

FINANCIAL HIGHLIGHTS

For the year ended December 31,	1980	1979
Revenues (000)	\$1,562,270	\$ 913,320
Net Income (000)	42,375	43,627
Earnings Per Share	2.68	3.03
Assets (000)	2,758,425	1,940,601
Stockholders' Equity (000)	446,279	357,846
Book Value Per Common Share	26.45	25.12
Cash Dividends Per Common Share	.80	.80

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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. Copies of the Exhibits are available upon request to the Director of Public Relations and Advertising, Tiger International, 1888 Century Park East, Los Angeles, California 90067.



Success in a large and complex business is dependent upon sound strategic planning. At Tiger International, we emphasize the importance of long-range planning, and we attempt to position ourselves to take advantage of changes in the business environment. As a result, we have been able to improve our financial strength significantly in spite of high money costs, credit tightness and increased competitive pressures, while at the same time doubling revenues in two years. I would like to share with you the important elements of our strategic plan for the years ahead.

Tiger International has made a fundamental deci-

sion to concentrate its efforts in the business of transportation. Elimination of regulatory constraints has opened up new opportunities to companies such as ours which have the managerial and financial resources to exploit these new freedoms. Pursuant to that decision, we sold our mortgage insurance company, which was not in our desired field of concentration, and re-deployed that investment in the trucking industry.

We acquired Hall's Motor Transit which, in turn, acquired Dohrn Transfer. Hall's has grown to be a large and efficient common carrier specializing in less-than-truckload shipments, providing a service much in demand by industry throughout the country. In addition, we have entered into an agreement to purchase Warren Transport, a truckload heavy machinery carrier, whose business is growing very rapidly.

At the same time, we have made a commitment to increase our services to the rail industry by expanding into railcar manufacture and repair, activities which complement our railcar sales and leasing activities, and have made major research and development commitments for programs such as the RoadRailer®.

Meanwhile the growth of our air cargo business has continued apace with the addition of Seaboard World Airlines' Atlantic routes to our United States and Pacific routes, giving us worldwide scope.

With these multi-modal capabilities now in prospect, we have begun to work on the possibilities inherent in integrating the air-truck network, where those opportunities present themselves, and we are looking into the possibilities of integrating certain sea, air, truck and rail activities, all with the objective of becoming the most profitable, innovative, customer-oriented transportation company in the world.

In order to assure our future success in an era of credit stringencies, we have taken important steps to improve our financial strength. In early 1981, we sold Investors Mortgage Insurance Company for approximately \$83 million, and we agreed to sell our interest in three 747-100's for approximately \$90 million. These transactions together with the issuance in 1980 of \$60 million of subordinated debentures convertible into stock, the use of stock in the Hall's and Seaboard World acquisitions, and the special investor programs at North American Car have increased our stockholders' equity and improved our debt position, adding significantly to our ability to continue a prudent expansion program without fear of external financial constraints.

Lastly, and a most important reason for our strategic decision to specialize in transportation, we have made a commitment to develop the managers necessary to achieve a position of preeminence. These men and women, our leaders of the future, will be given the training necessary to succeed in tomorrow's competitive environment. When all is said and done, in a service business such as ours, people are our most important resource, and we intend to see that Tiger people are the best in the world.

Finally, all our efforts are aimed at securing an adequate return for our most important constituent, the stockholders. In a decade of severe upset caused by two major energy crises with resultant inflation which, in turn, affected the capital markets adversely, it has not always been possible to assure satisfactory earnings. We are confident, however, that with sound strategic and tactical decisions we can meet our high targets for the future and that our stockholders will be properly rewarded both in steadily higher dividends and in appreciation of stock value.

Wayne M. Hoffman

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



During 1980 each Tiger International business unit made substantial progress toward the implementation of our corporate plan. For a detailed discussion of that progress, I urge you to read management's discussion in Item 7 of the 10-K included in this report.

Following are my comments on how the events of 1980 fit our strategy.

With the acquisition of Seaboard World Airlines and four new 747 jettfreighters, we have doubled the capital invested in air cargo. These acquisitions enabled us to sell three of our older, less

fuel-efficient 747-100's and thus upgrade our fleet. With our extensive domestic system, we can now provide scheduled service to the world's largest international markets—the Transpacific and Transatlantic. This global network enables us to serve our customers' worldwide air cargo needs.

Flying Tigers' expansion during the next several years will be modest. We will assimilate our recent gains and improve profitability. Our immediate plan for the Transatlantic market, which is still unprofitable, is to closely manage aircraft capacity, align rates to more accurately reflect rising costs and significantly improve service to our customers.

During 1980 Hall's demonstrated its strong management capabilities by continuing to perform very profitably when industry freight volume fell significantly. We have already taken advantage of the new freedom to expand under deregulation. The acquisition of Dohrn approximately doubled the number of city pairs we serve. Yet the cost of the acquisition was minimal. We intend to continue expanding our less-than-truckload service area

and will explore additional acquisitions.

North American Car's objective is to continue to increase market share without commensurately increasing capital intensity. Under one program, outside investors buy railcars in exchange for a certain return while we receive annual revenue for managing the cars. Our return is similar to that earned on a full-service lease, but we do not finance the cars ourselves. Railcar sales, remarketing, lease brokering and car repair programs similarly produce significant cash and earnings, but require little capital. Traditional full-service leases continue as the largest source of earnings, but we continue to broaden our range of services with the objective of maximizing earnings and cash flow without adding unduly to capital requirements.

In 1980 North American took additional steps to ensure an adequate supply of specialized railcars. In addition to maintaining an exclusive contract with an independent manufacturer, we developed limited manufacturing capabilities at our own facilities, and we acquired a company that produces pressure differential cars.

TigerAir is rapidly becoming a leader in the aviation services and supply business through an expanding network of fixed base oper-

ations and through a worldwide network of aviation parts centers under our Avi-quip subsidiary. These businesses are not capital intensive, and they achieve high returns. On the other hand, we are de-emphasizing our large aircraft sales activities, such as the Singapore 747 program, because those activities are subject to the same cycles as Flying Tigers, and needlessly exacerbate the adverse effect of high money costs.

Each of these major activities in 1980 was an important element of our overall corporate plan. Consolidated earnings declined only modestly during a period when many of our competitors experienced severe declines, and we have positioned Tiger International to achieve our customer service and profitability targets.

The continued achievement of our strategic objectives is dependent upon the performance of our 14,000 employees. Together, we will develop the most profitable, innovative, customer-oriented transportation company in the world.

Thomas F. Grojean
President

AIR CARGO

4 The merger of Flying Tigers and Seaboard World Airlines was accomplished on October 1, 1980. Flying Tigers,

the world's largest scheduled air cargo carrier, now serves the major markets in Europe in addition to Asia and the United States.

Flying Tigers also provides cargo charter services in the

U.S. and throughout the world. In addition, the company recently formed a passenger charter division, Metro International, which began operating in

December and provides passenger charters worldwide using both B747-200's and stretched DC-8's.

Air cargo is an increasingly vital link in the movement of goods, particularly in international markets. Air is the fast-



est, and frequently the most cost effective, way to move cargo to overseas points from inland cities. Flying Tigers has a competitive advantage since it serves the

two largest international cargo markets, the Atlantic and Pacific, with its extensive domestic system.

In response to customers' needs, Flying Tigers constantly strives to improve its scheduled service and its facilities and equipment. Below, one of Flying Tigers' new B747-200 jettfreighters is being loaded to meet customers' requirements around the world.



RAILCAR SERVICES

6 North American Car operates one of the largest fleets of specialized railcars in the world—more than 59,000 cars. North American offers its customers a wide range of

railcar services. In addition to sales and leasing, it provides repair and maintenance, finance and leveraged leasing, and administrative and remarketing services. Also, North American is increasing its manufacturing capabilities

to include the production of specialized proprietary equipment such as the pressure differential car.

In an effort to reduce its capital intensity and yet meet all its customers' needs, North

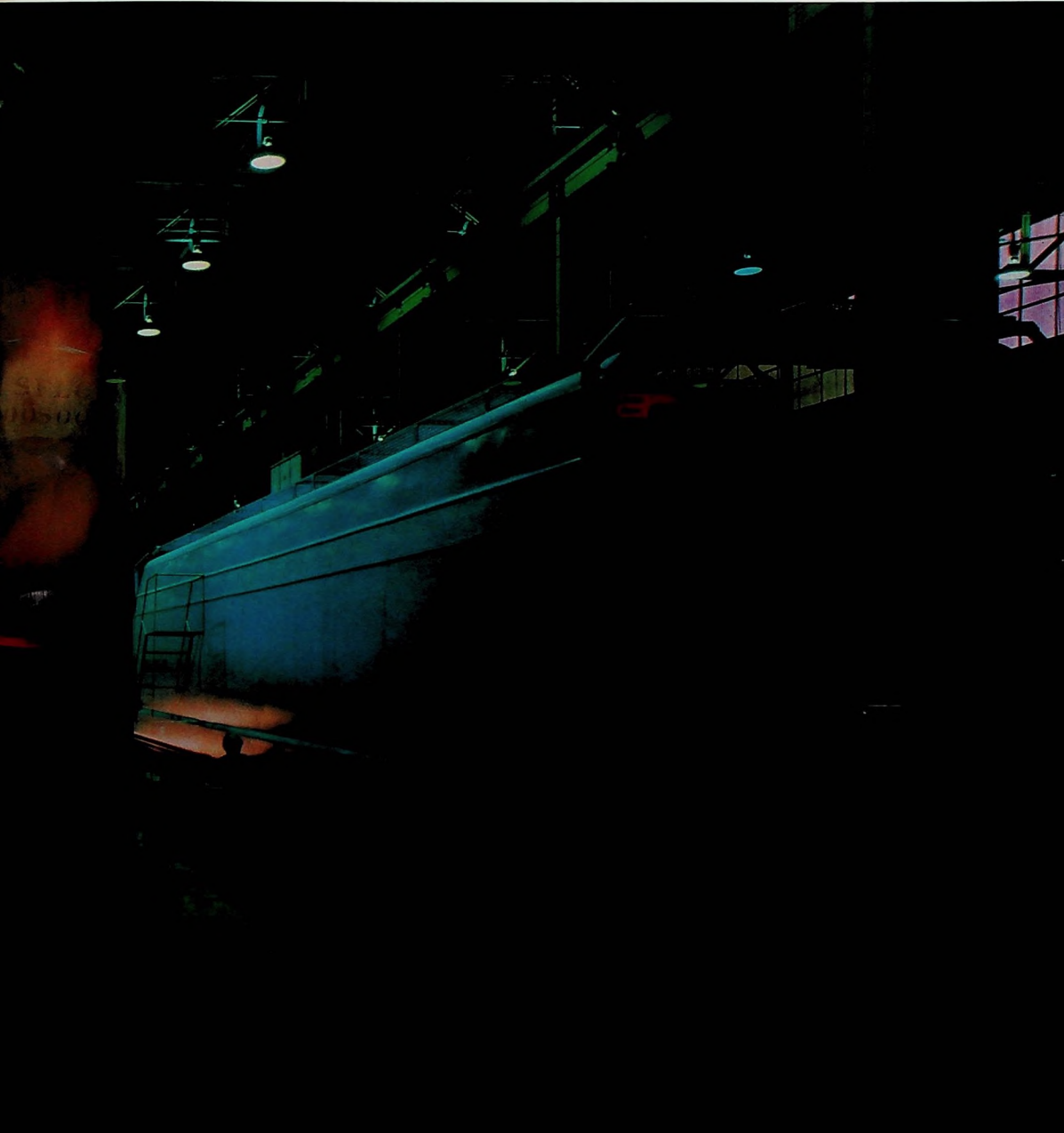
American has developed several programs under which outside investors provide the required capital while North American provides the management for railcars leased to industrial customers.



North American recently introduced a new concept in freight transportation called the RoadRailer, a bimodal vehicle that operates as a truck trailer on highways and a railcar on tracks. It offers

reduced capital requirements and fuel economies over the conventional piggyback configuration, and has been extensively tested on rail tracks in the U.S. and Canada.

North American Car's Chicago Ridge Shop is one of its 20 full-service railcar repair and maintenance facilities strategically located across the country. Skilled repairmen can rebuild, reline and repair cars, recondition wrecks, and perform maintenance on all types of freight cars.



TRUCKING

8 Tiger International entered trucking in January 1980 with its acquisition of Hall's Motor Transit, a less-than-truckload general commodities carrier. To expand its service capabilities, Hall's acquired Dohrn

Transfer, also a less-than-truckload carrier, in January 1981 and merged it into its operation. Hall's now ranks among the top 10 general commodities trucking companies in the United States. Through its network of 80 terminals, Hall's serves custo-

mers in 23 states across the industrial heartland of the U.S., stretching from New England and the mid-Atlantic states west beyond the Mississippi River and south to Texas.

In November 1980 Tiger International entered into an agreement, in principle, to acquire Warren Transport Company, a nationwide truckload carrier of heavy duty equipment. Warren will be operated as a separate entity.



Both Hall's and Warren are expected to benefit from the recent changes in trucking regulation. Hall's is a highly efficient carrier specializing in the very complex less-than-truckload business while Warren is an efficient and rapidly growing carrier spe-

cializing in farm and industrial machinery transportation. These services are in great demand and require special operating skills which are not easily duplicated.

At Hall's headquarters' terminal in Mechanicsburg, Penn., employees put dock equipment into action loading trailers with freight for immediate delivery to customers. The efficient design of Hall's terminals promotes fast movement of goods and a high level of productivity among Hall's employees.



AVIATION SERVICES

10 TigerAir is a leading international service, supply and support company serving the total aviation community from general aviation to commer-

cial airlines. Through its expanding network of fixed base operations, the company primarily supports business aircraft operators, providing fuel, maintenance and ground services. Through its

subsidiary, AviQUIPO, the world's largest international distributor of aviation parts, the company serves as an exclusive marketing representative for aircraft equip-

ment manufacturers throughout the world.

As part of a change in strategy, TigerAir is expanding its fixed base operations, placing less emphasis on the sale and leasing of large commercial and corporate



aircraft and reducing its capital intensity.

Along with TigerAir's strategy to expand its fixed base activity, it is emphasizing the sale and distribution of aviation parts. Each of these busi-

nesses has demonstrated its profitability and will form the nucleus for a rapidly growing business in the coming years.

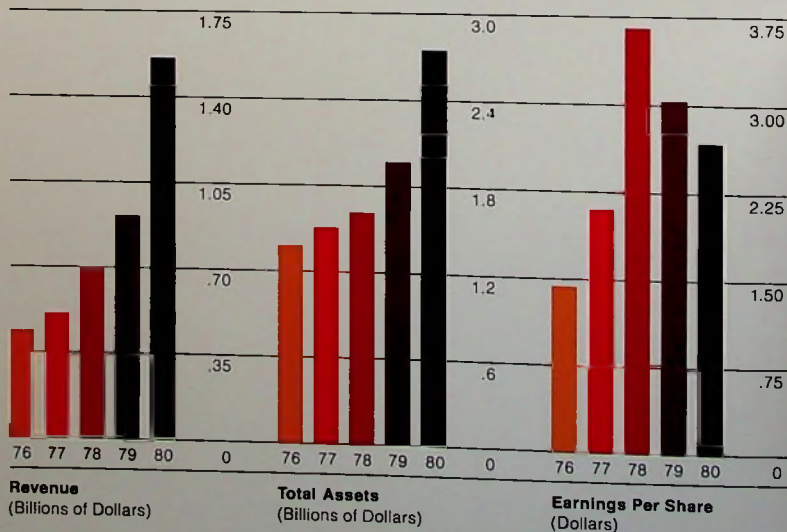
TigerAir's Burbank, Calif. fixed base operation provides business aircraft operators with fuel, maintenance and ground support services. TigerAir's Burbank and Westchester, N.Y. facilities have captured a significant share of this heavily travelled coast-to-coast business.



