215,062            |
| <b>Application of Funds</b>  |                                 |                  |                    |
| Liabilities of discontinued operations   | —                               | 1,059,944        | —                  |
| Additions to long-term receivables   | 10,500                          | 7,183            | 16,345             |
| Additions to property, plant and equipment   | 48,614                          | 55,099           | 139,066            |
| Reductions of long-term obligations  | 79,730                          | 119,432          | 158,291            |
| Debentures retired in exchange offer   | —                               | 92,073           | —                  |
| Other  | (6,983)                         | 35,390           | 19,601             |
| Total Application of Funds   | 131,861                         | 1,369,121        | 333,303            |
| <b>Increase (Decrease) in Working Capital</b>                                      | <b>\$ (27,641)</b>              | <b>\$ 50,891</b> | <b>\$(118,241)</b> |
| <b>Changes in Components of Working Capital</b>                                    |                                 |                  |                    |
| Cash and short-term investments  | \$ 116,199                      | \$ (22,300)      | \$ 17,936          |
| Receivables, net   | (19,825)                        | 11,164           | (76,558)           |
| Inventories  | (7,497)                         | (46,349)         | (54,413)           |
| Prepaid expenses and other   | 2,836                           | (35,058)         | 18,911             |
| Increase (Decrease) in Current Assets  | 91,713                          | (92,543)         | (94,124)           |
| Short-term borrowings  | —                               | (20,000)         | 14,243             |
| Note payable to North American Car   | 132,151                         | —                | —                  |
| Current portion of long-term obligations   | 9,867                           | (67,837)         | 38,999             |
| Accounts payable and accrued liabilities   | (22,664)                        | (55,597)         | (29,125)           |
| Increase (Decrease) in Current Liabilities   | 119,354                         | (143,434)        | 24,117             |
| <b>Increase (Decrease) In Working Capital</b>                                      | <b>\$ (27,641)</b>              | <b>\$ 50,891</b> | <b>\$(118,241)</b> |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 — Financial Restructuring

On February 14, 1983, Tiger International's air cargo transportation subsidiary, The Flying Tiger Line Inc. ("Flying Tigers"), Tiger's railcar services subsidiary, North American Car Corporation ("North American"), Tiger's aviation services subsidiary, TigerAir, Inc. ("TigerAir"), and certain other subsidiaries of Tiger began deferring payments of principal of and interest on a substantial portion of their bank and institutional debt as a cash conservation measure.

During July, August and September 1983, Tiger International made an exchange offer (the "Exchange Offer") to holders of its publicly-held debt securities pursuant to which it reduced the principal amount of its debt by \$29.1 million. The exchange resulted in an extraordinary gain of \$19.8 million.

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 of approximately \$48 million of principal and interest otherwise payable in 1983 and 1984. These deferred amounts will be payable over a five-year period commencing July 2, 1985. In addition to stated interest, Flying Tigers has agreed to pay supplemental interest contingent upon its future earnings in the years 1985 through 1989. The cumulative amount of such supplemental interest may not exceed \$20 million, of which \$9.7 million relates to the credit facility.

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 has been reduced to 99% of Flying Tigers' common stock.

During September 1983, North American and TigerAir executed restructuring agreements with most of their bank lenders, and defaults on approximately \$283 million and \$62 million principal amounts of indebtedness, respectively, were waived. The North American restructuring agreement was amended and restated as of December 6, 1983 by North American and the lenders who are parties to such agreement. During December 1983, North American, pursuant to an agreement with General Electric Credit Corporation (which, together with its subsidiaries, is hereinafter referred to as "GECC") sold certain of its assets and management operations to GECC. The agreement also provided for the sale of additional assets to GECC if certain consents were obtained.

On December 5, 1984, North American and substantially all its subsidiaries, Tiger Leasing Group and another indirect subsidiary of Tiger Leasing Group (collectively, the "Chapter 11 Companies"), filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court ("Bankruptcy Court"). Since the date of the filing of the voluntary petitions for reorganization, such companies have operated as debtors in possession under Chapter 11 of the Bankruptcy Code. Tiger International is obligated for a \$132 million principal amount note payable (the "Tiger International Note") plus accrued interest to North American.

#### Restrictions on Cash, Dividend Payments and Assets Secured by Debt

At December 31, 1984, Flying Tigers cash balance was \$147.7 million. However, under the Flying Tiger restructuring agreement, Flying Tigers is presently prohibited from providing funds to Tiger International. Warren Transport is free from restrictions limiting dividends and advances to Tiger International.

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 Depository Convertible Preferred Stock to the public at \$8.25 per share. This offering is part of a proposed settlement of the Tiger International Note and, if certain events occur, will result in net proceeds of \$10.0 million to Tiger International. See Note 2 — Discontinued Operations, North American Car and Note 12 — Subsequent Events.

## Note 2 — Discontinued Operations

### Summary

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

| (In thousands)     | For the Years Ended December 31 |                     |                    |
|--------------------|---------------------------------|---------------------|--------------------|
|                    | 1984                            | 1983                | 1982               |
| Hall's             | \$ (20,578)                     | \$ (10,640)         | \$ (15,712)        |
| North American     | (141,951)                       | (100,878)           | 1,689              |
| Tiger Leasing      | 24,484                          | (46,126)            | (72,679)           |
|                    | (138,045)                       | (157,644)           | (86,702)           |
| Income tax benefit | (4,900)                         | —                   | (14,300)           |
|                    | <u>\$ (133,145)</u>             | <u>\$ (157,644)</u> | <u>\$ (72,402)</u> |

#### Hall's Motor Transit

Effective December 31, 1984, Tiger International sold a 75% interest in Hall's to certain members of the management group of Hall's and has accounted for this operation as a discontinued operation. Tiger International retained a 25% minority equity interest in Hall's. Tiger International will not participate in the on-going management of Hall's. The sale proceeds, \$10.5 million, are evidenced by a promissory note collateralized by certain of Hall's assets. The note, plus accrued interest at 11% per annum, is payable no later than January 1987. However, in January 1987, under certain conditions the note may be converted to a two-year term loan with principal and interest, at prime plus two percent, payable quarterly. Tiger International realized a loss of \$10.6 million on the sale of its equity interest in Hall's. In addition, Tiger International's remaining 25% interest is fully reserved for at December 31, 1984. Management is of the opinion that Tiger will have no liability in the event Hall's withdraws from the multiemployer pension plans to which Hall's contributes under the Multiemployer Pension Plans Amendments Act of 1980.