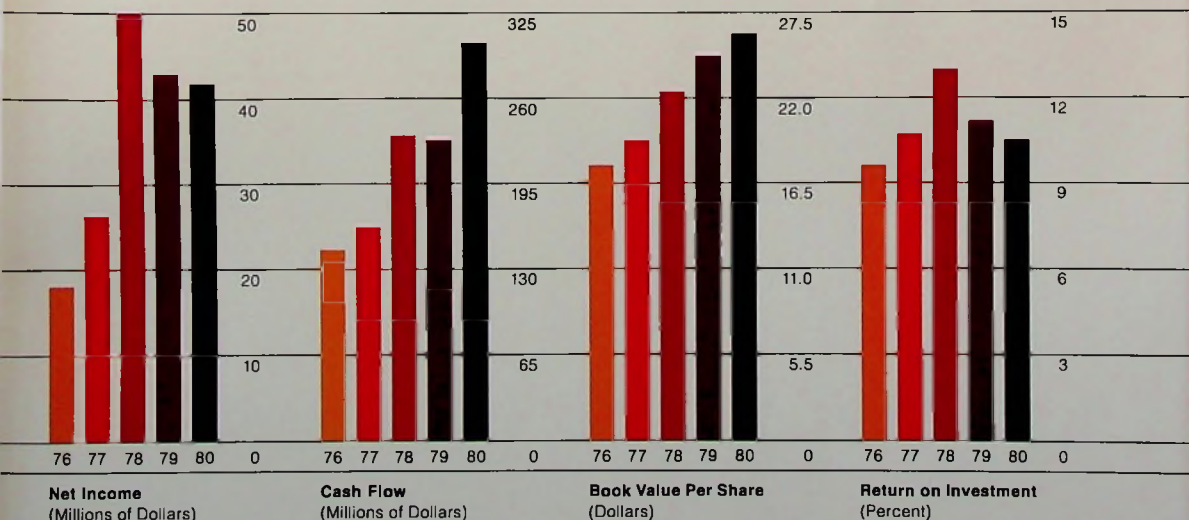
TEN YEAR SUMMARY

Tiger International, Inc. and Subsidiaries

(Amounts in thousands except per share data)	1980	1979	1978
Revenues			
Operating revenues	\$ 1,527,968	\$ 895,907	\$ 680,680
Other	20,230	3,485	1,451
Pretax income of unconsolidated insurance subsidiary	14,072	13,928	10,375
	1,562,270	913,320	692,506
Costs and Expenses			
Cost of operations	1,104,672	568,534	369,281
Selling, general and administrative	139,462	99,896	82,181
Depreciation and amortization	118,332	81,649	74,019
Interest	153,094	106,411	90,562
Interest capitalized	(12,165)	(7,293)	(253)
	1,503,395	849,197	615,790
Income before income tax provision	58,875	64,123	76,716
Income tax provision	16,500	20,496	26,697
Net Income	\$ 42,375	\$ 43,627	\$ 50,019
Earnings per share	\$ 2.68	\$ 3.03	\$ 3.68
Shares used for computation of earnings per share	15,810,000	14,405,000	13,598,000
Stockholders' equity	\$ 446,279	\$ 357,846	\$ 325,301
Book value per common share	\$ 26.45	\$ 25.12	\$ 22.86
Assets	\$ 2,758,425	\$ 1,940,601	\$ 1,616,655
Number of employees	14,769	8,684	7,162
Cash dividends per common share	\$.80	\$.80	\$.60



	1977	1976	1975	1974	1973	1972	1971
\$	488,682	\$ 429,945	\$ 384,397	\$ 333,916	\$ 289,782	\$ 256,283	\$ 206,728
	8,098	5,889	7,498	1,513	1,354	832	2,832
	7,454	—	—	—	—	—	—
	504,234	435,834	391,895	335,429	291,136	257,115	209,560
	250,714	211,339	181,040	160,084	116,327	103,908	93,796
	62,095	58,266	54,738	47,977	37,372	31,507	21,660
	63,882	59,239	53,763	45,424	39,096	38,215	31,513
	86,474	78,522	77,546	64,278	42,847	34,801	30,167
	(870)	(1,040)	(794)	(2,204)	(557)	(117)	—
	462,295	406,326	366,293	315,559	235,085	208,314	177,136
	41,939	29,508	25,602	19,870	56,051	48,801	32,424
	15,595	11,225	9,602	7,842	23,043	20,216	12,993
\$	26,344	\$ 18,283	\$ 16,000	\$ 12,028	\$ 33,008	\$ 28,585	\$ 19,431
\$	2.08	\$ 1.44	\$ 1.27	\$.96	\$ 2.60	\$ 2.18	\$ 1.55
	12,695,000	12,702,000	12,636,000	12,518,000	12,896,000	13,086,000	12,576,000
\$	246,413	\$ 226,767	\$ 210,654	\$ 199,588	\$ 192,459	\$ 161,600	\$ 131,169
\$	19.42	\$ 17.89	\$ 16.94	\$ 16.06	\$ 15.49	\$ 15.36	\$ 13.20
\$	1,504,982	\$ 1,371,986	\$ 1,308,728	\$ 1,219,512	\$ 980,374	\$ 808,268	\$ 748,716
	4,938	4,493	4,414	4,723	4,672	4,082	3,845
\$.50	\$.40	\$.40	\$.40	\$.20	\$ —	\$ —



TIGER INTERNATIONAL DIRECTORS

14

Charles Luckman
*Founder, The Luckman
Partnership, inc.
Los Angeles, California*

Laurence C. Craigie
*Consultant, Lockheed
Aircraft Corporation
Burbank, California*

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

B. Houston Rehrig
*President, Rehrig
international
Los Angeles, California*

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



TIGER INTERNATIONAL EXECUTIVES

David L.
Auchterlonie
*Vice President—
Controller, Tiger
International*

Roll Bodenburg
*Vice President—
Taxes, Tiger
International*

Jack Reiter
*Vice President—
Government
Relations, Tiger
International*

Robert J. Harter, Jr.
*Vice President—
Law and Corporate
Secretary, Tiger
International*

Raymond Buch
*Executive Vice
President and Chief
Operating Officer
Hall's Motor Transit*

Paul M. O'Hara
*Vice President—
Treasurer, Tiger
International*



Thomas F. Grojean
President
Tiger International

Charles T. Manatt
Manatt, Phelps,
Rothenberg & Tunney
Los Angeles, California

J. Howard Edgerton
Chairman of the
Board, Emeritus
California Federal
Savings & Loan Assn.
Los Angeles, California

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

William E. McKenna
Chairman of the Board
Sambo's Restaurants
Santa Barbara,
California



Thomas B. Liesy
Vice President -
Corporate Planning
Tiger International

Walter H.
Bernhardson
Vice President -
Human Resources
Tiger International

Martin A. Lynch
Senior Vice
President - Finance
Tiger International

James H. Ozanne
President, North
American Car

Gerald N. Hall
President, Hall's
Motor Transit

George M. Gross
President, Tiger Air

Thomas F. Grojean
President, Flying
Tigers



Tiger International Directors

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

Laurence C. Craigie
*Consultant
 Lockheed Aircraft
 Corporation
 Burbank, California*

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

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

Thomas F. Grojean
*President
 Tiger International*

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

Charles T. Manatt
*Manatt, Phelps, Rothenberg
 & Tunney (Attorneys)
 Los Angeles, California*

William E. McKenna
*Chairman of the Board
 Sambo's Restaurants
 Santa Barbara, California*

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

B. Houston Rehrig
*President
 Rehrig International
 (Plastic Molders)
 Los Angeles, California*

Tiger International

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

Thomas F. Grojean
President

Martin A. Lynch
*Senior Vice President—
 Finance*

David L. Auchterlonie
Vice President—Controller

Walter H. Bernhardson
*Vice President—
 Human Resources*

Rolf Bodenburg
Vice President—Taxes

Robert J. Harter, Jr.
*Vice President—Law and
 Corporate Secretary*

Thomas B. Liesy
*Vice President—
 Corporate Planning*

Paul M. O'Hara
Vice President—Treasurer

Jack Reiter
*Vice President—
 Government Relations*

Flying Tigers
 Thomas F. Grojean
President

L. Russell Emerson
*Senior Vice President—
 Scheduled Services*

John E. Flynn
*Senior Vice President—
 Administration*

Lewis H. Jordan
*Senior Vice President—
 Operations*

Richard E. Battle
*Vice President—Personnel
 Relations*

Nissen Davis
*Vice President—Public
 Relations and Advertising*

Jere T. Farrah
*Vice President—
 Maintenance and
 Engineering*

Michael B. Gurley
*Vice President—
 Western Region*

Richard L. Haberly
*Vice President—
 Eastern Region*

Albert O. Hicks
Vice President—Europe

Peter E. Hubbard
*Vice President—
 North America*

Jack T. Kane
Vice President—Sales

Richard M. Keefer
Vice President—Flying

John H. Mahoney
Vice President and Advisor

Lawrence M. Nagin
Vice President—Law

Hermann A. Spegel
*Vice President—
 Midwest Region*

Paul A. Stokes
Vice President—Asia

Worth L. Thornton
*Vice President—Passenger
 Marketing and Sales*

James J. Tufts
*Vice President—
 Southern Region*

George A. Zettler
*Vice President—
 Latin America*

North American Car
 James H. Ozanne
President

Robert N. Tidball
*Vice President—
 General Manager
 Railcar Leasing Division*

Gerald D. Birmingham
*Vice President—
 Fleet Operations*

Robert A. Boerke
*Vice President—Engineering
 Railcar Leasing Division*

Howard R. Bolduc
*Vice President—Marketing
 Railcar Leasing Division*

James F. Compton
*Vice President—General
 Manager, Remarketing
 Services Division*

Richard R. Forrest
*Vice President—
 Eastern Region*

Robert A. Greenbury
*Vice President—
 International Operations*

John A. Harrison
Vice President—Finance

Harold C. Herrmann
*Vice President—General
 Manager, Terminal Division*

C. Taylor Kew
*General Manager
 Car Repair Division*

Francis W. Kreidler
*Vice President—
 Special Projects*

Roger A. Noback
Vice President—Law

Gary N. Reynolds
*Vice President—
 Marketing and Sales
 Car Repair Division*

Judith Becker Thomas
*Vice President—
 Personnel Relations*

Richard C. Underwood
Vice President—Sales

Bi-Modal Corporation
 Robert S. Reebie
President

**National Equipment
 Rental, Ltd.**

Harry M. Weisberg
President

**Tiger Computer
 (Computer Division
 U.S.)**

Thomas J. McArdle
President

**Tiger Financial
 Services, Inc.**

Robert K. Parsons
*Vice President—
 General Manager*

**Grupo Tiger, S.A.
 (Mexico)**

Steven H. Spencer
President

NACCO, S.A. (France)
 David MacNaughton
President

**North American Car
 (Canada) Limited**

Raymond L. Bachinsky
*Vice President—
 General Manager*

**Tiger Railcar
 Leasing (U.K.) Ltd.**

Richard Bull
General Manager

Hall's Motor Transit

John N. Hall
Chairman

Gerald N. Hall
*President and Chief
 Executive Officer*

Raymond Buch
*Executive Vice President and
 Chief Operating Officer*

Buddy G. Cummings
*Vice President—
 General Transportation*

D. Richard Hassinger
Vice President—Operations

Edward W. Kelliher
Vice President—Traffic

John E. Kilkenny
*Vice President—Sales
 and Marketing*

William E. Long
*Vice President—
 Maintenance*

Donald G. McDougall
*Vice President—Properties
 and Purchasing*

David G. Quidort
*Vice President—
 Human Resources*

Albert G. Radasky
*Vice President—Finance
 and Administration*

TigerAir

George M. Gross
President

L. Craig Woodhouse
Group Vice President

William D. Evans
*Vice President—
 General Manager
 Spare Parts Support*

Ronald J. Barowski
Vice President—Controller

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1980
Commission file number 1-6457

TIGER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-2623176

(I R S Employer Identification No.)

1888 Century Park East, Los Angeles, California 90067
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act
and listed on the New York Stock Exchange:

Common Stock, \$1 Par Value*

8 $\frac{3}{8}$ % Convertible Subordinated Debentures Due 2005

11 $\frac{1}{2}$ % Sinking Fund Debentures Due 1995

*Also listed on the Midwest and Pacific Stock Exchanges

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:
\$314,280,991 as of March 2, 1981 based upon the closing quotation for that date.

Indicate the number of shares outstanding of each of the registrant's classes of common stock,
as of March 1, 1981: 16,991,754 Shares of Common Stock, \$1 Par Value

DOCUMENTS INCORPORATED BY REFERENCE

Information called for by Part III (Items 9 and 10) is incorporated by reference from the
registrant's definitive proxy statement to be filed with the Securities and Exchange Commission
prior to April 30, 1981, pursuant to Regulation 14A, which will involve the election of directors.

Tiger International, Inc.

ANNUAL REPORT ON FORM 10-K

December 31, 1980

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- * Certain Portions Not Applicable
- ** Not Applicable

PART I.

ITEM 1. BUSINESS.

Tiger International, Inc. ("Tiger") is engaged, through its subsidiaries, in air cargo, railcar services, aviation services and trucking.

Tiger was incorporated in Delaware in 1969 and is a successor to a corporation organized in 1945. Its principal offices are located at 1888 Century Park East, Los Angeles, California 90067 and its telephone number is (213) 552-6300.

Revenue and Operating Profit

Information regarding Tiger's revenues, operating profit and identifiable assets by industry segment and geographic area is included in Part II under the caption "Item 8. Financial Statements and Supplementary Data."

AIR CARGO

The Flying Tiger Line Inc. ("Flying Tigers") is a certificated air carrier primarily engaged in the scheduled common carriage of cargo over a route system serving cities in the United States, Asia and Europe. Flying Tigers is the largest air cargo carrier in the free world as measured by revenue cargo ton miles carried in 1980. On October 1, 1980, Flying Tigers merged with Seaboard World Airlines, Inc. Seaboard's results of operations have not been included in Tiger's consolidated financial statements prior to October 1, 1980.

Scheduled Operations

Domestic. As of March 1, 1981, Flying Tigers provided scheduled air service for both cargo and mail directly to the following U.S. cities: Honolulu, Los Angeles, San Francisco-Oakland, Seattle-Tacoma, Anchorage, Dallas-Fort Worth, Houston, Chicago, Detroit, Cincinnati, Cleveland, Atlanta, Charlotte, Philadelphia, New York, Miami and Boston, and San Juan, Puerto Rico. Flying Tigers also transports, by coordinated air-truck and other modes of transportation, cargo originating at or destined to points other than the cities Flying Tigers serves by air.