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

| (In thousands)           | For the Years Ended December 31 |                    |                    |
|--------------------------|---------------------------------|--------------------|--------------------|
|                          | 1984                            | 1983               | 1982               |
| Revenues                 | \$191,255                       | \$193,408          | \$215,335          |
| Costs and expenses       | 201,233                         | 204,048            | 231,047            |
| Loss before income taxes | <u>\$ (9,978)</u>               | <u>\$ (10,640)</u> | <u>\$ (15,712)</u> |

#### North American Car

On September 7, 1983, North American entered into a purchase and loan agreement with GECC whereby North American agreed to sell to GECC railcars, the majority of the assets of its railcar repair division and other assets for approximately \$156.5 million. The sale was to be consummated at two closings. At the first closing on December 15, 1983, North American sold railcars for \$40 million in cash and the management operations including the operating and accounting systems to GECC for two promissory notes aggregating approximately \$5.6 million. North American was committed to sell to GECC an additional number of railcars and most of the repair facilities at a closing to occur upon the receipt by North American of all necessary consents. Furthermore, as part of this transaction, North American entered into a twenty-year management agreement with GECC for GECC to manage the railcar fleet on behalf of North American and GECC was given an option to purchase (after the date of the second closing) all of the remaining railcars owned or acquired by North American.

The North American restructuring agreement, among other things, severely limited the transfer of cash from North American to Tiger International. In connection with the restructuring, Tiger International issued a promissory note to North American for the principal amount of \$132 million (the "Tiger International Note") representing advances previously made by North American to Tiger International. Tiger International also issued a note to North American for up to \$10 million for future advances which could be made by North American to Tiger International under certain conditions. During 1984, approximately \$900,000 was advanced to Tiger International under the terms of this note. These notes bear interest at 7% and, subject to certain events of acceleration, have maturity dates of January 1991.

North American was accounted for as a discontinued operation at December 31, 1983 since the management operation of North American was sold and the railcar fleet will be liquidated under the GECC option or otherwise. The Tiger International net investment in North American at December 31, 1983 was fully reserved due to the limitation of cash transfers under the North American restructuring agreement. In addition, at December 31, 1983 Tiger International considered the Tiger International Note to be a contingent liability because management believed that sufficient cash would be provided from the North American railcar fleet liquidation to meet North American's outstanding indebtedness.

Under the debt restructuring agreement of North American, the Tiger International Note was pledged to North American's lenders as security for the repayment of North American's debt. The note for up to \$10 million was also pledged to the creditors of North American. On November 2, 1984 the collateral agent for certain bank lenders which restructured certain debt of North American, advised Tiger International that the agent believed that a net worth default occurred as of September 30, 1984 under the North American restructuring agreement. Tiger International and North American disputed the collateral agent's position and notified the bank group that North American was in compliance with the terms of its restructuring agreement.

Because of the assertion of default, and the possibility that the note could become immediately due and payable, Tiger International recorded the Tiger International Note as a liability plus \$9.8 million of accrued interest and established a \$132 million investment in North American as of September 30, 1984. The interest through September 30, 1984 was charged to operations as a loss from discontinued operations, net of applicable income tax. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 in the Bankruptcy Court and the Tiger International Note became immediately due and payable. At December 31, 1984 the Tiger International Note, plus accrued interest totaled approximately \$145.2 million and as of December 31, 1984 Tiger reserved its entire investment in North American. See Note 1 — Financial Restructuring and Note 12 — Subsequent Events.

The following is an unaudited condensed balance sheet of North American as of December 31, 1984. This balance sheet has been prepared on the basis of accounting followed by North American and does not reflect adjustments for the estimated realizable value of assets or the estimated settlement amounts of liabilities. The balance sheet also does not reflect the effects of the proposed settlement of the Tiger International Note.

(In thousands)

|  |                   |
|--|-------------------|
| Current assets   | \$ 43,651         |
| Investment in finance leases   | 40,656            |
| Property, plant and equipment, net (includes \$679,596 of railcars)  | 724,994           |
| Tax receivable from Tiger International  | 79,947            |
| Other assets   | 46,599            |
| Total assets   | <u>\$ 935,847</u> |
| Current liabilities  | \$ 96,648         |
| Long-term debt and capital leases  | 760,773           |
| Deferred income taxes and other  | 142,612           |
|  | <u>1,000,033</u>  |
| Preferred stock (\$5,150 held by Tiger International)  | <u>10,342</u>     |
| Equity   | 167,567           |
| Intercompany receivables (Tiger International Note — \$132,151; Tiger Leasing Group and other — \$109,944) | <u>(242,095)</u>  |
| Equity less intercompany receivables   | <u>(74,528)</u>   |
| Total liabilities and equity   | <u>\$ 935,847</u> |

The results of operations, exclusive of provision for loss or disposal, for North American for each of the three years ended December 31, 1984 are as follows:

| (In thousands)                    | For the Years Ended December 31 |                    |                 |
|-----------------------------------|---------------------------------|--------------------|-----------------|
|                                   | 1984                            | 1983               | 1982            |
| Operating revenues                | \$138,159                       | \$184,550          | \$233,098       |
| Intercompany income               | 1,032                           | 1,111              | 21,437          |
|                                   | 139,191                         | 185,661            | 254,535         |
| Costs and expenses                | 217,424                         | 255,042            | 252,846         |
| Income (loss) before income taxes | <u>\$ (78,233)</u>              | <u>\$ (69,381)</u> | <u>\$ 1,689</u> |

In addition, in 1983, Tiger wrote off a \$31,497,000 investment in North American. Costs and expenses include depreciation expense of \$40,089,000 in 1984, \$43,028,000 in 1983 and \$40,436,000 in 1982.

The results of operations for the years ended December 31, 1983 and 1982 are included under the caption "Discontinued Operations" in the Consolidated Statement of Operations. However, the loss (unaudited) for the year ended December 31, 1984 has not been reflected in Tiger's financial statements.

#### Other Leasing Operations

Tiger's other leasing operations were also discontinued at December 31, 1983. At December 31, 1984 the principal assets consist of one DC-10-30 and four 727-200 aircraft all of which are leased.

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, are as follows:

| (In thousands)           | For the Years Ended December 31 |                   |
|--------------------------|---------------------------------|-------------------|
|                          | 1983                            | 1982              |
| Operating revenues       | \$ 12,285                       | \$136,533         |
| Costs and Expenses       | 31,712                          | 189,212           |
| Loss before income taxes | <u>\$(19,427)</u>               | <u>\$(52,679)</u> |

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, as these reserves are no longer considered by Tiger International to be required.

#### Note 3 — Acquisitions and Dispositions

During 1982, Tiger sold a common stock investment for a sale price of \$31,740,000 and a pretax gain of \$2,327,000. Also Flying Tigers sold three DC-8 freighter aircraft and related equipment for proceeds aggregating \$55,500,000 resulting in a pretax gain of \$4,792,000.