International. As of March 1, 1981, Flying Tigers provided international scheduled air service for both cargo and mail between points served in the United States and points in Japan, the Republic of Korea, Hong Kong, Taiwan, the Philippines, Malaysia, Singapore, France, the Federal Republic of Germany, Switzerland, Italy and the United Kingdom. Service to the Benelux and the Scandinavian countries is provided via truck service to and from the cities which are served by air.

Charters

Commercial. Flying Tigers provides cargo charters within the United States and throughout the world. In 1980, Flying Tigers operated cargo charter flights which generated \$80,164,000 of operating revenues compared to \$38,808,000 in 1979 and \$21,881,000 in 1978. Two of the three Boeing 747-200 passenger aircraft leased from its affiliate, TigerAir, Inc. ("TigerAir"), will be used in passenger charter operations in 1981.

Military. Military Airlift Command ("MAC") contracts for both passenger and cargo service are awarded annually on the basis of an airline's participation in the Civilian Reserve Air Fleet ("CRAF"). All of Flying Tigers' aircraft are committed to CRAF. Total revenues from MAC charters in the year ended December 31, 1980, were \$86,035,000 compared to \$45,485,000 in 1979 and \$35,112,000 in 1978. Flying Tigers was awarded a new MAC contract for the twelve months from October 1, 1980 to September 30, 1981, the fixed portion of which is in the amount of \$71,260,000. MAC contracts contain standard provisions which make them subject to renegotiation and termination for convenience by the U.S. Government. A third Boeing 747-200 passenger aircraft leased from TigerAir will be used in MAC charter operations in 1981.

Aircraft Operating Fleet

As of March 1, 1981, Flying Tigers' operating fleet consisted of twenty-one DC-8-63 aircraft, seven DC-8-61 aircraft, six Boeing 747-100F aircraft, ten Boeing 747-200F aircraft and three Boeing 747-200 passenger aircraft on short term lease from TigerAir. As of March 6, 1981, Flying Tigers agreed to sell its interests in three Boeing 747-100 freighters and related equipment for an aggregate consideration in excess of \$90,000,000. Delivery of such aircraft and related equipment will be made in the first and second quarters of 1981.

Fuel

The availability of fuel is critical to Flying Tigers' operations. Aviation jet fuel prices and supplies are not controlled and suppliers of aviation fuel have at times allocated the available fuel. In general, Flying Tigers has been able to obtain adequate fuel supplies to meet its scheduled commitments. During 1979 and 1980 fuel prices increased at a substantially higher rate than in recent years. The average price per gallon of fuel paid by Flying Tigers increased from \$.74 in December, 1979 to \$1.02 in December, 1980.

Revenues and Revenue Ton Miles

The following table presents a percentage breakdown of Flying Tigers' sources of revenue for each of the three years ended December 31, 1980. Flying Tigers' revenues are seasonal with more cargo carried in the third and fourth quarters of each year.

	Year Ended December 31		
	1980	1979	1978
Sources of Revenue (percent)			
Scheduled cargo operations	73.1%	80.1%	84.2%
Military Airlift Command	12.1	9.9	8.6
Charter	11.3	8.5	5.4
Other	3.5	1.5	1.8
	100.0%	100.0%	100.0%

The following table presents certain statistics relating to Flying Tigers' scheduled and nonscheduled cargo operations for each of the three years ended December 31, 1980. The load factors 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.

	Year Ended December 31		
	1980	1979	1978
Scheduled Cargo			
Revenue ton miles (thousands)			
Freight	1,405,117	1,164,382	1,156,056
Mail & Other	66,291	57,827	81,284
Load Factor (percent)	70.3	68.4	67.4
Revenue per ton mile (cents)	35.2	30.0	27.8
Nonscheduled Cargo			
Revenue ton miles (thousands)			
Military Airlift Command	189,724	132,720	112,572
Charter	217,419	127,157	89,734

Customers

Approximately 14% of Flying Tigers' business in 1978 and 1979 and approximately 15% in 1980 was performed for two agencies of the United States Government: the Military Airlift Command and the U.S. Postal Service. MAC charter rates, which were formerly established by the Civil Aeronautics Board ("CAB"), are now determined by negotiation between the individual carrier and MAC. Service mail rates continue to be established by the CAB, which has adopted a procedure whereby those

rates are revised on a quarterly basis to reflect cost changes. The CAB, however, has proposed to establish a mail rates zone which would allow a carrier to negotiate rates within the zone with the Postal Service.

Flying Tigers' domestic cargo customers are freight forwarders and direct shippers, with freight forwarders generating the majority of the weight; much of its international business is produced through cargo agents and freight forwarders. Approximately 7% of Flying Tiger's business in 1980 was performed for one customer, compared to approximately 6% in both 1979 and 1978. Flying Tigers does not have long-term contracts with any of its commercial customers.

Regulation of Air Transport Industry

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

Generally, 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.

Although the domestic portion of Flying Tigers' business has been substantially deregulated, the CAB regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of American air carriers abroad. The CAB's jurisdiction also 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, as part of the Department of Transportation, is concerned with the regulation of flying operations, including matters dealing with safety, aircraft, personnel and ground facilities.

International Route Authorizations and Rates

Flying Tigers serves its Transpacific routes pursuant to a temporary Certificate of Public Convenience and Necessity which was renewed for seven years in July, 1977 and its Transatlantic routes pursuant to a permanent Certificate of Public Convenience and Necessity which was issued on September 15, 1980. Flying Tigers' authorization to operate its international rights and to serve foreign points is further dependent upon permissions from 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 foreign international air carriers. Rates over international air transport routes are usually established by member agreement at periodic IATA Traffic Conferences. Specific agreements are subject to the approval of the CAB (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. The CAB has tentatively approved the IATA Traffic Conference system until April 16, 1982, subject to the condition that U.S. carriers may not participate in the Traffic Conferences which set rates over the North Atlantic.

Flying Tigers was able to effect rate increases in all markets, except the North Atlantic market, in 1980. However, these increases did not keep pace with increased costs. Under tariff rules, the cargo rates charged by carriers are expressed in each country's own currency and have not generally been adjusted for foreign currency exchange rate fluctuations.

Environmental Regulations

Flying Tigers has decided to comply with a rule issued by the FAA under the Noise Control Act of 1972 (the "FAA Noise Rule"), by replacing the existing engines on its DC-8 fleet with newer, quieter engines ("re-engining") and/or replacing the DC-8 aircraft with new aircraft. The re-engining cost will be approximately \$12,000,000 per aircraft, exclusive of spares and other components. The new engines will not be available until 1982 and, as a result, Flying Tigers has received approval of its compliance program under which its DC-8 fleet will be modified on a schedule different from that

required in the FAA Noise Rule. The re-engining modification will comply with the FAA Noise Rule and will also decrease fuel consumption by more than 15% in comparison with present DC-8 engine performance.

Certain of the airports into which Flying Tigers operates have adopted noise abatement regulations. To date these regulations have not had a significant impact on Flying Tigers' overall operations.

Competition

The air cargo industry is highly competitive. As a result of deregulation, the number of Flying Tigers' domestic competitors has increased and may continue to increase. Further, current U.S. Government international aviation policies are both increasing significantly the number of competitors and expanding the number of U.S. interior points served by foreign competitors. While air freight forwarders are customers of Flying Tigers, they are also competitors in developing a direct relationship with the original shipper and by chartering aircraft for their own use or in conjunction with other forwarders. The air cargo industry itself as one transportation mode is in competition with alternative means of transportation such as trucks, buses, railroads and container ships.

In its domestic operation, Flying Tigers also competes with most of the major passenger air carriers. In international service, Japan Air Lines, Northwest Airlines, China Airlines, Pan American World Airways and Korean Airlines are Flying Tigers' major Transpacific competitors and Air France, Alitalia, British Airways, KLM, Lufthansa, Pan American World Airways, SAS and TWA are Flying Tigers' major Transatlantic competitors. Such carriers provide scheduled air cargo service to many of the same points as does Flying Tigers. Most of these competitors operate all-cargo aircraft as well as passenger aircraft which carry cargo in addition to passengers.

International rates in the air cargo industry are subject to the approval of the CAB as well as of various foreign governments. Competition in air cargo markets is based on both price and service; however, market pressures result in some price uniformity. Flying Tigers' market research indicates that the following factors are most important in the shipper's decision as to which carrier or forwarder to use: reliability, door-to-door time, pickup and delivery service, tracing ability, claims processing, customer service and price.

RAILCAR SERVICES

North American Car Corporation and its subsidiaries ("North American") are primarily engaged in furnishing, and providing services with respect to, specialized types of railcars. North American furnishes these railcars and related services primarily to industrial shippers in the grain, chemical, petroleum, food processing, fertilizer, lumber and other industries. The shippers supply these railcars to the railroads which transport the shippers' products in the United States, Canada, Mexico and Western Europe. Railcars and services are also provided directly to the railroads.

Most railcars are furnished under full-service leases under which North American provides and maintains railcars, collects mileage compensation from railroads, pays certain property and related taxes, and performs various other administrative functions. New railcars are acquired and financed by North American for such full-service leases. North American also markets the various elements of its full-service lease separately. In addition, North American sells new and used railcars directly to its customers and provides maintenance and other services for them, on both project and, under North American's administrative services contracts, long-term contract bases.

Under its investor management contracts, North American sells railcars to corporate and other investors subject to management agreements. Under these agreements, North American manages, markets and maintains the railcars for periods of up to approximately 20 years as part of its normal business operations. At the end of such agreements, North American has certain rights to remarket or purchase the railcars.

Car Fleet

North American operates the third largest fleet of privately owned and managed railcars in the world. At December 31, 1980, this fleet consisted of approximately 59,200 railcars with an average age of

approximately 9.5 years. Each type of car in the fleet is generally capable of transporting a variety of bulk commodities.

The composition of the North American fleet (which includes both cars owned by North American and cars owned by others but managed by North American) is set forth below:

	December 31		
	1980	1975	1970
Railcars under operating lease and investor management contracts			
U.S. and Canada			
Tank cars	16,347	15,086	10,090
Covered hopper cars	23,913	17,185	6,744
Box, flat and other cars	5,319	7,328	6,713
	45,579	39,599	23,547
Western Europe and Mexico	4,862	1,449	—
Total	50,441	41,048	23,547
Other (including railcars under finance leases and administrative service contracts)	8,739	3,269	—
Total Railcar Fleet	59,180	44,317	23,547

Substantially all of North American's railcars are encumbered under equipment trust, capitalized lease or similar obligations.

Leases

Leases for new railcars are generally at fixed rentals not subject to escalation during the term of the lease, except for increases in railcar costs or governmentally reported indices between the date of lease and delivery of the railcars. Typically, these leases are written for an initial term of five years or, to a lesser degree, longer terms of up to twelve years. Generally, railcars subject to leases which have expired or been terminated in the past have been re-leased at higher rental rates and a majority of such railcars have been re-leased by the existing customer. During 1980, approximately 9.2% of the owned railcars in the fleet came off lease and were available for re-lease, compared to approximately 15% in 1979 and approximately 12.5% in 1978. During 1980, an average of approximately 98.8% of North American's owned fleet was on lease, compared to an average of approximately 99.5% in 1979 and 99% in 1978.

North American's railcars are leased primarily to approximately 900 shippers and, to a lesser extent, railroads. No single customer leases more than 5% of North American's fleet, and less than 35% of the fleet is leased to North American's 20 largest customers.

Supply

In recent years, the new railcars added to North American's fleet or sold have been either purchased as completed units or assembled at facilities of North American or its contractors from purchased kits or components. Often North American obtains and furnishes components directly to its suppliers and assemblers of railcars. Most of the railcars ordered since 1978 were for delivery as completed units. In January, 1981, North American purchased the manufacturing business of its exclusive supplier of pressure differential (Pd) railcars for transporting dry bulk commodities.

In order to acquire railcars for its various programs, North American from time to time places purchase orders for standard types of railcars before the commitments for the lease or sale of such railcars are entered into. This practice is designed to take advantage of production economies and to maintain an available supply of railcars for lease and sale. In most cases, leases with respect to such railcars are entered into prior to their delivery to North American. However, this practice may, from time to time, cause North American to acquire new railcars for which there are no current lease or sale commitments.

North American acquires railcars and components from a number of different manufacturers and assemblers in the United States, Canada, Mexico and Europe. Most of the railcars expected to be delivered to North American for 1981 are to be assembled by four companies in the United States and Canada.

Maintenance

North American's railcars on full-service lease are repaired and maintained at 20 of its own shops, 11 of its own mobile repair units and at various facilities owned by railroads and others. Running repairs, which account for approximately one-half of its total maintenance expense, are normally made by railroads and billed to North American in accordance with rates established by the Association of American Railroads (the "AAR"). North American's total repair and maintenance expense was \$36,031,000 in 1980, \$35,741,000 in 1979 and \$29,213,000 in 1978. Substantially all railcar repairs, other than running repairs, are made by North American at its own facilities. North American believes that its fleet of railcars is well maintained and in good mechanical condition.

Competition

The business in which North American is engaged is highly competitive, and there are a number of well-established companies which actively compete with North American in the business of owning, leasing and servicing railcars, including two concerns with larger fleets than that of North American, and one concern with a slightly smaller fleet. Although price and service are important considerations in dealings with customers, the availability of equipment for lease is often a major factor in the leasing of railcars. As a leasing and servicing company, North American provides a service and, accordingly, might be considered to be competing with, or facing potential competition from, customers who could provide such services for themselves.

Regulation

North American is not a common carrier and is not subject to regulation or supervision by the Interstate Commerce Commission (the "ICC"). North American is subject to various AAR and Department of Transportation regulations concerning construction, condition and operation of its fleet of railcars. Changes in these regulations and operating rules have required North American to make modifications to its railcars from time to time.

North American does not anticipate any material effects on its capital expenditures, earnings or competitive position as a result of Federal, state and local laws or regulations regarding the discharge of materials into the environment or otherwise relating to the protection of the environment.

International Activities

At December 31, 1980, North American leased railcars valued in its financial statements at approximately \$178,000,000 to customers in Canada, \$21,000,000 to customers in Mexico, and \$35,000,000 to customers in other countries, principally in Western Europe. Of the total 1980 operating revenues of North American, approximately 13% is accounted for by operations in Canada and 4% by operations in Western Europe and Mexico.

Related Services

Tiger Financial Services, Inc., a subsidiary of North American, is involved in the brokerage of leveraged lease transactions of railroad and, to a lesser degree, other types of capital equipment. Such transactions involved the placement of equipment with approximate costs of \$220,000,000 in 1980, \$200,000,000 in 1979 and \$79,000,000 in 1978.

AVIATION SERVICES

TigerAir buys fixed and rotary wing aircraft and aircraft spare parts for lease and sale and provides jet and prop jet transport aircraft on an operating or finance lease basis. In addition, TigerAir's subsidiaries operate an international distributorship of aircraft spare parts and ground support equipment, four fixed base facilities (of which two were purchased in 1980 and one in February,

1981) which provide hangering, fuel, maintenance and repair services, a facility for the assembly and installation of aircraft supplemental fuel systems and a full line Cessna dealership.

TigerAir in the course of its operations realizes income from the sale or other disposition of aircraft. During the three years ended December 31, 1980, TigerAir sold 34 commercial and corporate jet aircraft and in 1978 and 1979 the profit from such sales represented a significant portion of the income before income taxes. During 1980, the depressed market for aircraft sales had an adverse effect on TigerAir's operations (see discussion — page 17). During this three year period, TigerAir purchased 27 commercial and corporate aircraft for lease or sale.