During the first quarter of 1983, the Company 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.

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.

During 1982, Tiger's leasing subsidiaries realized approximately \$13,500,000, in pretax income from the sale of tax and depreciation benefits. 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.

#### Note 4 — 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 in the Pacific and Atlantic areas between cities in the United States and points in Asia and Europe. Air cargo services are also provided to South America, the Middle East and Australia. Effective December 31, 1984 Halls is accounted for as a discontinued operation. The Railcar Services business (North American) and the other leasing operations of Tiger Leasing Group were discontinued effective December 31, 1983 and the Aviation Services business was discontinued effective December 31, 1982.

| Segment data            | Revenues           | Pretax Results Before Interest Expense | Interest Expense Net | Pretax Income (Loss) | Identifiable Assets | Capital Expenditures | Depreciation and Amortization Expense |
|-------------------------|--------------------|--|----------------------|----------------------|---------------------|----------------------|---------------------------------------|
|                         | (In thousands)     |  |                      |                      |                     |                      |                                       |
| <b>1984</b>             |                    |  |                      |                      |                     |                      |                                       |
| 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>                      |
| <b>1983</b>             |                    |  |                      |                      |                     |                      |                                       |
| 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>                      |
| <b>1982</b>             |                    |  |                      |                      |                     |                      |                                       |
| Air Cargo               | \$ 905,496         | \$ (1,519)                             | \$ 71,070            | \$ (72,589)          | \$1,043,630         | \$ 58,325            | \$ 74,036                             |
| Trucking                | 47,012             | 2,178                                  | 62                   | 2,116                | 30,617              | 1,239                | 1,397                                 |
| Other                   | (6,647)            | (14,386)                               | 26,862               | (41,248)             | 66,230              | 150                  | (5)                                   |
| Continuing Operations   | 945,861            | (13,727)                               | 97,994               | (111,721)            | 1,140,477           | 59,714               | 75,428                                |
| Discontinued Operations | 589,117            | 14,703                                 | 101,405              | (86,702)             | 1,300,142           | 79,352               | 82,372                                |
|                         | <u>\$1,534,978</u> | <u>\$ 976</u>                          | <u>\$199,399</u>     | <u>\$(198,423)</u>   | <u>\$2,440,619</u>  | <u>\$139,066</u>     | <u>\$157,800</u>                      |

Other includes parent company and corporate intercompany elimination items.

Operating revenues reported in the Consolidated Statement of Operations include international revenues of \$939,773,000, \$799,917,000 and \$701,283,000 for the years ended December 31, 1984, 1983 and 1982, respectively. All significant identifiable assets are located in the United States. Revenues from the United States Government were \$143,775,000, \$122,123,000 and \$151,329,000 for the years ended December 31, 1984, 1983 and 1982, respectively. These revenues were for services performed primarily for the Military Airlift Command and the U.S. Postal Service.

**Note 5 — Long-Term Debt**

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

| (In thousands)  | December 31      |                  |
|---|------------------|------------------|
|   | 1984             | 1983             |
| <b>Notes Payable and Equipment Obligations</b>  |                  |                  |
| Tiger International, Inc.   |                  |                  |
| 11½% Debentures due April 1995, net of imputed interest   | \$ 19,090        | \$ 18,476        |
| 11½% Debentures due October 1995, net of imputed interest   | 13,795           | 13,691           |
| Subsidiaries  |                  |                  |
| 9% to 12% equipment obligations and trust certificates scheduled to mature serially 1985 to 1996 (average rate 10.1% in 1984) | 144,560          | 170,708          |
| 9% to 14½% notes payable due 1985 to 1996 (average rate 11.4% in 1984)  | 115,129          | 139,559          |
| Variable rate revolving credit agreements (average rate 13.4% in 1984)  | —                | 10,702           |
| Variable rate notes payable due 1985 to 1990  | 77,480           | 80,610           |
|   | <u>370,054</u>   | <u>433,746</u>   |
| Less current portion  | 43,516           | 34,225           |
|   | <u>\$326,538</u> | <u>\$399,521</u> |
| <b>Subordinated Debt</b>  |                  |                  |
| Tiger International, Inc.   |                  |                  |
| 8½% Senior Subordinated Debentures due 1995, net of imputed interest  | \$ 20,360        | \$ 19,668        |
| 8½% Convertible Subordinated Debentures due 2005  | 4,437            | 4,437            |
| Subsidiaries (net of imputed interest)  |                  |                  |
| 5% Convertible Subordinated Debentures due 1985 to 1986   | 4,960            | 7,292            |
|   | <u>29,757</u>    | <u>31,397</u>    |
| Less current portion  | 2,476            | 2,311            |
|   | <u>\$ 27,281</u> | <u>\$ 29,086</u> |

**Scheduled Maturities**

Principal scheduled maturities of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in Note 6 — Commitments) related to continuing operations are as follows (in thousands):

| Year        | Long-term Debt   | Capital Lease Obligations | Total            |
|-------------|------------------|---------------------------|------------------|
| 1985        | \$ 45,992        | \$ 12,872                 | \$ 58,864        |
| 1986        | 49,173           | 13,615                    | 62,788           |
| 1987        | 44,444           | 14,303                    | 58,747           |
| 1988        | 49,232           | 15,276                    | 64,508           |
| 1989        | 48,483           | 16,329                    | 64,812           |
| Later Years | 162,487          | 189,716                   | 352,203          |
| Total       | <u>\$399,811</u> | <u>\$262,111</u>          | <u>\$661,922</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 8½% Convertible Subordinated Debentures due July 1, 2005 (the "Old 8½% 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 8½% Senior Subordinated Debentures due July 1, 1995 (the "New 8½% 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 pay the October 1, 1983, interest payment on its New 11½% Debentures and the January 1, 1984 interest payment on its New 8½% Debentures with Common Stock, thereby satisfying its \$3.3 million interest obligation by delivering 592,680 shares of Common Stock. In addition, Tiger International elected to pay all 1984 interest on the New Debentures with Common Stock, thereby satisfying its \$6.5 million interest obligation by delivering 1,139,738 shares 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 debentures originally issued. Tiger International may deliver outstanding debentures and apply as a credit 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 8½% 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 debentures issued in connection with the Indenture. Tiger International may deliver outstanding debentures and apply as a credit debentures which have been redeemed at the election of Tiger International in satisfaction of all or part of such mandatory sinking fund payment requirement.

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 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 debentures outstanding at October 1, 1986. Tiger International may deliver outstanding debentures and apply as a credit 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 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 8½% 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 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 debentures. Tiger International may deliver outstanding debentures and apply as a credit 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 debentures to meet the mandatory sinking fund requirement for the years 1990 through 2002 and a substantial portion for the year 2003.

## Subsidiaries

In connection with the restructuring of its debt, Tiger International's air cargo subsidiary, Flying Tigers, entered into a \$45 million credit agreement with a group of lenders. Borrowings in the amount of \$9 million against such agreement were outstanding at December 31, 1983, which were repaid in January, 1984. There are no borrowings outstanding at December 31, 1984. The agreement, which is secured by a mortgage on substantially all of Flying Tigers' assets, provides for interest at prime plus two percent and a commitment fee of one half of one percent per annum on the daily average unused amount of the commitment. The available commitment is subject to reductions based upon the proceeds from future asset sales. As a result of asset sales, the commitment has been reduced to \$27.5 million as of December 31, 1984. Borrowings under the agreement are payable prior to July 1, 1985 based upon available cash, as defined, with the balance outstanding subsequent to that date due in twenty equal quarterly installments commencing July 2, 1985.

The \$5.1 million principal amount of 5% Convertible Subordinated Debentures due 1986, was assumed in connection with the acquisition of Seaboard and requires annual redemptions of \$2.6 million in 1985 and \$2.5 million in 1986. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of Tiger International's Old 11½% Debentures and 16 shares of Tiger International's Common Stock. In April 1984, Flying Tigers completed two debt for equity exchange offers, one of which related to the 5% Convertible Subordinated Debentures. See Note 1 — Financial Restructuring.

## Note 6 — Commitments

### Leases

At December 31, 1984 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 and facilities. 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, plant and equipment recorded as assets under capital leases at December 31 are as follows:

| (In thousands)                         | 1984             | 1983             |
|--|------------------|------------------|
| Equipment used in operations:          |                  |                  |
| Equipment used in air cargo operations | \$270,400        | \$336,722        |
| Equipment used in trucking operations  | —                | 7,589            |
| Buildings and leasehold improvements   | —                | 5,977            |
|  | <u>270,400</u>   | <u>350,288</u>   |
| Less accumulated amortization          | 64,919           | 115,777          |
|  | <u>\$205,481</u> | <u>\$234,511</u> |

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, 1984, 1983 and 1982 was \$44,797,000, \$33,793,000 and \$23,453,000, respectively.

Scheduled Minimum Future Lease Payments: At December 31, 1984, 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):

| Year   | Capital<br>Leases | Operating<br>Leases |
|--|-------------------|---------------------|
| 1985   | \$ 37,774         | \$ 17,664           |
| 1986   | 38,638            | 16,743              |
| 1987   | 39,664            | 12,228              |
| 1988   | 39,692            | 9,958               |
| 1989   | 39,278            | 9,494               |
| Later years  | 413,539           | 106,051             |
| Total minimum lease payments                       | 608,585           | <u>\$172,138</u>    |
| Less amount representing interest                  | <u>346,474</u>    |                     |
| Present value of net minimum future lease payments | 262,111           |                     |
| Less current portion                               | <u>12,872</u>     |                     |
| Long-term capital lease obligations                | <u>\$249,239</u>  |                     |

Minimum payments under non-cancellable operating leases have not been reduced by minimum sublease rentals of \$19,123,000 due in the future under non-cancellable subleases.

#### Purchase Commitments

At December 31, 1984, Tiger had no significant future purchase commitments.

#### Guarantees

At December 31, 1984, Tiger was contingently liable under outstanding guarantees in the amount of \$25,316,000, 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, 1984.

### Note 7 — Capital Stock

#### Common Stock.

At December 31, 1984 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         |
| Conversion of Convertible Preferred Stock         | <u>10,350,000</u> |
|   | <u>16,650,000</u> |

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

#### Stock Option Plan

During 1981, the stockholders approved a Key Employees Incentive Stock Option Plan under which options may be granted covering no more than 750,000 shares of Common Stock. The option price is the market value at date of grant. The options granted are exercisable from 1985 to 1994.

A summary of changes in stock options for the three years ended December 31, 1984 is as follows:

|                                  | Number<br>of Shares | Option Price<br>Per Share |
|----------------------------------|---------------------|---------------------------|
| Outstanding at December 31, 1981 | 445,700             | \$ 12.38                  |
| Granted                          | 33,125              | 14.13                     |
| Exercised                        | —                   | —                         |
| Cancelled or expired             | 57,100              | 12.38                     |
| Outstanding at December 31, 1982 | 421,725             | 12.38-14.13               |
| Granted                          | 104,141             | 9.25                      |
| Exercised                        | —                   | —                         |
| Cancelled or expired             | 185,200             | 9.25-14.13                |
| Outstanding at December 31, 1983 | 340,666             | 9.25-14.13                |
| Granted                          | 387,776             | 6.13- 8.00                |
| Exercised                        | —                   | —                         |
| Cancelled or expired             | 87,936              | 9.25-14.13                |
| Outstanding at December 31, 1984 | 640,506             | \$ 6.13-14.13             |

The aggregate purchase price of shares subject to outstanding options was \$5,932,000 at December 31, 1984, \$3,937,000 at December 31, 1983 and \$5,277,000 at December 31, 1982. At December 31, 1984, 296,930 stock options are exercisable with the remaining 343,576 stock options becoming exercisable between January and April 1985.

#### 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 5 — Long-Term Debt.)

In connection with the above mentioned Exchange Offer, Tiger International issued 200,000 warrants to Drexel Burnham Lambert Incorporated ("Drexel") 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.

In connection with the restructuring agreement entered into by North American, Tiger International executed an agreement with the collateral agent for the creditors who are parties to the North American restructuring agreement which provided, among other things, that Tiger International issue to such creditors warrants exercisable for a period expiring September 30, 1993, in connection with (i) the deferral of interest and (ii) advances made by North American to Tiger International. The Flying Tigers' restructuring agreements included provisions, which provided, among other things, for the issuance of warrants in connection with advances by 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 and Flying Tigers lenders at exercise prices ranging from \$5.94 to \$7.39. No more warrants will be issued in connection with these agreements.

#### Note 8 — Contingencies and Legal Actions

In the ordinary course of business, Tiger International or its subsidiaries may become involved as a defendant in various legal proceedings. It is the opinion of Tiger's management, based upon the advice of its counsel, that the ultimate disposition of pending litigation will not be material in relation to its consolidated financial position.

#### Note 9 — Retirement Plans

Tiger maintains retirement plans for substantially all of its union and non-union employees. The total employer cost for all pension plans was \$9,846,000 in 1984, \$13,812,000 in 1983 and \$15,445,000 in

1982. Of these amounts, \$8,088,000 in 1984, \$11,936,000 in 1983 and \$10,467,000 in 1982 were for union employee plans.