At December 31, 1980, TigerAir owned, or held under long term leases, 17 commercial aircraft. Ten aircraft were under operating leases, 2 were under finance leases or subject to conditional sale contracts and 3 were held for lease. Of the remaining 2 aircraft, 1 is being modified and 1 is being operated as a demonstrator. TigerAir also owned 2 fixed and rotary wing corporate aircraft, which were held for sale or lease.

Aircraft under lease are maintained at the expense of the lessee and the lessee is responsible for complying with FAA and applicable foreign governmental regulations. Aircraft offered for lease by TigerAir must comply with the requirements of the FAA or of a similar foreign governmental agency if the aircraft is registered in a foreign country.

The 3 used Boeing 747-200 passenger aircraft purchased by TigerAir from Singapore Airlines were delivered in September, 1979, and in July and September, 1980. All of these aircraft are on cancellable, short-term leases with Flying Tigers and are held primarily for sale.

In 1980, TigerAir purchased 1 used DC-10-30CF aircraft from Flying Tigers. The DC-10-30CF aircraft had been acquired by Flying Tigers in its merger with Seaboard and is being leased to a domestic carrier on a short-term lease.

TRUCKING

Hall's Motor Transit Company ("Hall's") was acquired by Tiger on January 24, 1980. Hall's results of operations are not included in Tiger's consolidated financial statements prior to that date. On the basis of operating revenues for 1980, Hall's ranked as the sixteenth largest motor carrier in the United States.

Hall's is a common carrier of general commodities by motor vehicle, operating in interstate commerce in 18 states and the District of Columbia under authority granted by the ICC, in foreign commerce to and from the Province of Quebec under authority granted by the ICC and the Transport Commission of Quebec, and in intrastate commerce in Pennsylvania, New York and Maryland, under authority granted by the applicable state commissions.

Hall's is authorized to transport general commodities, with exceptions, over a network of regular routes in the states of Minnesota, Wisconsin, Illinois, Indiana, Ohio, Kentucky, West Virginia, Virginia, Pennsylvania, Maryland, Delaware, New Jersey, New York, Connecticut, Rhode Island, Massachusetts, Michigan and New Hampshire; and the District of Columbia. In addition, Hall's maintains interline connections beyond its territory to most other cities in the United States and to points in Eastern Canada. It also possesses irregular route general commodity authority from and to specified points or areas in 11 states and the District of Columbia and irregular route specific commodity authority from and to specified points or areas in 31 states and the District of Columbia.

Hall's has 70 agencies in 64 cities booking freight for its Special Commodities Division, which transports chiefly iron, steel, and related products, glass and refrigerated shipments, on a commission basis.

Of the total intercity tonnage carried during 1980 by Hall's, 85% both originated and terminated within the Hall's system; the remaining 15% either originated or terminated with Hall's. During the fiscal years ended December 27, 1980 and December 29, 1979, 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. None of Hall's customers accounted for more than 1% of Hall's revenues.

The following table shows, for each of the last three fiscal years, certain statistics relating to Hall's operations.

	Fiscal Year Ended(1)		
	Dec. 27, 1980	Dec. 29, 1979	Dec. 30, 1978
OPERATING REVENUES (in thousands)	\$ 197,130	\$ 199,323	\$ 179,691
SHIPMENTS			
Number of Shipments (in thousands)	1,788	1,825	1,907
Average Weight per Shipment (pounds)	2,687	3,287	3,294
Average Revenue per Shipment (\$)	110.25	109.22	94.24
TONS CARRIED			
Number of Tons Carried (in thousands)	2,402	2,999	3,140
Revenue per Ton Carried (\$)	82.07	66.46	57.22
INTERCITY MILES			
Number of Intercity Miles Operated (in thousands)	75,161	84,077	80,215
Revenue per Intercity Mile (\$)	2.62	2.37	2.24
TON-MILES (in thousands)	1,021,374	1,199,031	1,189,529
AVERAGE LENGTH OF HAUL (Miles)	425.2	399.8	378.8
OPERATING RATIO (%) (2)	96.9	95.7	94.4

(1) All years shown are composed of 52 weeks.

(2) Represents the relationship of operating expenses compared to operating revenues.

Equipment

As of December 27, 1980, Hall's owned 1,519 truck tractors, 3,173 van semitrailers, 20 rack and flatbed semitrailers, 180 open-top semitrailers, 101 van straight trucks and 150 lift trucks used in its terminal operations. Hall's also leases truck tractors, with or without drivers, from brokers and owner-operators, as needed for its operations, generally for the purpose of hauling steel, glass and perishables.

Competition

The motor carrier industry is highly competitive. Hall's competes with other motor common carriers, motor contract carriers, private carriers and railroads. The operating authorities granted to Hall's do not give it exclusive rights in any of the areas in which it does business. A substantial number of motor carriers operate within the same areas served by Hall's, and the ICC, the various state regulatory agencies, and the Province of Quebec may authorize operations by additional carriers in the same areas of interstate, intrastate and foreign commerce now served by Hall's. 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.

Hall's believes that the competitive position of a trucking company presently depends upon prices, consistency and dependability of service.

Rates and Regulations

The rates and charges assessed by Hall's for interstate transportation are on file with the ICC. Normally, regional tariff bureaus, on behalf of their members, including Hall's, publish revisions of rates and charges subject to the approval of the ICC. Although under certain limited circumstances Hall's publishes its own individual tariffs, it more often participates in the regional tariff bureau publications.

While rate increases have generally been granted to cover increased costs incurred by members of regional tariff bureaus because of union settlements and other expenses, there can be no assurance

that future rate increases will be sufficient to offset future increases in wages and expenses, or that rate increases will follow these increases promptly.

The United States Department of Transportation has jurisdiction over the qualification and the maximum hours of service of Hall's drivers, and the general safety of Hall's operations and equipment.

Hall's is subject to economic regulation by regulatory agencies of the three states in which it is authorized to transport intrastate traffic and by the Transport Commission of Quebec. Hall's operations are subject to administrative regulation by all the jurisdictions in which it operates.

Cost and Availability of Fuel

Hall's contracts with diesel fuel suppliers for the purchase of fuel in bulk for delivery to each of its terminals for use as needed by its trucks. Because of the placement of its terminals, a relatively small portion of the diesel fuel used by Hall's trucks is purchased from truck stops and other retail sales outlets. Hall's has been and continues to be able to obtain diesel fuel in the quantities, at the times, and in the locations needed, without interruption or other adverse effect upon its ability to provide freight hauling services. However, the cost of fuel has increased significantly and only part of the additional cost of fuel has been offset by increased rates authorized by the various regulatory commissions.

Acquisitions

On January 30, 1981, a Tiger subsidiary acquired all the stock of Dohrn Transfer Company ("Dohrn"). Dohrn is a common carrier engaged in motor freight transportation primarily in the North Central and Great Lakes regions. Dohrn was operated by Hall's pursuant to temporary authority from the ICC from November, 1980 to January, 1981, at which time permanent authority was granted.

On December 31, 1980, Tiger agreed to acquire Warren Transport, Inc., a specialized truckload hauler of heavy machinery and other commodities that require special equipment. The acquisition will be completed as soon as possible after the receipt of necessary ICC approvals and the satisfaction of certain other conditions.

OTHER ACTIVITIES

Computer Leasing

Through its Tiger Computer division in the United States and its Tiger Leasing division in Europe, National Equipment Rental, Ltd. ("NER") leases, arranges leases of, and provides administrative and remarketing services in connection with, IBM System 370 and 3000 Series computer equipment.

At December 31, 1980, computers on operating and finance leases had firm and insured rentals of \$44,700,000, or 75% of the book value of such equipment. In addition, NER arranges, administers and/or has remarketing agreements for computer leases with nonaffiliated investors. NER's investment in the computer equipment related to these leases at December 31, 1980, was \$10,400,000 or 7% of original cost. System 370 and 3000 models are being depreciated on straight line and accelerated methods to zero salvage value over a maximum of 8 years.

Private Mortgage Insurance

Tiger Investors Mortgage Insurance Company ("Tiger Insurance"), directly and through its subsidiaries, engaged primarily in the business of insuring approved lending institutions against losses resulting from defaults by borrowers in payments on conventional loans secured by mortgages on one- to four-family residential properties. As a consequence of Tiger's decision to concentrate its future activities in transportation related businesses, Tiger sold Tiger Insurance and its subsidiaries for a purchase price of approximately \$83,000,000 in cash on February 26, 1981.

TIGER EMPLOYEES

As of December 31, 1980, Tiger and its subsidiaries had approximately 14,800 employees.

ITEM 2. PROPERTIES.

Tiger's executive offices are located in leased space in a modern office building in Los Angeles, California. These offices cover approximately 48,500 square feet under two leases expiring in 1996. Effective December 31, 1980, Tiger disposed of its investment in a real estate partnership which owned the building in which Tiger's executive offices are located.

Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30 acre tract leased at Los Angeles International Airport. A hangar and a general office building, including a ten-story office tower, have been constructed on this property by Flying Tigers. Flying Tigers also has entered into long-term leases on airport facilities at the cities it serves. Flying Tigers' operating fleet is described under the caption "Item 1. Business."

In addition to the railcars described under the caption "Item 1. Business.", North American operates 20 repair shops throughout the United States and Canada at which it conducts railcar repair, modification, rebuilding and, to a lesser extent, assembly. Such repair shops are owned or leased by North American or its affiliates. North American leases its executive offices in Chicago, Illinois and sales offices in cities throughout the country.

The aircraft owned by TigerAir are described under the caption "Item 1. Business.". TigerAir leases its executive offices in Los Angeles, California and its subsidiaries lease office space and hanger and warehouse facilities throughout the United States. TigerAir subsidiaries also lease sales offices and warehouse facilities in foreign cities.

Hall's owns a 36-acre tract in Mechanicsburg, Pennsylvania where it maintains its executive and general offices, breakbulk terminal, and principal garage facility. Hall's maintains 68 terminal facilities in 61 cities in 14 states and the Province of Quebec. Hall's operates 58 of the 68 terminals, of which it owns 43 and leases 15 under leases due to expire between 1981 and 2001. Of the 10 terminals not used by Hall's, 9 are leased to unrelated parties and 1 is vacant. Hall's equipment is described under the caption "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table shows persons known to Tiger to be the beneficial owners of more than five percent of the outstanding Tiger Common Stock, as of March 1, 1981:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Reliance Financial Services Corporation and its subsidiary, Reliance Insurance Company, 919 Third Avenue New York, New York 10022	2,246,000(1)	13.22%
Mathers and Company, Inc. 125 S. Wacker Drive Chicago, Illinois 60606	1,066,610(2)	6.28%
J. P. Morgan & Co. Incorporated 23 Wall Street New York, New York 10015	909,787(3)	5.35%

- (1) This information is derived from Amendment No. 3 to Schedule 13D, dated January 22, 1981, filed by Reliance Financial Services Corporation, a subsidiary of Reliance Group, Inc. In such filing, Reliance reported that (i) it had sole voting and investment power with respect to all of the above-referenced shares and (ii) it had no shared voting or investment power with respect to such shares. In its filings with the Securities and Exchange Commission, Reliance has stated that the above-referenced shares were acquired for investment as part of the general investment portfolio of Reliance Insurance Company, and that it may acquire the additional shares necessary to account for its holdings on an equity basis. On April 22, 1980, Tiger commenced suit against Reliance Insurance Company and certain of its affiliates in the United States District Court for the Central District of California, alleging that their purchases of Tiger Common Stock violated the Federal securities laws and seeking injunctive relief.
- (2) This information is derived from Schedule 13G, dated February 13, 1981, filed by Mathers and Company, Inc. In such filing, Mathers reported that (i) it had sole voting power with respect to 400,000 shares of Tiger Common Stock; (ii) it had sole investment power with respect to 1,066,610 shares of Tiger Common Stock; and (iii) it had no shared voting or investment power with respect to any shares of Tiger Common Stock.
- (3) This information is derived from Schedule 13G, dated December 31, 1980, filed by J. P. Morgan & Co. Incorporated. In such filing, Morgan reported that (i) it had sole voting power with respect to 321,587 shares of Tiger Common Stock; (ii) it had sole investment power with respect to 909,787 shares of Tiger Common Stock; (iii) it had no shared voting or investment power with respect to any shares of Tiger Common Stock; and (iv) it had the right to acquire 48,387 shares of Tiger Common Stock.

The following table shows the number of shares of Tiger Common Stock beneficially owned by each director and by all directors and officers of the registrant as a group, as of March 1, 1981 (none of whom own any other equity security of Tiger):

Name	Title of Class	Amount of Beneficial Ownership	Percent of Class
Wayne M. Hoffman	Common Stock	328,076	1.93%
B. Houston Rehrig	Common Stock	456	(A)
Charles Luckman	Common Stock	3,912	(A)
Laurence C. Craigie	Common Stock	10,279	(A)
J. Howard Edgerton	Common Stock	5,596	(A)
William E. McKenna	Common Stock	910	(A)
Thomas F. Grojean	Common Stock	179,709	1.06%
Gordan M. Metcalf	Common Stock	1,100	(A)
Charles T. Manatt	Common Stock	0	(A)
Gerald R. Ford	Common Stock	100	(A)
All directors and officers as a group (18 persons)	Common Stock	558,761	3.29%

(A) Less than 0.1% of the outstanding shares of Tiger Common Stock.

Each of the foregoing persons has sole voting and investment powers with respect to all shares owned by him. Tiger has entered into stock purchase agreements with certain of its principal executive officers pursuant to which such officers agreed to purchase within ten years thereof, a specified number of shares of Tiger Common Stock at the market price on the date of the agreements. All these agreements have been approved by Tiger's stockholders. The amounts shown include 200,000 shares, in the case of Mr. Hoffman, and 150,000 shares, in the case of Mr. Grojean, as to which they are obligated to purchase pursuant to these agreements.

EXECUTIVE OFFICERS OF THE REGISTRANT

Each officer is appointed by the Board of Directors of Tiger and serves at its pleasure. Pursuant to the retirement agreement between Tiger and Mr. Hoffman, he is to serve in an executive capacity until the normal retirement age of 65.

Name	Title	Age
Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer and Director	58
Thomas F. Grojean	President and Director	42
Martin A. Lynch	Senior Vice President—Finance	43
David L. Auchterlonie	Vice President—Controllor	34
Walter H. Bernhardson	Vice President—Human Resources	49
Rolf Bodenbug	Vice President—Taxes	52
Robert J. Harter, Jr.	Vice President—Law and Corporate Secretary	36
Thomas B. Liesy	Vice President—Corporate Planning	37
Paul M. O'Hara	Vice President—Treasurer	35
Jack Reiter	Vice President—Government Relations	61

There is no family relationship between any of the foregoing persons.

The following is a brief account of the business experience during the past five years of the executive officers of Tiger.