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 deferral is being amortized over a period of 10 years.

For 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 reduced in each of the years. The effect of these changes was to decrease 1984 pension expenses approximately \$140,000 and to increase 1983 pension expenses approximately \$399,000. These changes increased the actuarial present value of accumulated plan benefits by approximately \$6,464,000 and \$11,529,000 in 1984 and 1983 respectively.

During 1982, Tiger also increased certain plan benefits and changed certain actuarial assumptions. The actuarial changes primarily related to modifications of disability assumptions made as a result of reviewing current industry experience. An increase in 1982 expenses of approximately \$1,084,000 resulted from these changes.

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. Estimated assumed rates of return used by consulting actuaries were between 4% and 9.5% in 1984 and between 4% and 10% in 1983.

| (In thousands)  | As of January 1  |                  |
|---|------------------|------------------|
|   | 1984             | 1983             |
| Actuarial present value of accumulated plan benefits                  |                  |                  |
| Vested  | \$172,357        | \$171,787        |
| Non-vested  | 30,332           | 28,258           |
|   | <u>\$202,689</u> | <u>\$200,045</u> |
| Net plan assets including Company balance sheet accruals for benefits | <u>\$210,513</u> | <u>\$205,448</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 year ended December 31, 1984 those 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 1983 and 1982.

#### Note 10 — Income Taxes

The benefit for income taxes for continuing operations in 1982 primarily consisted of deferred federal benefit arising from the reversal of all available domestic deferred income taxes not previously reduced by tax credits. Therefore, there was no income tax benefit recorded for the losses incurred in 1983. 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.

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:

|   | 1984         | 1983      | 1982           |
|---|--------------|-----------|----------------|
| 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          | —         | .7             |
| Book losses not benefitted                                | —            | 46.0      | 1.1            |
| State income taxes, net of federal tax benefit, and other | 2.4          | —         | 1.3            |
| Income tax provision (benefit) effective rate             | <u>10.0%</u> | <u>—%</u> | <u>(42.9%)</u> |

In 1984, Tiger elected to utilize investment tax credit carryforwards to reduce the provision for income tax prior to the recognition of net operating loss carryforwards.

In 1983 and 1982 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 Car liability and the Hall's sale as discussed in Note 2 — Discontinued Operations.

For tax purposes at December 31, 1984, the Tiger International tax consolidated group remains substantially unchanged from December 31, 1983. In 1985, Hall's will withdraw from the group. At December 31, 1984, Tiger had net operating loss carryforwards of approximately \$535 million, including amounts from discontinued operations, of which approximately \$129 million is available to reduce future continuing operations tax provisions for financial reporting purposes.

Tiger has approximately \$95 million of investment tax credit carryforwards available to reduce future federal income taxes for income tax purposes of which approximately \$22 million is available to reduce future continuing operations income tax provisions for financial reporting purposes.

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

| Year of Expiration | Net<br>Operating<br>Loss | Investment<br>Tax Credits |
|--------------------|--------------------------|---------------------------|
| 1989               | \$ —                     | \$ 9,446                  |
| 1990 through 1994  | 23,369                   | 53,490                    |
| 1995 through 1999  | 511,631                  | 32,064                    |
|                    | \$535,000                | \$95,000                  |

Included in the tax net operating loss and investment tax credit carryforwards are approximately \$24 million and \$13 million respectively which were acquired in connection with the 1981 and 1980 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 and 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.

#### **Note 11 — Details of Certain Accounts Supplemental Consolidated Balance Sheet Information**

| (In thousands)   | December 31 |           |
|--|-------------|-----------|
|  | 1984        | 1983      |
| <b>Receivables, Net</b>                                      |             |           |
| Trade  | \$175,630   | \$186,062 |
| Other  | 4,593       | 11,925    |
| Less allowance for doubtful accounts and revenue adjustments | (11,952)    | (9,891)   |
| Receivables, net   | \$168,271   | \$188,096 |
| <b>Accounts Payable and Accrued Liabilities</b>              |             |           |
| Accounts payable   | \$ 76,933   | \$ 89,064 |
| Accrued liabilities  |             |           |
| Payroll  | 11,866      | 14,474    |
| Vacations  | 19,329      | 24,770    |
| Interest   | 35,731      | 20,406    |
| Income taxes   | 70          | 251       |
| Taxes other than payroll and income taxes                    | 4,401       | 7,164     |
| Pensions   | 6,368       | 11,720    |
| Other  | 28,248      | 37,761    |
| Accounts Payable and Accrued Liabilities                     | \$182,946   | \$205,610 |

## Supplemental Consolidated Statement of Operations Information

| (In thousands)   | 1984     | 1983     | 1982     |
|--|----------|----------|----------|
| Maintenance and repairs  | \$95,631 | \$87,733 | \$70,410 |
| Taxes other than payroll and income taxes  | \$ 7,937 | \$ 7,648 | \$ 5,518 |
| Amortization of cost in excess of fair value of acquired businesses <sup>(1)</sup> | \$ 1,608 | \$ 2,124 | \$ 2,563 |
| Advertising costs  | \$ 9,859 | \$24,580 | \$12,574 |

(1) Includes \$192,000 and \$631,000 for the years ended December 31, 1983 and 1982, respectively, relating to Discontinued Operations.

### Note 12 — Subsequent Events

On March 1, 1985, Tiger International completed an offering of convertible preferred stock 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. Tiger International received a promissory note from the Representatives of the Underwriters in the principal amount of approximately \$61.7 million as payment for the convertible preferred stock. Proceeds from the sale of the Depositary Stock of approximately \$61.7 million (after deducting underwriting commissions for the offering) have been deposited in a Preferred Stock Escrow Account with a depository (the "Depositary") and invested pursuant to the terms of the Depositary Agreement. Pursuant to the terms of the offering and the Depositary Agreement, the Depositary also holds a promissory note of Tiger International in the amount of approximately \$4.7 million, which Tiger International anticipates will be paid in full, pursuant to its terms, by either the conversion of shares of Depositary Stock into shares of Common Stock or with the investment income earned on the funds held in the Preferred Stock Escrow Account. Assuming that the proposed settlement of the Tiger International Note is consummated, Tiger International anticipates the net proceeds (after deducting underwriting commissions and other anticipated expenses of the offering) to it will be approximately \$59.9 million, of which approximately \$49.9 million will be applied to the Tiger International Note. At December 31, 1984 the amount due on the Tiger International Note, including accrued interest is approximately \$145.2 million.