Wayne M. Hoffman	Before becoming Chairman of the Board and Chief Executive Officer of Tiger in March, 1978, Mr. Hoffman had been President and Chief Executive Officer of Tiger since August, 1973.
Thomas F. Grojean	Before becoming President of Tiger in March, 1978, Mr. Grojean had been Executive Vice President of Tiger since September, 1975. In addition, Mr. Grojean has served as President of Flying Tigers since August, 1979.
Martin A. Lynch	Before becoming Senior Vice President—Finance in April, 1980, Mr. Lynch had been Vice President—Finance since July, 1979. Mr. Lynch was Vice President—Treasurer of Tiger from April, 1976 to June, 1979. Since 1971, Mr. Lynch has been a Vice President of North American and since March, 1976 he has been Treasurer of North American.
David L. Auchterlonie	Before becoming Vice President—Controllor in September, 1980, Mr. Auchterlonie had been Senior Audit Manager of the Los Angeles office of Price Waterhouse & Co. since July, 1978. Mr. Auchterlonie had been with Price Waterhouse & Co. since September, 1968.
Walter H. Bernhardson	Before becoming Vice President—Human Resources of Tiger in May, 1979, Mr. Bernhardson had been Vice President—Personnel Relations for Flying Tigers since June, 1977, and Senior Director of Personnel Relations for Flying Tigers from 1972 to June, 1977.
Rolf Bodenbug	Before becoming Vice President—Taxes in July, 1979, Mr. Bodenbug had been Assistant Treasurer—Taxes from April, 1976, and Treasurer from June, 1973 to April, 1976.
Robert J. Harter, Jr.	Before becoming Vice President—Law and Corporate Secretary in June, 1980, Mr. Harter had been Vice President—Law since July, 1979. Mr. Harter was Associate General Counsel to Tiger from April, 1978 to June, 1979. Prior to April, 1978, Mr. Harter was an attorney with the Los Angeles law firms of Shutan & Trost from 1976 to 1978, and Gibson, Dunn & Crutcher from 1970 to 1976.

Thomas B. Liesy	Before becoming Vice President—Corporate Planning in November, 1980, Mr. Liesy had been Director of Corporate Planning from February, 1978 to October, 1980. From May, 1976, to February, 1978 Mr. Liesy was Manager—Financial Planning and Analysis at Occidental Petroleum Corporation and from March, 1973 to May, 1976, Mr. Liesy was Controller of Arcata Data Management Corporation.
Paul M. O'Hara	Before becoming Vice President—Treasurer in November, 1980, Mr. O'Hara had been Treasurer of Tiger since July, 1979. Mr. O'Hara was Assistant Treasurer of Tiger from August, 1977 to June, 1979. From 1975 to 1977 Mr. O'Hara was Director of International Finance with Kimberly-Clark Corporation.
Jack Reiter	Before becoming Vice President—Government Relations in January, 1980, Mr. Reiter had been an attorney with the Washington, D.C. law firm of Zuckert, Scoutt & Rasenberger since March, 1979. Prior to that date, he had been Vice President, Government Affairs of World Airways, Inc. since 1968 and had been a director of World since 1975.

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.

Tiger Common Stock is traded on the New York, Midwest and Pacific stock exchanges under the symbol TGR. As of March 1, 1981, there were approximately 24,000 record holders of Tiger Common Stock according to records maintained by Tiger's transfer agent.

The range of the sales price of Tiger Common Stock by quarter and the cash dividends declared per common share for the two years ended December 31, 1980 are as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
1980				
High	\$24.75	\$24.00	\$28.75	\$25.00
Low	17.88	20.00	22.00	21.13
Close	20.00	22.25	24.38	23.25
Cash dividends declared per common share	.20	.20	.20	.20
1979				
High	\$27.63	\$27.00	\$27.75	\$23.75
Low	19.13	22.25	21.13	16.50
Close	24.63	22.50	23.00	19.00
Cash dividends declared per common share	.20	.20	.20	.20

Certain long-term debt and bank line of credit agreements provide for restrictions on the payment of cash dividends. At December 31, 1980, under the most restrictive of the agreements, approximately \$22.1 million of retained earnings were available for the payment of cash dividends; approximately \$13.2 million of cash dividends were declared in 1980.

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for Tiger and its subsidiaries for each of the five years ended December 31, 1980 (in thousands, except per share and ratio data):

	1980	1979	1978	1977	1976
Results of operations					
Revenues	\$ 1,562,270	\$ 913,320	\$ 692,506	\$ 504,234	\$ 435,834
Net income	\$ 42,375	\$ 43,627	\$ 50,019	\$ 26,344	\$ 18,283
Earnings per common share	\$ 2.68	\$ 3.03	\$ 3.68	\$ 2.08	\$ 1.44
Cash dividends per common share	\$.80	\$.80	\$.60	\$.50	\$.40
Funds provided by operations*	\$ 301,196	\$ 225,136	\$ 225,997	\$ 158,771	\$ 146,748
Ratio of earnings to fixed charges	1.36	1.57	1.81	1.47	1.37
Financial position					
Total assets	\$2,758,425	\$1,940,601	\$1,616,655	\$1,504,982	\$1,371,986
Long-term obligations and minority preferred stock subject to mandatory redemption	\$1,655,575	\$1,151,851	\$ 952,845	\$ 961,396	\$ 911,044
Stockholders' equity	\$ 446,279	\$ 357,846	\$ 325,301	\$ 246,413	\$ 226,767
Debt to equity ratio	3.70	3.20	2.91	3.87	3.99
Book value per common share	\$ 26.45	\$ 25.12	\$ 22.86	\$ 19.42	\$ 17.89

* Includes working capital provided by operations, collection of finance lease, long-term and other receivables and sale or retirement of property, plant and equipment. See Consolidated Statement of Changes in Financial Position on page 25 for additional information pertaining to source and use of funds.

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

Summary

Revenues and assets have increased significantly since 1978 as a result of internal growth and acquisitions. This growth represents the development of a strong market presence and a strategic position in each of our businesses (air cargo, railcar services, aviation services, and trucking). Tiger is now established as an international transportation and related services company that is uniquely positioned to serve its customers and benefit from the deregulation of the transportation business.

Establishing this position has required substantial investment. Tiger entered the trucking business in 1980 with the acquisition of Hall's and expanded its air cargo operations by acquiring Seaboard. During the past three years \$1.3 billion has been spent for acquisitions and equipment additions. Although Tiger's debt to equity ratio has increased from 2.91 to 3.70 to 1 in 1978 to 3.70 to 1 in 1980, it remains below 1976 and 1977 levels. Reduced capital requirements for 1981 and 1982 coupled with Tiger's anticipated substantial cash flow should serve to reduce financial leverage.

Liquidity and Capital Resources

Tiger's sources of funds also include public and private issuances of equipment trust certificates, tax-exempt revenue bonds, common stock and debentures. Additional liquidity is also provided by available bank facilities. At December 31, 1980 Tiger had approximately \$295 million of unused bank commitments.

Acquisitions completed during 1980 cost Tiger approximately \$352 million including the assumption of debt and liabilities of \$198 million. When these acquisitions are combined with 1980 equipment expenditures of \$549.5 million, total expenditures exceed \$900 million. This represents a sharp increase over \$367.5 million spent in 1979 and \$229.7 million in 1978. Most 1980 equipment expenditures were for aircraft for Flying Tigers and TigerAir. Commitments for estimated capital expenditures are described in the note on page 34. Substantially all capital expenditures will be funded through issuance of long-term debt facilities, leaving funds provided from operations to reduce outstanding debt.

During 1980 Tiger issued \$60 million of convertible debentures. Additional funds of approximately \$17 million were provided by the sale of Tiger's interest in a real estate partnership. The sale of the mortgage insurance subsidiary during the first quarter 1981 provided approximately \$83 million in cash. In addition, during March 1981 Flying Tigers agreed to sell its interest in three Boeing 747s for approximately \$90 million. All of these transactions have contributed to Tiger's capital base.

Results of Operations — Overview

1980 revenues exceeded 1979 revenues by 71% or \$648.9 million. 1979 revenues exceeded 1978 revenues by 32% or \$220.8 million. Net income in 1980 declined by 3% reflecting the combined effect of the economic recession and higher costs. Earnings in 1980 were aided by a \$10 million after tax gain on the sale of a real estate partnership interest. Net income in 1979 was 13% less than in 1978 primarily as a result of higher fuel and interest costs and an 18-day strike at Flying Tigers.

Air Cargo

Flying Tigers contributed revenues of \$713.1 million in 1980, an increase of 53% from the \$465.2 million in revenues recorded in 1979. Revenues increased 13% from 1978 to 1979. Flying Tigers sustained a pretax loss of \$9.6 million in 1980 compared to pretax income of \$1.2 million in 1979 and \$38.6 million in 1978.

Flying Tigers' scheduled services revenues have increased dramatically over the past three years reflecting a combination of higher yields, increased pounds shipped and the fourth quarter 1980 acquisition of Seaboard. Domestic revenues received per pound (yield), averaged \$.38 per pound in 1980 compared to \$.31 in 1979 and \$.27 in 1978. Several rate increases in 1980 more than offset yield deterioration caused by reduced volume of higher yielding automotive freight shipped. Total domestic pounds shipped by Flying Tigers rose nominally, increasing by 3% in 1980, although total industry pounds shipped decreased in 1980. Flying Tigers experienced a 12% increase in domestic pounds shipped from 1978 to 1979. Transpacific yields increased to \$1.16 per pound from \$.95 in 1979 and \$.92 in 1978. The small yield increase from 1978 to 1979 reflects the difficulty in obtaining extensive regulatory approvals for international rate increases. Some relief was finally granted in the second half of 1979 and during 1980 to partially offset escalating fuel prices. Transpacific pounds shipped increased 15% in 1980, but increased competition in 1979 caused pounds to decrease 8% from 1978. 1979 results were also adversely affected by an 18-day strike. Transatlantic scheduled service revenues of \$30.3 million in 1980 reflects the acquisition of Seaboard in October 1980.

Scheduled services profitability was adversely affected by higher fuel costs in both 1980 and 1979. The average price per gallon was \$.99 in 1980, \$.58 in 1979, \$.41 in 1978 and \$.39 in 1977.

Earnings in 1980 were also negatively affected by the acquisition of Seaboard in the fourth quarter. Severely depressed rates in the North Atlantic, Seaboard's primary cargo market,

generated losses. (See discussion of certain unaudited pro forma effects of this acquisition on page 27.)

Expanded flight schedules and charters caused the number of miles flown and fuel expenses to increase. In addition, B-747 miles as a percent of total miles flown increased during the past three years, which also caused fuel expense to rise because larger aircraft consume more total fuel even though they are more fuel efficient. B-747 miles flown as a percentage of total miles were 43% in 1980, 28% in 1979, and 26% in 1978.

Other expenses which have shown above average increases during the past three years are aircraft expenses (primarily depreciation, engine overhaul and interest) and terminal expenses. The addition of eight B-747s resulted in an increase in aircraft interest and depreciation expenses during 1980.

Commercial charter revenues were \$80.2 million in 1980, a 107% increase over 1979. 1979 charter revenues were 78% higher than in 1978. Charter revenues increased in 1980 because Flying Tigers was able to utilize its increased passenger capacity provided by passenger B-747s leased from TigerAir.

MAC revenues during 1980 were \$86 million, an 89% increase over 1979. 1979 revenues were 29% higher than in 1978. MAC allocates its business among carriers based on the size of the carriers' MAC dedicated fleet. Rapid fleet growth during the past eighteen months explains much of the revenue growth in 1980.

Railcar Services

North American has experienced substantial growth in both revenues and earnings over the past two years. Revenues of \$498.1 million in 1980 increased by 54% over 1979 while operating profit increased 38%. New railcar sales and remarketing services were major contributors to the higher revenues and earnings in 1980, while railcar leasing, the corporate investor program, railcar repair and international operations also reported significant revenues and earnings increases. Such factors also had the effect of increasing 1979 revenues 62% over 1978.

Remarketing of railcars, begun late in 1978, produced significantly higher revenues in 1980 compared to 1979. This improvement resulted primarily from an agreement entered into by North American with the trustee of the property of a bankrupt railroad whereby North American serves as exclusive remarketing agent for the railcar fleet of the bankrupt railroad in liquidation proceedings. Another component of the increase was a gain that occurred when North American recovered cars leased to the bankrupt railroad and leased them to another railroad.

Railcar leasing operations reported revenue increases during 1980 due primarily to higher lease rates for both new and used railcars. Railcar leasing revenues in 1980 exceeded 1979 revenues by 15%, compared to a 13% increase from 1978 to 1979. 1979 revenues were higher than in 1978 reflecting higher lease rates as well as higher fleet productivity. The total owned/managed fleet has increased 13% and 8% in 1980 and 1979, respectively.

In 1977, North American entered into a program to develop and promote the Roadrailer[®] vehicle, a specialized type of freight trailer which contains both steel wheels for operating on railroad tracks in specialized trains and rubber tires for conventional operations on streets and highways. In 1980, North American assumed a majority stockholder position in a company which is developing the Roadrailer[®] vehicle. Production of the Roadrailer[®] vehicle commenced in 1980 and the first production units have been placed in service.

Aviation Services

TigerAir's aviation services operation reported record revenues of \$118.5 million in 1980 exceeding 1979 revenues by 33%. 1979 revenues exceeded 1978 revenues by 68%. Revenues from TigerAir's fixed base operations (primarily fueling and light maintenance) provided most of 1980's revenue increase, while an increase in spare parts sales explains the major portion of the increase in 1979.

TigerAir sustained a pretax loss of \$8 million in 1980 compared to pretax income of \$13 million in 1979 and \$11 million in 1978. The largest negative impact on TigerAir's operations in 1980 was its inability to sell aircraft due to depressed market conditions. Gains on sales of aircraft in 1980 were \$5.0 million compared to gains of \$14.2 million in 1979 and \$10.7 million in 1978. Also the high carrying costs associated with the acquisition of three passenger B-747s from Singapore Airlines further depressed 1980 operating results.

Trucking

Hall's made a significant contribution to Tiger's revenues and pretax earnings in 1980. Full year 1980 revenues equaled 1979 revenues despite a 30% decline in industry freight tonnage resulting from the recession. Pretax earnings of \$5.7 million (Hall's results are consolidated as of January 24, 1980), were off slightly from 1979. Hall's management was successful in controlling its costs and maintained a 1980 operating ratio of 96.9%, considerably better than the industry average for 1980.

The Motor Carrier Act of 1980 (the "Act") has significantly relaxed trucking regulation. Increased pricing freedom and freedom to enter new markets are the most significant effects of the Act. Price competition and competition for freight from new entrants caused several less efficient operators to cease operations during 1980.

To meet a heightened level of competition, Hall's seeks to increase the percentage of less-than-truckload ("LTL") shipments (10,000 pounds or less) it handles. LTL shipments require a complex freight handling network that is difficult for new entrants to duplicate.

Early in 1981 Tiger acquired Dohrn Transfer Company which will be merged into Hall's. In addition, an agreement has been reached to acquire Warren Transport, a specialized truckload hauler of heavy machinery and other specialized equipment. Tiger's application for authority to acquire Warren is currently being reviewed by the ICC.

Insurance

Consistent with Tiger's plan to concentrate in transportation-related businesses, Tiger sold its insurance operations for approximately \$83 million in cash on February 26, 1981. The cash proceeds received from the sale have been used to reduce variable interest rate debt. It is expected that this will reduce interest expense and which should more than replace the insurance company's contribution to earnings. As a consequence of this sale Tiger recognized a pretax gain of approximately \$6 million during the first quarter of 1981.

Tiger Insurance revenues for 1980 increased 7% over 1979 from \$26.3 million to \$28.2 million. 1979 revenues for the insurance operations increased 20% over 1978 levels. The increases in revenues in these periods were the result of an increase in renewal premiums written and higher investment income. Pretax income for 1980 was \$14.1 million, an increase of 1% over 1979.

Impact of Inflation

Worldwide inflation has an impact on results of operations and financial position which are reported in historical amounts. Tiger has estimated the impact of inflation for selected financial information on pages 39 to 42.

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

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Tiger International, Inc. and Subsidiaries

Consolidated Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries except for the Company's insurance subsidiary which is accounted for by the equity method as described in the note on insurance operations. All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to conform prior period information with the 1980 presentation.

Leases

In addition to its air cargo and trucking operations, the Company is engaged in the business of leasing railcars, aircraft, computers and other equipment. Most of the Company's leases are classified as operating leases. Rentals from these leases are reported as revenue over the life of the lease and expenses are charged against such revenues as incurred. Future rentals under existing operating leases are not recorded as assets.

Some leases are classified as direct financing leases. Aggregate rentals and estimated residual values from these leases, net of the related unearned income, are recorded as an asset. Revenue is recognized over the lease term to reflect an approximate constant rate of return on the net investment in these leases.

Inventories

Inventories consist of maintenance and assembly parts for aircraft and leased equipment and are carried at the lower of cost or market. Cost is determined by the average-cost method for air cargo operations and the first-in, first-out method for leasing operations.

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 equipment includes interest incurred prior to the time such assets are placed in service.

The Company has included as assets the cost 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 included in debt.

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: railcars — 25 to 30 years; aircraft — 5 to 20 years (15% maximum salvage value); trucks — 6 to 8 years; other — 2 to 40 years (average 15 years). Accelerated depreciation methods are utilized for certain aircraft and computers leased or held for lease.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangibles

Intangibles consist of cost in excess of fair value of net assets of acquired businesses. Those acquired prior to November 1, 1970 (\$15,863,000) are considered to have an unlimited life and are not being amortized. All others acquired since that date are amortized on a straight line basis over their estimated useful lives of 20 to 40 years. No cost was assigned to intangible motor carrier operating rights of trucking businesses acquired.

Current Portion of Long-Term Obligations

The current portion of long-term obligations excludes the current portion of long-term debt related to leasing operations to the extent that such amounts will be paid from the net rentals to be received during the next year from finance leases and long-term operating leases.

Income Taxes

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 subsidiaries 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 in the year in which they are so utilizable without exceeding the deduction limits. Investment tax credits arising from the acquisition of equipment for lease under finance leases are accounted for under the deferral method. Under this method the credits are amortized over the initial terms of the related lease in decreasing amounts in relation to the declining balance of the unrecovered investments. Investment tax credits which have been utilized to reduce income tax provisions, but which the Company 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, 1980, 1979 and 1978.

Tiger International, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

	For the Years Ended December 31		
	1980	1979	1978
	(In thousands, except per share data)		
Revenues			
Operating revenues	\$1,527,968	\$895,907	\$680,680
Other	20,230	3,485	1,451
Pretax income of unconsolidated insurance subsidiary	14,072	13,928	10,375
	1,562,270	913,320	692,506
Costs and Expenses			
Costs of operations	1,104,672	568,534	369,281
Selling, general and administrative	139,462	99,896	82,181
Depreciation and amortization	118,332	81,649	74,019
Interest	153,094	106,411	90,562
Interest capitalized	(12,165)	(7,293)	(253)
	1,503,395	849,197	615,790
Income Before Income Tax Provision	58,875	64,123	76,716
Income tax provision	16,500	20,496	26,697
Net Income	\$ 42,375	\$ 43,627	\$ 50,019
Shares used in computation of earnings per share	15,810	14,405	13,598
Earnings Per Share	\$ 2.68	\$ 3.03	\$ 3.68

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

Tiger International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

	December 31	
Assets	1980	1979
	(In thousands)	
Current Assets		
Cash	\$ 42,033	\$ 41,188
Receivables, net	246,389	157,304
Inventories	105,613	74,966
Prepaid expenses and other	17,672	8,847
Total Current Assets	411,707	282,305
Investment in Finance Leases	116,228	118,036
Property, Plant and Equipment		
Equipment used in operations	2,437,635	1,808,642
Buildings and leasehold improvements	109,487	52,319
Shop and terminal facilities and other	101,542	71,198
	2,648,664	1,932,159
Less accumulated depreciation and amortization	645,470	571,419
	2,003,194	1,360,740
Other Assets		
Investment in unconsolidated insurance subsidiary	76,421	67,565
Investments, other receivables and deposits	81,541	88,251
Cost in excess of fair value of acquired businesses, net	69,334	23,704
	227,296	179,520
Total Assets	\$2,758,425	\$1,940,601

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

	December 31	
Liabilities and Stockholders' Equity	1980	1979
	(In thousands)	
Current Liabilities		
Short-term borrowings	\$ 53,565	\$ 39,337
Current portion of long-term obligations	51,247	17,677
Accounts payable and accrued liabilities	299,844	166,067
Total Current Liabilities	404,656	223,081
Long-term Obligations		
Notes payable and equipment obligations	1,113,312	929,462
Subordinated debt	81,730	14,020
Capital lease obligations	454,200	201,817
	1,649,242	1,145,299
Deferred Credits		
Deferred income taxes and tax credits	171,267	160,785
Other	80,648	47,038
	251,915	207,823
Commitments		
Minority Preferred Stock Subject to Mandatory Redemption	6,333	6,552
Stockholders' Equity		
Common stock, \$1 par value		
Authorized - 35,000,000 shares; outstanding - 16,888,811 and 14,266,983 shares	16,889	14,267
Additional paid-in capital	216,905	160,767
Retained earnings	212,833	183,160
	446,627	358,194
Less treasury stock, at cost (18,600 shares)	348	348
Total Stockholders' Equity	446,279	357,846
Total Liabilities and Stockholders' Equity	\$2,758,425	\$1,940,601

Tiger International, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the three years ended December 31, 1980	\$1 Par Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	(In thousands)				
Balance at December 31, 1977	\$12,690	\$124,243	\$109,480	\$ —	\$246,413
Net income	—	—	50,019	—	50,019
Proceeds from issuance of common stock	1,500	34,920	—	—	36,420
Treasury stock purchase of 99,605 shares	—	—	—	(2,550)	(2,550)
Reissuance of 99,605 shares of treasury stock in connection with acquisition	—	—	—	2,550	2,550
Issuance of shares pursuant to the Executive Incentive Plan	23	345	—	—	368
Shares issued upon exercise of stock options	18	372	—	—	390
Unrealized appreciation of equity investments by insurance subsidiary	—	—	5	—	5
Cash dividends declared on common stock (\$.60 per share)	—	—	(8,314)	—	(8,314)
Balance at December 31, 1978	14,231	159,880	151,190	—	325,301
Net income	—	—	43,627	—	43,627
Treasury stock purchase of 18,600 shares	—	—	—	(348)	(348)
Issuance of shares pursuant to the Executive Incentive Plan	34	858	—	—	892
Shares issued upon exercise of stock options	2	29	—	—	31
Unrealized depreciation of equity investments by insurance subsidiary	—	—	(247)	—	(247)
Cash dividends declared on common stock (\$.80 per share)	—	—	(11,410)	—	(11,410)
Balance at December 31, 1979	14,267	160,767	183,160	(348)	357,846
Net income	—	—	42,375	—	42,375
Shares issued in connection with acquisitions	2,501	53,547	—	—	56,048
Issuance of shares pursuant to the Executive Incentive Plan	35	706	—	—	741
Issuance of shares pursuant to the Qualified Employees Stock Purchase Plan	86	1,885	—	—	1,971
Unrealized appreciation of equity investments by insurance subsidiary	—	—	471	—	471
Cash dividends declared on common stock (\$.80 per share)	—	—	(13,173)	—	(13,173)
Balance at December 31, 1980	\$16,889	\$216,905	\$212,833	\$ (348)	\$446,279

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

Tiger International, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the Years Ended December 31		
	1980	1979	1978
	(In thousands)		
Source of Funds			
Net Income	\$ 42,375	\$ 43,627	\$ 50,019
Items not involving working capital			
Depreciation and amortization	118,332	81,649	74,019
Deferred income tax provision	12,175	17,208	22,173
Other-net	(1,276)	5,164	12,930
Working capital provided by operations	171,606	147,648	159,141
Collection of finance lease, long-term and other receivables	59,960	24,973	32,894
Retirement of property, plant and equipment	69,630	52,515	33,962
	301,196	225,136	225,997
Proceeds from debt financing and additions to capital lease obligations	576,257	399,121	208,002
Proceeds from issuance of common stock	58,019	31	36,810
Working capital of acquired businesses	(31,681)	142	4,829
Total Source of Funds	903,791	624,430	475,638
Application of Funds			
Acquisition of businesses	154,000	4,100	12,166
Additions to property, plant and equipment	549,508	363,395	217,535
Investments, deposits and other	(23,956)	36,924	16,298
Payments of long-term obligations	149,239	164,148	167,664
Refinancing of long-term obligations	114,000	39,539	54,404
Cash dividends on common stock	13,173	11,410	8,314
Total Application of Funds	955,964	619,516	476,381
Increase (Decrease) in Working Capital	\$ (52,173)	\$ 4,914	\$ (743)
Changes in Components of Working Capital			
Cash	\$ 845	\$ (24,187)	\$ (8,439)
Receivables	89,085	50,143	14,318
Inventories	30,647	32,525	16,662
Prepaid expenses and other	8,825	2,569	(660)
Increase in Current Assets	129,402	61,050	21,881
Short-term borrowings	14,228	30,496	8,841
Current portion of long-term obligations	33,570	(4,364)	711
Accounts payable and accrued liabilities	133,777	30,004	13,072
Increase in Current Liabilities	181,575	56,136	22,624
Increase (Decrease) in Working Capital	\$ (52,173)	\$ 4,914	\$ (743)

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

Notes to Consolidated Financial Statements

DETAILS OF CERTAIN ACCOUNTS**Supplemental Balance Sheet Information**

	December 31	
	1980	1979
	(In thousands)	
Receivables		
Trade	\$240,221	\$164,165
Other	28,963	5,391
Less allowance for doubtful accounts	(22,795)	(12,252)
<i>Receivables, net</i>	\$246,389	\$157,304
Inventories		
Maintenance parts	\$ 23,026	\$ 10,297
Railcar repair and assembly parts	55,977	48,771
Aircraft parts and other equipment held for sale	26,610	15,898
<i>Inventories</i>	\$105,613	\$ 74,966
Accounts Payable and Accrued Liabilities		
Accounts payable	\$152,552	\$ 75,361
Accrued liabilities		
Payroll	10,325	7,134
Vacations	17,270	9,268
Interest	35,676	23,314
Dividends	3,537	2,850
Income taxes	3,149	1,540
Taxes other than payroll and income taxes	8,647	4,710
Pensions	12,574	10,511
Other	56,114	31,379
<i>Accounts Payable and Accrued Liabilities</i>	\$299,844	\$166,067

Supplemental Income Statement Information

	For the Years Ended December 31		
	1980	1979	1978
	(In thousands)		
Maintenance and repairs	\$125,374	\$ 92,221	\$ 76,265
Taxes other than payroll and income taxes	\$ 11,365	\$ 7,528	\$ 8,893
Amortization of cost in excess of fair value of acquired businesses	\$ 800	\$ 493	\$ 108

ACQUISITIONS AND DISPOSITIONS

During 1980 the Company acquired Hall's Motor Transit Company, Seaboard World Airlines, Inc. and two other businesses for cash, debentures and common stock aggregating \$154,000,000. These acquisitions have been accounted for as purchases and accordingly the results of their operations are included in the consolidated financial statements of the Company from the dates of acquisition. Included in the net assets acquired are property, plant and equipment of \$327,000,000; other assets of \$11,000,000; and long-term debt and other liabilities of \$198,000,000. The excess of purchase prices over the net assets acquired (goodwill) is approximately \$46,000,000 which is being amortized over periods of 20 to 40 years.

On January 24, 1980, the Company completed its acquisition of the outstanding stock of Hall's which is a Pennsylvania based motor freight common carrier. The total purchase price was approximately \$45,000,000 (\$17,000,000 in cash and 1,185,000 shares of the Company's common stock), which was equal to the fair value of the net assets acquired.

Effective October 1, 1980, the Company completed its acquisition of the outstanding common stock of Seaboard, which is principally engaged in the delivery of cargo and mail between cities in the United States, Europe, and the Middle East. The total purchase price of the acquisition was approximately \$98,000,000, which included \$52,500,000 aggregate principal amount of 11½% debentures and 1,316,000 shares of the Company's common stock. In connection with the Seaboard acquisition, the tax effect of book net operating loss carryforwards of approximately \$13,000,000 and investment tax credit carryforwards of approximately \$14,000,000 were also acquired and are available to reduce future income taxes otherwise payable. To the extent such carryforwards are utilized in the future the goodwill acquired of approximately \$40,000,000 will be reduced to reflect realization of the tax benefits acquired.

If the above acquisitions had occurred on January 1, 1979, the Company's unaudited pro forma results of operations would be as follows: revenues of \$1,746,000,000 in 1980 and \$1,354,000,000 in 1979; with net income of \$23,615,000 in 1980 and \$42,193,000 in 1979, and earnings per share of \$1.41 in 1980 and \$2.50 in 1979. This unaudited pro forma data was prepared by combining the reported operating results of the businesses acquired with the results of operations of the Company after making certain pro forma adjustments for the imputed interest on acquisition debt, for increased shares outstanding, and for depreciation and amortization of the cost of the assets and liabilities acquired.

In early 1981, the Company completed its acquisition of a trucking company and two other businesses. The total purchase price of these acquisitions was approximately \$13,000,000, which was comprised of cash and shares of the Company's common stock. In addition, the Company reached an agreement to acquire another trucking concern for common stock.

Effective December 31, 1980, the Company disposed of its investment in a real estate partnership interest. The pretax gain of \$15,000,000 has been included in other revenues for the year ended December 31, 1980.

In the first quarter of 1981, the Company's air cargo subsidiary agreed to sell its interest in three Boeing 747-100 freighters and related equipment for an aggregate consideration in excess of \$90,000,000. Delivery of such aircraft and equipment will be made in the first and second quarters of 1981.

Notes to Consolidated Financial Statements (Continued)

INSURANCE OPERATIONS

In December 1980, the Company reached an agreement to sell the capital stock of its private mortgage insurance operations for approximately \$83,000,000 in cash. The sale was consummated in February 1981 resulting in a pretax gain of approximately \$6,000,000. This includes a minor amount of unrealized depreciation on equity security investments of the insurance operations included in retained earnings at December 31, 1980.

The cash proceeds received from the sale were used to reduce the Company's variable rate debt. The effect of such reductions is expected to have the effect at current interest rate levels of replacing the contribution of pretax income received from the insurance subsidiary by the reduction of interest expense with no material effect on the Company's operations. Accordingly, the Company's investment in the insurance operations assets and liabilities are presented in the consolidated balance sheet as "investment in unconsolidated insurance subsidiary" and the pretax income of the insurance operations has been reported under the equity method and is included in revenues in the consolidated statement of income. Prior period financial statements have been reclassified for comparative purposes.