However, if the proposed settlement of the Tiger International Note is not consummated on or before December 1, 1985 or upon the occurrence of other events, the holders of the Depositary Stock have the right to rescind the purchase and tender their shares of Depositary Stock to the Depositary for \$8.25 per share.

Tiger International has agreed on the financial terms of a settlement of the Tiger International Note with representatives of certain lenders of North American. The proposed settlement is subject to approval by the Bankruptcy Court and execution of definitive agreements. The terms of the proposed settlement provide that 80% of the net proceeds to Tiger International from the sale of the Depositary Stock, but not less than \$40 million, would be applied first to pay accrued interest on the Tiger International Note and then to reduce the principal. Tiger International would retain \$10 million. Tiger International would then issue a new promissory note for the remaining principal balance (the "New Tiger International Note") with a four year term, subject to extension to five years under certain circumstances and would bear interest at 2% over the prime rate. Tiger International would not be required to make any interest or principal payments during the first three years. Unpaid interest would be capitalized and 50% of interest accrued during the first three years would be due and payable at the end of the third year of the New Tiger International Note; the remaining 50% interest accrued during the first three years would be due and payable at the end of the fourth year of the note. Interest accruing during the fourth year of the New Tiger International Note and during any period of extension would be paid quarterly in arrears. Fifty percent of the principal amount of the New Tiger International Note would be due and payable at the end of the third year and the remaining principal amount would be due and payable as of the end of the fourth year. However, to the extent any principal is prepaid in either the first or second years of the note, the maturity of payments of principal due in the fourth year would be extended, dollar for dollar, to the end of the fifth year. The New Tiger International Note would be secured by a pledge by Tiger International of 47% of the common stock of Flying Tigers presently outstanding (which constitutes 47.5% of the common stock of Flying Tigers owned by Tiger International) (the "Pledged Shares"). For each \$25 payment of principal on the New Tiger International Note, one pledged share would be released to Tiger International, provided that the balance then owing under the New Tiger International Note was equal to or less than \$85 million.

The New Tiger International Note would require 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 would be applied to payment of the New Tiger International Note, first to interest and then to principal, in the order of maturity.

Under the New Tiger International Note, 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 cross defaults, if any, to be negotiated and included in the final documents.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

### **Selected Financial Data Adjusted for Effects of Inflation (Unaudited)**

#### Background

Financial statements of business enterprises, prepared in accordance with generally accepted accounting principles, present amounts reflecting costs in historical dollars. During times of significant and continued inflation, historical dollars do not reflect the cumulative effects of increasing prices and changes in the purchasing power of the dollar. To assist readers of financial statements in assessing this impact, the Financial Accounting Standards Board (FASB) issued SFAS 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 information which follows complies with the requirements of SFAS No. 33. It is intended as an experiment to provide certain measurements of the effects of inflation on Tiger's operations.

The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1984. 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

In the accompanying inflation adjusted financial information for the current cost method, revenues and other operating expenses have not been adjusted because they generally reflect the average price levels for the year. However, depreciation expense has been adjusted in arriving at adjusted net income (loss) amounts. 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, plant and equipment adjusted for changes in specific prices (current cost).

In the accompanying inflation adjusted statements, current cost of property, plant 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 when they can be paid with less valuable dollars.

**STATEMENT OF OPERATIONS ADJUSTED FOR CHANGING PRICES (Unaudited)**

|  | For the Year Ended<br>December 31, 1984 |                              |
|--|---|------------------------------|
| (In thousands)   | Historical<br>Financial<br>Statements   | Adjusted For<br>Current Cost |
| <b>Revenues</b>  | <u>\$1,209,890</u>                      | <u>\$1,209,890</u>           |
| Cost and Expenses  |   |                              |
| Cost of operations   | 875,525                                 | 875,525                      |
| Selling, general and administrative  | 160,762                                 | 160,762                      |
| Depreciation and amortization  | 65,880                                  | 92,915                       |
| Interest expense, net  | 77,861                                  | 77,861                       |
| Other (income) expense   | (19,243)                                | (19,243)                     |
| Income tax provision   | 4,900                                   | 4,900                        |
|  | <u>1,165,685</u>                        | <u>1,192,720</u>             |
| <b>Income from continuing operations</b>                                   | <u>\$ 44,205</u>                        | <u>\$ 17,170</u>             |
| Other Supplementary Information  |   |                              |
| Increase in specific prices of property, plant and equipment               |   | \$ 305,000                   |
| Effect of increase in general price level on property, plant and equipment |   | <u>33,000</u>                |
| Excess of increase in specific prices over increase in general price level |   | <u>\$ 272,000</u>            |
| Current cost of net property, plant and equipment at<br>December 31, 1984  |   | <u>\$ 960,000</u>            |

**FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA  
ADJUSTED FOR EFFECTS OF CHANGING PRICES STATED  
IN 1984 DOLLARS (Unaudited)**

| (In thousands except per share data and index)               | For the Years Ended December 31 |             |            |            |            |
|--|---------------------------------|-------------|------------|------------|------------|
|  | 1984                            | 1983        | 1982       | 1981       | 1980       |
| <b>Revenues</b>  | \$1,209,890                     | \$1,056,868 | \$ 945,861 | \$ 908,777 | \$ 708,485 |
| <b>Current cost information</b>                              |                                 |             |            |            |            |
| Net income (loss)  | 17,170                          | (104,196)   | (91,278)   | (40,912)   | (15,199)   |
| Net income (loss) per common share                           | .80                             | (5.77)      | (5.39)     | (2.41)     | (.96)      |
| Net assets at year end                                       | 572,000                         | 365,000     | 1,491,000  | 1,435,000  | 1,380,000  |
| Gain from decline in purchasing power of<br>net amounts owed | 24,000                          | 22,000      | 55,000     | 163,000    | 185,000    |
| Cash dividends declared per common<br>share                  | —                               | —           | —          | .77        | 1.00       |
| Market price per common share at year<br>end                 | 6.63                            | 6.00        | 9.15       | 15.43      | 28.00      |
| Average consumer price index (base year<br>1967=100)         | 311.1                           | 298.4       | 289.1      | 272.4      | 246.8      |