Condensed financial information for the Company's insurance operations for the years ended December 31 is as follows:

	1980	1979	1978
	(In thousands)		
Assets	\$106,625	\$98,053	\$80,256
Liabilities	\$ 30,204	\$30,488	\$20,717
Stockholder's Equity	76,421	67,565	59,539
	\$106,625	\$98,053	\$80,256
Revenues	\$ 28,243	\$26,293	\$21,879
Expenses	14,171	12,365	11,504
Income before income tax provision	14,072	13,928	10,375
Income tax provision	5,579	5,547	4,307
Net income	\$ 8,493	\$ 8,381	\$ 6,068

BUSINESS SEGMENT AND GEOGRAPHIC DATA

The Company is engaged primarily in four businesses: air cargo, railcar services, aviation services and trucking. The Company operates primarily in the United States and Canada with some operations also located in Europe, the Far East, and South America. Revenues and transfers between industry and geographic areas are not currently significant.

Segment Data (In thousands)

	Revenues	Operating Profit, Before Interest Expense	Interest Expense, Net	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
1980						
Air Cargo	\$ 713,123	\$ 23,137	\$ 32,742	\$1,073,683	\$276,515	\$ 45,304
Railcar Services	498,050	150,517	70,818	1,046,963	99,591	37,163
Aviation Services	118,500	7,513	15,502	267,637	126,271	7,429
Trucking	187,049	8,861	3,179	87,570	5,509	7,930
Other	45,548	9,776	18,688	282,572	41,622	20,506
	\$1,562,270	\$ 199,804	\$140,929	\$2,758,425	\$549,508	\$ 118,332
1979						
Air Cargo	\$ 465,152	\$ 20,311	\$ 19,125	\$ 544,282	\$148,021	\$ 29,442
Railcar Services	322,642	121,076	63,409	963,197	96,913	36,096
Aviation Services	88,803	18,968	5,966	141,754	68,599	4,365
Other	36,723	2,886	10,618	291,368	49,862	11,746
	\$ 913,320	\$ 163,241	\$ 99,118	\$1,940,601	\$363,395	\$ 81,649
1978						
Air Cargo	\$ 413,187	\$ 56,731	\$ 18,093	\$ 424,540	\$ 59,983	\$ 27,456
Railcar Services	199,621	93,621	55,741	863,610	108,803	30,487
Aviation Services	53,011	18,637	7,517	95,402	15,862	4,345
Other	26,687	(1,964)	8,958	233,103	32,887	11,731
	\$ 692,506	\$ 167,025	\$ 90,309	\$1,616,655	\$217,535	\$ 74,019

Notes to Consolidated Financial Statements (Continued)

BUSINESS SEGMENT AND GEOGRAPHIC DATA (Continued)**Geographic Data** (In thousands)

	Revenues	Pretax Income	Identifiable Assets
1980			
United States	\$1,436,562	\$38,311	\$2,445,254
Canada	72,028	15,555	191,665
Other Foreign	53,680	5,009	121,506
	\$1,562,270	\$58,875	\$2,758,425
1979			
United States	\$ 835,478	\$50,486	\$1,685,227
Canada	39,407	9,160	138,395
Other Foreign	38,435	4,477	116,979
	\$ 913,320	\$64,123	\$1,940,601
1978			
United States	\$ 632,152	\$67,678	\$1,383,420
Canada	33,081	6,263	154,030
Other Foreign	27,273	2,775	79,205
	\$ 692,506	\$76,716	\$1,616,655

Air cargo revenues and operating profit (before interest expense) includes interest income of \$3,942,000 in 1980, \$3,073,000 in 1979, and \$1,360,000 in 1978 earned on loans and advances to other industry segments. Other includes parent company and corporate intercompany elimination items, the investment in the unconsolidated insurance subsidiary and the Company's computer and other leasing activities.

The accounts of foreign subsidiaries and other accounts presented in foreign currencies are translated into United States dollars in accordance with Statement of Financial Accounting Standards No. 8. Translation gains were \$2,312,000 in 1980 compared to translation losses of \$1,376,000 in 1979 and \$2,288,000 in 1978.

Provision for federal income taxes has not been made on undistributed earnings aggregating \$46,146,000, \$29,387,000 and \$23,876,000 at December 31, 1980, 1979 and 1978, relating to the Company's foreign subsidiaries because these earnings are considered permanently reinvested in these operations and not available for dividend payments.

THE COMPANY AS LESSOR

The leasing operations consist principally of the leasing of railcars, aircraft, computers and other equipment. Substantially all of the equipment is leased to third parties under operating leases. In addition, the Company has entered into certain lease arrangements which are accounted for as finance leases.

Operating Leases

Equipment used in operations includes equipment held for lease at December 31 as follows (in thousands):

	1980	1979
Equipment for lease or under lease:		
Railcars	\$1,053,954	\$ 996,500
Aircraft	214,975	103,471
Computers	134,147	136,842
Other	21,894	17,734
	1,424,970	1,254,547
Less accumulated depreciation and amortization	(381,226)	(352,410)
	\$1,043,744	\$ 902,137

Finance Leases

The components of the net investment in finance and other leases at December 31 are as follows (in thousands):

	1980	1979
Minimum lease payments receivable (includes \$28,670 in 1980 and \$36,471 in 1979 due within one year)	\$155,322	\$135,575
Estimated unguaranteed residual value of leased equipment	15,155	15,511
Less — unearned income	(52,288)	(36,408)
allowance for uncollectible amounts	(5,687)	(5,297)
Net investment in finance leases	112,502	109,381
Other leases	3,726	8,655
	\$116,228	\$118,036

The Company periodically evaluates the estimated unguaranteed residual value of leased equipment and adjusts the balance to reflect adverse changes in rental and economic conditions.

Minimum Future Lease Receivables

At December 31, 1980, minimum future lease receivables from non-cancellable operating leases and finance leases are as follows (in thousands):

	Operating Leases	Finance Leases
1981	\$ 179,165	\$ 28,670
1982	144,258	21,463
1983	110,693	16,444
1984	80,345	13,624
1985	48,922	10,537
Later Years	85,394	64,584
Total minimum future lease receivables	\$ 648,777	\$ 155,322

Notes to Consolidated Financial Statements (Continued)

SHORT-TERM DEBT

The Company borrows short-term funds periodically through annually renewed arrangements with a number of banks. The short-term lines available at December 31, 1980 amounted to \$118.8 million of which \$53.6 million was borrowed. The average month-end balances of the unsecured borrowings were \$60,188,000 in 1980 and \$17,845,000 in 1979 at weighted average interest rates of 14.1% and 13.8%. Maximum month-end borrowings in 1980 and 1979 were \$97,338,000 and \$45,567,000. The weighted average interest rates of short-term debt outstanding at December 31, 1980 and 1979 were 19.9% and 18.3%.

LONG-TERM DEBT

The outstanding balance of long-term debt at December 31 consisted of the following (in thousands):

	1980	1979
Notes Payable and Equipment Obligations		
Tiger International, Inc.		
Variable rate (subject to a 10% maximum rate) notes payable to banks, due in quarterly installments 1981 to 1984	\$ 17,537	\$ 21,295
11½% Debentures, due 1995, net of imputed interest	48,339	—
Subsidiaries		
5½% to 11¼% equipment obligations and trust certificates maturing serially 1981 to 1999 (average rate 9.5% in 1980)	652,319	598,648
5½% to 13% notes payable due 1981 to 2000 (average rate 11.5% in 1980)	201,595	177,271
Variable rate revolving credit agreements (average rate 15.8% in 1980)	93,506	105,527
Variable rate notes payable due 1981 to 1996 (average rate 16.4% in 1980)	132,364	34,856
	1,145,660	937,597
Less current portion (exclusive of \$92,684 in 1980 and \$71,092 in 1979 to be paid from finance and long-term operating leases)	32,348	8,135
	\$1,113,312	\$ 929,462
	1980	1979
Subordinated Debt		
Tiger International, Inc.		
8¾% Convertible Subordinated Debentures, due 2005	\$ 60,000	\$ —
Subsidiaries (net of imputed interest)		
5% Convertible Subordinated Debentures, due 1986	10,987	—
5¼% Subordinated Debentures, due to 1988	1,894	1,842
6¾% Senior Subordinated Notes	—	900
9¼% Subordinated Debentures, due to 1992	9,849	11,578
	82,730	14,320
Less current portion	1,000	300
	\$ 81,730	\$ 14,020

Tiger's subsidiaries have revolving lines of credit with various banks totaling \$282 million of which \$93.5 million was borrowed at December 31, 1980. A commitment fee is paid on the unused portions of these credit lines.

Tiger has a \$40 million unsecured credit agreement with a group of banks. There were no borrowings outstanding under this credit agreement at December 31, 1980. The terms of this agreement provide for interest at the bank prime lending rate through December 31, 1982 (revolving period) and one-half of one percent over the prime lending rate thereafter through December 31, 1987 (term period).

LONG-TERM DEBT (Continued)

In addition, the agreement requires the maintenance of compensating balances or a fee in lieu thereof.

In September 1980, the Company issued \$60 million of 8 $\frac{5}{8}$ % Convertible Subordinated Debentures, due in 2005. The proceeds received from the issuance of these debentures were used to reduce variable rate borrowings outstanding. The debentures are convertible into common stock at an adjusted price of \$31 per share, are redeemable at a premium at any time at the option of the Company and are entitled to sinking fund privileges commencing in 1990.

On October 1, 1980 the Company issued \$52.5 million in aggregate principal amount of 11 $\frac{1}{2}$ % debentures which mature in 1995. The debentures, which were issued in connection with the acquisition of Seaboard World Airlines, are redeemable at the Company's option at any time at par. Commencing in 1986 the Company is required to redeem each year, at par, an equal portion necessary to redeem all the debentures by the maturity date.

The \$10.9 million of 5% Convertible Subordinated Debentures, due 1986, was assumed in connection with the acquisition of Seaboard and requires annual redemptions of a portion of the principal amount. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of the Company's 11 $\frac{1}{2}$ % debentures and 12 shares of the Company's common stock.

Maturities of long-term debt for the five years subsequent to December 31, 1980 are: 1981: \$126 million; 1982: \$119 million; 1983: \$136 million; 1984: \$102 million; 1985: \$89 million.

Certain long-term debt and lines of credit are covered by agreements which restrict borrowings and cash payment of dividends. In addition, certain lines require the maintenance of compensating balances or a fee in lieu thereof. At December 31, 1980, under the most restrictive of the agreements, approximately \$22.1 million of retained earnings were unrestricted for payment of cash dividends. Assets having an aggregate net book value of approximately \$1.4 billion were encumbered by debt.

COMMITMENTS

Leases

At December 31, 1980, the Company was lessee under long-term leases on aircraft and engines, railcar equipment, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase options on 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, the Company is obligated to bear 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):

	1980	1979
Equipment used in operations:		
Equipment for lease or under lease	\$173,401	\$167,407
Equipment used in air cargo operations	383,991	118,541
Buildings and leasehold improvements	3,464	1,801
	560,856	287,749
Less accumulated amortization	(128,672)	(107,968)
	\$432,184	\$179,781

Notes to Consolidated Financial Statements (Continued)

COMMITMENTS (Continued)*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, 1980, 1979 and 1978 was \$30,620,000, \$19,610,000 and \$12,014,000.

Minimum Future Lease Payments

At December 31, 1980, 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):

	Capital Leases	Operating Leases
1981	\$ 54,260	\$ 23,513
1982	66,406	20,083
1983	65,213	16,885
1984	58,590	10,917
1985	51,204	8,178
Later years	630,528	103,963
Total minimum lease payments	926,201	<u>\$183,539</u>
Less amount representing interest	(454,102)	
Present value of net minimum future lease payments	472,099	
Less current portion (exclusive of \$6,401 to be paid from finance and long-term operating leases)	(17,899)	
Long-term capital lease obligations	<u>\$454,200</u>	

Capital Expenditures

At December 31, 1980, the Company had commitments to purchase approximately \$218,000,000 of equipment, related for the most part to additions to the Company's railcar fleet. In addition, starting in 1982, the Company intends to begin re-engining a portion of its fleet of DC-8 aircraft at a total estimated cost of approximately \$195,000,000 to be incurred from 1982 to 1984.

Guarantees

At December 31, 1980, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations of \$44,600,000 which will be fully amortized during the period 1981 to 2009. The guarantees relate to construction of facilities, equipment sold and leases arranged for others which are financed by third parties. In addition, the Company has agreed to purchase certain residual values of various equipment from the lessors at the lessors' option for \$7,500,000 at December 31, 1980. The Company has also guaranteed to lessors certain future lease payments amounting to \$10,000,000 at December 31, 1980.

CAPITAL STOCK

Common Stock

At December 31, 1980 the Company had reserved the following number of shares of common stock for possible future issuance:

Qualified Stock Option Plans	230,750
Qualified Employee Stock Purchase Plan	542,424
Officers' Stock Purchase Agreements	465,000
Conversion of convertible subordinated debentures	1,935,480
For acquisitions subsequent to December 31, 1980	1,100,000
	<hr/> 4,273,654 <hr/>

Stock Option, Stock Purchase and Executive Incentive Plans

Qualified stock option plans were established by the Company during 1969 and 1973, each for a period of ten years. The 1969 plan terminated in 1979. Under the 1973 plan, 230,750 shares are available for grant at December 31, 1980. There were no options outstanding at December 31, 1980 and 1979. During 1978, options for 17,500 shares were exercised at prices from \$14.63 to \$26.31 and options for 172,350 shares expired. During 1979, options for 1,750 shares were exercised at \$17.75 and options for 12,250 shares expired.

An offering of common stock under the Qualified Employee Stock Purchase Plan was made in 1978 at \$22.90 per share. During 1980, 86,067 shares were purchased by employees under this offering and the Plan was terminated.

In 1974, 1978 and 1979, the Company entered into stock purchase agreements with certain principal officers. The agreements obligate the officers to pay the full purchase price (market value at the date of the agreements) for shares not later than ten years from the date of the agreements or upon demand by the Company if employment terminates. At December 31, 1980, shares to be purchased under these agreements include 120,000 shares at \$9.13, 100,000 shares at \$26.88 and 245,000 shares at \$22.13.

The Company has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. The amounts awarded (60% in stock and 40% in cash) under the plan were \$1,472,000 in 1980, \$1,236,000 in 1979 and \$1,357,000 in 1978. Shares awarded under the plan cannot be sold, hypothecated, or pledged for a period of five years from date of grant.

Minority Redeemable Preferred Stock

At December 31, 1980, North American Car Corporation had authorized 200,000 shares of \$3 Cumulative Preferred Stock at a \$50 per share stated value. At December 31, 1980, 126,657 shares were outstanding and held by minority interests. Retirement of the outstanding preferred shares is required at a rate of 8,000 shares per year. In addition the shares are redeemable at any time by North American at the stated value per share.

Notes to Consolidated Financial Statements (Continued)

RETIREMENT PLANS

The Company maintains retirement plans for substantially all its employees not covered by union plans. The total employer cost for retirement plans was \$17,864,000 in 1980, \$13,868,000 in 1979 and \$11,336,000 in 1978. The total cost includes amortization of unfunded prior service costs over periods from 25 to 30 years. In addition, the Company contributed \$7,300,000 in 1980 to union sponsored plans relating to Hall's. The increase in aggregate pension expense for Company sponsored plans for 1980 relates principally to the acquisitions of Hall's and Seaboard. The Company's policy is to fund pension costs accrued. As of the date of the most recent valuations, accumulated plan benefit information and plan net assets for the Company's retirement plans and certain union sponsored plans were as follows (in thousands):

	As of January 1	
	1980	1979
Actuarial present value of accumulated plan benefit		
Vested	\$152,083	\$75,480
Non-vested	10,847	4,552
	\$162,930	\$80,032
Net plan assets including Company balance sheet accruals available for benefits	\$108,530	\$42,743

Accumulated plan benefit information is estimated by consulting actuaries using assumed rates of return of between 5.5% and 7.5%. There were no significant changes in actuarial assumptions between 1979 and 1980. The accumulated plan benefit information excludes the union sponsored plans for Hall's because the information from the union's plan administrators was not available.