**SELECTED QUARTERLY FINANCIAL DATA (Unaudited)**

| (In thousands except per share data)        | Quarter Ended |             |             |             |
|---|---------------|-------------|-------------|-------------|
|   | March 31,     | June 30,    | Sept. 30,   | Dec. 31,    |
| <b>1984</b>                                 |               |             |             |             |
| 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)   |
| Net 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)      |
| Extraordinary Item                          | (.34)         | .03         | .45         | (4.29)      |
| Total                                       | \$ (.34)      | \$ .03      | \$ .60      | \$ (4.43)   |
| <b>1983</b>                                 |               |             |             |             |
| 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)    |
| Net Income (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)      |
| Extraordinary Item                          | (3.00)        | (2.98)      | (3.49)      | (3.87)      |
| Total                                       | \$ (3.00)     | \$ (2.98)   | \$ (2.39)   | \$ (3.87)   |
| <b>1982</b>                                 |               |             |             |             |
| Revenues                                    | \$209,986     | \$235,592   | \$253,214   | \$247,069   |
| Loss From Continuing Operations             | \$ (23,315)   | \$ (5,819)  | \$ (11,509) | \$ (23,178) |
| Loss From Discontinued Operations           | (722)         | (3,888)     | (8,635)     | (59,157)    |
| Net Loss                                    | \$ (24,037)   | \$ (9,707)  | \$ (20,144) | \$ (82,335) |
| Loss Per Share—                             |               |             |             |             |
| Continuing                                  | \$ (1.38)     | \$ (.34)    | \$ (.68)    | \$ (1.37)   |
| Discontinued                                | (.04)         | (.23)       | (.51)       | (3.49)      |
| Total                                       | \$ (1.42)     | \$ (.57)    | \$ (1.19)   | \$ (4.86)   |

**Continuing Operations**

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

The second quarter of 1982 includes a pretax gain of \$2,327,000 from the sale of Tiger's investment in Purolator, Inc. common stock and a \$14,000,000 translation gain on yen denominated debt. The third quarter of 1982 includes a \$4,391,000 translation gain on yen denominated debt. The fourth quarter of 1982 includes a gain of \$4,792,000 from the sale of three DC-8-73 freighter aircraft.

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 asset write-downs and reserves of \$9,900,000.

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.

#### **Discontinued Operations —**

Pretax gains from the sale of tax and depreciation benefits in 1982 were \$5,300,000 in the first quarter, \$2,953,000 in the second quarter and \$5,250,000 in the fourth quarter. In addition, the fourth quarter of 1982 included a \$20,000,000 provision related to discontinued operations and a pretax loss of \$14,000,000 due to write-downs of assets of other leasing 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.

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### **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.

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### **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.

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### **PART IV**

#### **ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.**

##### **(a) FINANCIAL STATEMENT SCHEDULES AND EXHIBITS FILED**

| Financial Statement Schedules  | Page |
|--|------|
| Report of Independent Public Accountants on Financial Statements                       |      |
| Schedules Filed  | 53   |
| Schedule III—Condensed Parent Company Financial Data                                   | 54   |
| Schedule V—Property, plant and equipment   | 57   |
| Schedule VI—Accumulated depreciation and amortization of property, plant and equipment | 58   |
| Schedule VIII—Valuation and qualifying accounts and reserves                           | 59   |

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            | — By-Laws of Tiger International, Inc. amended January 18, 1982, filed as Exhibit 3.2 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.   |
| 3.4            | — 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 Number 2-95706, filed with the Securities and Exchange Commission on February 7, 1985 and which hereby is incorporated by reference.  |
| 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.   |
| 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.
- 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.

| Exhibit<br>Number | Description of Exhibit   |
|-------------------|--|
| 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.   |
| 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.  |
| 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.   |
| 25.1              | — Power of attorney granted to Wayne M. Hoffman by J. Howard Edgerton.   |
| 25.2              | — Power of attorney granted to Wayne M. Hoffman by Gerald R. Ford.   |
| 25.3              | — Power of attorney granted to Wayne M. Hoffman by Charles Luckman.  |
| 25.4              | — Power of attorney granted to Wayne M. Hoffman by Charles T. Manatt.  |
| 25.5              | — Power of attorney granted to Wayne M. Hoffman by Gordon M. Metcalf.  |

| Exhibit<br>Number | Description of Exhibit |
|-------------------|------------------------|
|-------------------|------------------------|

- 25.6 — Power of attorney granted to Wayne M. Hoffman by William E. McKenna.
- 25.7 — Power of attorney granted to Wayne M. Hoffman by Peter M. Kennedy.

**(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, 1984.

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

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 and included in the Form 10-K, we have also examined the Financial Statement Schedules listed in the Index to Item 14. Our examinations of the consolidated financial statements were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Reference is made to our report, included in this Form 10-K, which is qualified with respect to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might be necessary should Tiger International, Inc. be unable to consummate a settlement of its note payable to North American of \$132,151,000 plus accrued interest as of December 31, 1984. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and regulations under the Securities Exchange Act of 1934 and are not otherwise a required 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, subject to the effect of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in our report been known, 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, 1985.



**CONDENSED BALANCE SHEET**

| (In thousands)                              | December 31      |                  |
|---|------------------|------------------|
|   | 1984             | 1983             |
| <b>Assets</b>                               |                  |                  |
| Cash  | \$ 3,995         | \$ 5,304         |
| Other current assets                        | 145              | 99               |
|   | <u>4,140</u>     | <u>5,403</u>     |
| Investments in subsidiaries:                |                  |                  |
| The Flying Tiger Line Inc.                  | 260,039          | 199,959          |
| Hall's Motor Transit Company                | —                | 25,227           |
| Warren Transport, Inc.                      | 28,335           | 26,586           |
| Other                                       | —                | 51               |
|   | <u>288,374</u>   | <u>251,823</u>   |
| Property, plant and equipment, net          | 1,263            | 1,691            |
| Investments and other                       | 12,524           | 2,151            |
|   | <u>\$306,301</u> | <u>\$261,068</u> |
| <b>Liabilities and Stockholders' Equity</b> |                  |                  |
| Current liabilities <sup>(1)</sup>          | \$151,894        | \$ 8,242         |
| Long-term obligations <sup>(2)</sup>        | 58,519           | 57,109           |
| Net payables to subsidiaries:               |                  |                  |
| The Flying Tiger Line Inc.                  | 74,856           | 74,043           |
| Hall's Motor Transit Company                | —                | (9,635)          |
| Warren Transport, Inc.                      | 4,261            | 2,478            |
| Other                                       | —                | (10)             |
|   | <u>79,117</u>    | <u>66,876</u>    |
| Deferred credits and other <sup>(3)</sup>   | 13,508           | 43,154           |
| Stockholders' equity <sup>(4)</sup>         | 3,263            | 85,687           |
|   | <u>\$306,301</u> | <u>\$261,068</u> |

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

(2) Includes \$837,000 of New 11½% Debentures held by Flying Tigers at December 31, 1984 and 1983.

(3) Includes a reserve of \$31,261,000 for discontinued operations at December 31, 1983.

(4) Includes Common Stock at a cost of \$1,302,000 at December 31, 1984 and \$1,151,000 at December 31, 1983 held by Flying Tigers.

## **TIGER INTERNATIONAL, INC.**

### **Restrictions on the Transfer of Funds From Subsidiaries to the Parent**

At December 31, 1984, 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 5 — Long-Term Debt to the Consolidated Financial Statements.

### **Cash Dividends Paid to Parent From Consolidated Subsidiaries**

During the years ended December 31, 1984 and 1983, Tiger International did not receive any dividends from its subsidiaries. During the year ended December 31, 1982 Tiger International received total dividends of \$3,400,000, all from Warren Transport.

### **Parent Company Debt**

Included in parent company long-term obligations is \$13.8 million of 11½% debentures due October 1995 and \$19.1 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 5 — Long-Term Debt to the Consolidated Financial Statements.

**SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT**

| For the Three Years Ended<br>December 31, 1984<br>(In thousands) | Balance at<br>Beginning<br>of Period | Additions        | Retirements<br>or Sales | Transfers,<br>Adjustments<br>and Other <sup>(1)</sup> | Balance<br>at End<br>of Period |
|--|--------------------------------------|------------------|-------------------------|---|--------------------------------|
| <b>Year Ended December 31, 1982</b>                              |                                      |                  |                         |   |                                |
| Equipment used in operations:                                    |                                      |                  |                         |   |                                |
| Equipment for lease or under lease                               | \$1,268,647                          | \$ 68,418        | \$ 55,675               | \$ (70,718)   | \$1,210,672                    |
| Equipment used in air cargo operations                           | 1,024,076                            | 2,930            | 30,726                  | —   | 996,280                        |
| Equipment used in trucking operations                            | 57,920                               | 942              | 7,653                   | 3,092   | 54,301                         |
|  | <u>2,350,643</u>                     | <u>72,290</u>    | <u>94,054</u>           | <u>(67,626)</u>                                       | <u>2,261,253</u>               |
| Buildings and leasehold improvements                             | 142,245                              | 10,602           | 2,710                   | (6,300)   | 143,837                        |
| Shop properties, terminal facilities and<br>other                | 107,766                              | 10,045           | 6,208                   | 5,024   | 116,627                        |
| Construction in process  | 38,499                               | 46,129           | 42,924                  | —   | 41,704                         |
|  | <u>\$2,639,153</u>                   | <u>\$139,066</u> | <u>\$145,896</u>        | <u>\$ (68,902)</u>                                    | <u>\$2,563,421</u>             |
| <b>Year Ended December 31, 1983</b>                              |                                      |                  |                         |   |                                |
| 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<br>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>             |
| <b>Year Ended December 31, 1984</b>                              |                                      |                  |                         |   |                                |
| 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>              |

(1) Includes \$78 million, \$1,172 million and \$88 million related to discontinued operations for the years 1982, 1983 and 1984, respectively.

**SCHEDULE VI — ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT**

| For the Three Years Ended<br>December 31, 1984<br>(In thousands) | Balance at<br>Beginning<br>of Period | Additions        | Retirements<br>or Sales | Transfers,<br>Adjustments<br>and Other <sup>(1)</sup> | Balance<br>at End<br>of Period |
|--|--------------------------------------|------------------|-------------------------|---|--------------------------------|
| <b>Year Ended December 31, 1982</b>                              |                                      |                  |                         |   |                                |
| Equipment used in operations:                                    |                                      |                  |                         |   |                                |
| Equipment for lease or under lease                               | \$390,055                            | \$ 61,530        | \$ 38,767               | \$ (21,208)   | \$391,610                      |
| Equipment used in air cargo operations                           | 269,264                              | 62,650           | 20,483                  | 376   | 311,807                        |
| Equipment used in trucking operations                            | 12,823                               | 11,072           | (1,842)                 | (5,841)   | 19,896                         |
|  | 672,142                              | 135,252          | 57,408                  | (26,673)  | 723,313                        |
| Buildings and leasehold improvements                             | 24,693                               | 6,726            | 874                     | (1,388)   | 29,157                         |
| Shop properties, terminal facilities and other                   | 40,046                               | 13,259           | 4,357                   | (2,657)   | 46,291                         |
|  | <u>\$736,881</u>                     | <u>\$155,237</u> | <u>\$ 62,639</u>        | <u>\$ (30,718)</u>                                    | <u>\$798,761</u>               |
| <b>Year Ended December 31, 1983</b>                              |                                      |                  |                         |   |                                |
| 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                         |
|  | 723,313                              | 122,867          | 102,278                 | (407,113)   | 336,789                        |
| 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>               |
| <b>Year Ended December 31, 1984</b>                              |                                      |                  |                         |   |                                |
| 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                          |
|  | 336,789                              | 61,477           | 80,879                  | (25,473)  | 291,914                        |
| 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>               |

(1) Includes \$25 million, \$405 million, and \$39 million related to discontinued operations for the years 1982, 1983 and 1984, respectively.

**SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

| For the Three Years Ended<br>December 31, 1983<br>(In thousands) | Trade<br>Receivables <sup>(1)</sup> | Inventories<br>Allowance | Aircraft<br>Overhaul<br>Reserves |
|--|-------------------------------------|--------------------------|----------------------------------|
| <b>Balance at December 31, 1981</b>                              | \$ 23,717                           | \$ 8,128                 | \$ 46,375                        |
| Additions (deductions) —   |                                     |                          |                                  |
| Provisions charged to costs and expenses                         | 24,039                              | 3,011                    | 23,163                           |
| Amounts charged to reserve                                       | (26,863)                            | (2,655)                  | (30,376)                         |
| Transfers to discontinued operations                             | (1,198)                             | (2,694)                  | (4,885)                          |
| <b>Balance at December 31, 1982</b>                              | 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 <sup>(2)</sup>             |
| <b>Balance at December 31, 1983</b>                              | 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)                            | —                        | (43,916)                         |
| Transfers to discontinued operations                             | (325)                               | —                        | —                                |
| <b>Balance at December 31, 1984</b>                              | <u>\$ 11,952</u>                    | <u>\$ 7,178</u>          | <u>\$ 48,613<sup>(3)</sup></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) Includes \$34,628 classified in accumulated depreciation and \$13,985 classified as other deferred credits.



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Midwest Stock Exchange  
120 S. LaSalle Street  
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Company of California  
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**Registrars**  
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Manufacturers Hanover Trust  
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The Annual Meeting of Stock-  
holders will be held on Thursday,  
May 23, 1985 at 10:00 a.m. at the  
Century Plaza Hotel, 2025 Avenue  
of the Stars, Los Angeles, Califor-  
nia 90067.

**Tiger International, Inc.**  
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