INCOME TAXES

The provisions for income taxes for the years ended December 31, are summarized as follows (in thousands):

	1980	1979	1978
CURRENT			
United States	\$ —	\$ —	\$ 1,520
Foreign	2,982	2,927	2,640
State	1,343	361	364
	4,325	3,288	4,524
DEFERRED			
United States	1,259	7,491	15,960
Foreign	7,725	6,242	4,245
State	3,191	3,475	1,968
	12,175	17,208	22,173
INCOME TAX PROVISION	\$16,500	\$20,496	\$26,697

The income tax provision differs from an amount computed using the United States federal income tax rate. A reconciliation between these rates and the income tax provision is as follows:

	1980	1979	1978
United States federal income tax rate	46.0%	46.0%	48.0%
Investment tax credits	(22.9)	(17.3)	(17.4)
Capital gains rate on sale of real estate investment	(3.2)	—	—
State income taxes, net of federal tax benefit, and other	8.1	3.3	4.2
Income tax provision effective rate	28.0%	32.0%	34.8%

INCOME TAXES (Continued)

The tax effect of timing differences resulting from recognition of amounts in different periods for financial reporting purposes and reporting for tax purposes is as follows (in thousands):

	1980	1979	1978
Excess of tax over book depreciation	\$30,694	\$31,114	\$35,796
Differences in tax and book basis on disposal of assets	6,395	(2,537)	1,060
Differing tax treatment for leases	1,112	(1,262)	(4,243)
Differences in interest capitalized for tax and book purposes	744	3,221	125
Investment and foreign tax credits	(15,365)	(12,855)	(13,316)
Investment tax credits utilized	—	—	1,646
Tax net operating losses	(12,091)	(1,391)	—
Other, net	686	918	1,105
	\$12,175	\$17,208	\$22,173

The Company has approximately \$84,579,000 of investment tax credit carry forwards available to reduce future federal and foreign income taxes, of which \$53,501,000 has been applied as a reduction of the deferred income tax account. Foreign tax credits available to offset 1980, prior and future years' federal income taxes aggregate \$3,551,000, which if not utilized will be included in federal income tax provisions in future years.

The tax credits expire for tax purposes as follows (in thousands):

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1980	\$ —	\$ 1,329
1981	—	3,255
1982	—	5,710
1983	—	3,132
1984	1,673	8,544
1985	1,878	21,552
1986	—	18,740
1987	—	22,317
	\$3,551	\$84,579

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of Tiger International, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years ended December 31, 1980, 1979 and 1978. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Tiger International, Inc. and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the years ended December 31, 1980, 1979 and 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Los Angeles, California

February 27, 1981

Tiger International, Inc. and Subsidiaries

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 these 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 Statement No. 33 "Financial Reporting and Changing Prices." This Statement requires disclosure of historical financial statements adjusted for inflation under two different methods for measuring the effects of changing prices.

The information which follows complies with the requirements of Statement No. 33. It is intended as an experiment to provide certain measurements of the effects of inflation on the Company's operations.

Methods of Measuring Effects of Changing Prices

Constant Dollar: The constant dollar approach adjusts historical costs to dollars of the same current purchasing power. This method is an attempt to measure the effects of general inflation on a business enterprise. The adjustment to dollars of common purchasing power (constant dollar) is accomplished by using the Consumer Price Index for all Urban Consumers which is a broad-based measure of the general inflation rate.

Current Cost: The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1980. 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 used in the constant dollar approach. 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.

The methods used by the Company to adjust historical financial data in accordance with the constant dollar and current cost approaches are discussed below.

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

In the inflation adjusted financial information appearing on pages 41 and 42 for both the constant dollar and current cost methods, revenues and other operating expenses have not been adjusted because they generally reflect the average price levels for the year. However, depreciation expense and the inventory component of cost of sales have been adjusted in arriving at adjusted net income amounts. Depreciation expense has been recomputed utilizing the same lives and depreciation methods as in the historical financial statements, to reflect the cost of the Company's property, plant and equipment adjusted separately for changes in general purchasing power (constant dollar) and changes in specific prices (current cost). The adjustments to cost of sales are intended to reflect separately the increases in general purchasing power (constant dollar) and specific prices (current cost) that would have resulted if inventories were valued at the 1980 costs when sold.

Depreciation expense and cost of sales are greater when adjusted for general inflation than when adjusted for changes in specific prices. The difference reflects the Consumer Price Index (general inflation) rising faster than the increase of costs over the last several years of the type of property, plant and equipment used in the Company's various businesses and faster than the specific prices of the Company's various inventories during the year.

Selected Financial Data Adjusted for Effects of Inflation (Unaudited) (Continued)

In the accompanying inflation adjusted statements, current cost of property, plant and equipment and inventories 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 costs 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 costs which would be incurred in replacing such assets.

A monetary asset represents 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.

Tiger's monetary liabilities exceeded monetary assets (net amounts owed) resulting in an unrealized gain; however, Statement No. 33 does not permit such gain to be reflected in the adjusted net income. Tiger believes that the adjustments for depreciation expense and cost of goods sold alone do not adequately portray the effects of inflation adjustments prescribed by the FASB, and is therefore presenting two inflation adjusted income presentations — one as defined by Statement No. 33 and the other as defined by the Company. Because Tiger finances substantially all of its fixed assets with long-term debt, it effectively hedges against the impact of inflation on depreciation and interest expense. The Company's inflation adjusted income statement includes a \$82.2 million reduction in depreciation and interest expense, net of applicable income taxes, representing that portion of the total unrealized purchasing power gain attributable to capital assets financed by long-term indebtedness.

In the opinion of management the accompanying Statement of Income Adjusted for Changing Prices on a Current Cost basis is more indicative of the effects of inflation on the Company than is the Statement of Income Adjusted for General Inflation on the Constant Dollar basis.

Tiger International, Inc. and Subsidiaries

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES

For the Year Ended December 31, 1980 (In thousands)

	Historical Financial Statements	Adjusted for Constant Dollar	Adjusted for Current Cost
Revenues	\$1,562,270	\$1,562,270	\$1,562,270
Cost and Expenses			
Cost of operations	1,104,672	1,109,324	1,108,673
Selling, general and administrative	139,462	139,462	139,462
Depreciation and amortization	118,332	171,096	151,924
Interest, net	140,929	140,929	140,929
Income tax provision	16,500	16,500	16,500
	1,519,895	1,577,311	1,557,488
Net income	42,375	(15,041)	4,782
Decrease in depreciation and interest expense, net of applicable income taxes, from decline in purchasing power of net monetary liabilities	—	82,195	82,195
Net income adjusted for decrease in depreciation and interest expense	\$ 42,375	\$ 67,154	\$ 86,977
Other Supplementary Information			
Increase in property, plant and equipment and inventories based on constant dollars			\$ 287,200
Increase in property, plant and equipment and inventories based on current costs			194,700
Excess in constant dollars over current costs			\$ 92,500
Current cost of net property, plant and equipment at December 31, 1980			\$2,682,000
Current cost of inventory December 31, 1980			\$ 107,000

**FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA
ADJUSTED FOR EFFECTS OF CHANGING PRICES STATED IN 1980 DOLLARS**

(In thousands except per share data and index)

	For the Years Ended December 31				
	1980	1979	1978	1977	1976
Revenues	\$1,562,270	\$1,036,832	\$ 874,670	\$685,647	\$630,872
Constant dollar information					
As defined by Statement No. 33					
Net income	(15,041)	855			
Net income per common share	(.95)	.06			
As defined by Tiger					
Net income	67,154	62,614			
Net income per common share	4.25	4.35			
Net assets at year end	1,167,600	1,024,500			
Current cost information					
As defined by Statement No. 33					
Net income	4,782	6,257			
Net income per common share	30	43			
As defined by Tiger					
Net income	86,977	68,015			
Net income per common share	5.50	4.72			
Excess in constant dollars over current costs	92,500	1,200			
Net assets at year end	1,093,600	933,900			
Gain from decline in purchasing power of net amounts owed	146,000	114,400			
Cash dividends declared per common share	.80	91	.75	.67	.58
Market price per common share at year end	22.21	20.40	29.65	21.72	17.35
Average consumer price index (base year 1967=100)	246.8	217.4	195.4	181.5	170.5

Tiger International, Inc. and Subsidiaries

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	QUARTER ENDED			
	March 31	June 30	September 30	December 31
	(In thousands except per share data)			
1980				
Revenues	\$294,783	\$422,579	\$ 374,388	\$ 470,520
Net Income	\$ 10,435	\$ 3,227	\$ 11,230	\$ 17,483
Earnings Per Share	\$.70	\$.21	\$.72	\$ 1.03
1979				
Revenues	\$197,618	\$225,524	\$ 217,123	\$ 273,055
Net Income	\$ 11,450	\$ 15,800	\$ 1,949	\$ 14,428
Earnings Per Share	\$.80	\$ 1.10	\$.14	\$ 1.00
1978				
Revenues	\$136,224	\$166,177	\$ 189,362	\$ 200,743
Net Income	\$ 5,076	\$ 12,322	\$ 15,722	\$ 16,899
Earnings Per Share	\$.40	\$.95	\$ 1.09	\$ 1.18

The seasonal fluctuations in the business of Flying Tiger Line and fluctuations in foreign exchange rates are reflected in the above summary. In addition, the third quarter of 1979 reflects the impact of an 18-day strike at the Flying Tiger Line and the fourth quarter of 1980 includes a \$15,000,000 pre-tax gain on the sale of a real estate partnership interest.

Fully diluted earnings per share for the quarter ended December 31, 1980 amounted to \$.95 based upon 19,051,000 shares used for the computation. The fully diluted effect for the quarter ended September 30, 1980 was not significant.

As a result of additional shares issued during 1980, 1979 and 1978 the addition of quarterly earnings per share amounts for those periods will not equal the earnings per share reported for the annual period.

PART III.

Except as provided under the heading "Executive Officers of the Registrant" under Item 4 of Part I hereof, Items 9 and 10 are incorporated by reference to Tiger's definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

PART IV.

ITEM 11. 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 Statement Schedules Filed	46
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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.

Separate financial statements of subsidiaries not consolidated and 50% or less owned persons accounted for by the equity method have been omitted because, if considered in the aggregate, they would not constitute a significant subsidiary.

Exhibits

- (3.1) Certificate of Incorporation, as amended, of Tiger, filed as Exhibit 2(a) to Tiger's Form S-7 Registration Statement, Regis. No. 2-60019, filed with the SEC on October 6, 1977, is hereby incorporated by reference.
- (3.2) By-Laws, as amended, of Tiger, as filed as an exhibit to Form 10-Q Quarterly Report filed with the SEC on November 14, 1978, and covering the quarter ended September 30, 1978, are hereby incorporated by reference.
- (4.1) Indenture, dated as of September 1, 1980, between Tiger and Crocker National Bank, as Trustee, filed as Exhibit 2(b) to Tiger's Form S-16 Registration Statement, Regis. No. 2-68885, filed with the SEC on August 28, 1980, is hereby incorporated by reference.
- (4.2) Indenture, dated as of September 1, 1980, between Tiger and Bankers Trust Company, as Trustee, filed as Exhibit 6-2.2 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, filed with the SEC on August 11, 1980, is hereby incorporated by reference.
- (4.3) First Supplemental Indenture, dated as of September 30, 1980 between Tiger, Seaboard and J. Henry Schroeder Bank and Trust Company, as Trustee, filed as Exhibit 6-25 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, with the SEC on August 11, 1980, is hereby incorporated by reference.
- (10.1) Supplemental Retirement Income Plan, dated December 13, 1977, as amended, between Tiger and Wayne M. Hoffman.

Exhibits

- (10.2) Form of Stock Purchase Agreement entered into between Tiger and certain principal executive officers of Tiger.
- (10.3) Executive Incentive Plan.
- (22) List of Subsidiaries.

(b) Reports on Form 8-K

There was one report on Form 8-K filed with the SEC during the three months ended December 31, 1980, which was filed October 13, 1980, and reported on Item 2. "Acquisition or Disposition of Assets".

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

In connection with our examination of the consolidated financial statements included in the Tiger International, Inc. and subsidiaries' annual report to stockholders and filed with this Form 10-K, we have also examined the Financial Statement Schedules listed in the index to Item 11. In our opinion, these schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth therein, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

Los Angeles, California,
February 27, 1981

Tiger International, Inc.

Condensed Parent Company Financial Data

Condensed Income Statement and Statement of Changes in Financial Position

For the Years Ended December 31

1980 1979 1978

(In thousands)

CONDENSED INCOME STATEMENT

Revenues and dividend income (including equity in distributed earnings of consolidated subsidiaries and in 1980 a gain on the sale of a partnership interest)	\$ 36,370	\$ 4,449	\$ 11,240
Costs and expenses	40,563	25,912	17,552
Deferred income tax benefit, net	(4,197)	(2,940)	(12,110)
	36,366	22,972	5,442
Income (loss) before equity in undistributed earnings of subsidiaries	4	(18,523)	5,798
Equity in undistributed earnings of consolidated subsidiaries	33,878	53,769	38,153
Equity in undistributed earnings of unconsolidated subsidiary	8,493	8,381	6,068
Net income	\$ 42,375	\$ 43,627	\$ 50,019

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

SOURCE OF FUNDS

Net income	\$ 42,375	\$ 43,627	\$ 50,019
Equity in undistributed earnings of subsidiaries	(42,371)	(62,150)	(44,221)
Other, net	4,344	6,370	(5,833)
Funds provided by (applied to) operations	4,348	(12,153)	(35)
Proceeds from issuance of stock and debt	166,298	52,272	51,631
Funds Provided	170,646	40,119	51,596

APPLICATION OF FUNDS

Payments of long-term debt and notes payable	7,011	42,233	37,687
Cash dividends declared on common stock	13,173	11,410	8,314
Acquisition of or contribution to subsidiaries' capital	97,619	14,000	16,971
Increase in investments, notes, advances and other	25,337	27,081	2,640
Funds Applied	143,140	94,724	65,612
Net increase (decrease) in working capital	\$ 27,506	\$ (54,605)	\$ (14,016)

Tiger International, Inc.

Condensed Parent Company Financial Data (Continued)

CONDENSED BALANCE SHEET

	December 31	
	1980	1979
	(In thousands)	
ASSETS		
Current assets	\$ 56,663	\$ 6,627
Investments in subsidiaries	610,552	443,342
Property, plant and equipment, net	2,278	1,433
Receivables from subsidiaries	6,200	19,114
Investment in unconsolidated insurance subsidiary	76,421	67,565
Investments and other	6,973	25,888
	\$759,087	\$563,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$105,352	\$ 82,822
Long-term obligations	120,865	17,537
Long-term payables to subsidiaries	78,724	51,006
Deferred income taxes, tax credits and other	7,867	54,758
Stockholders' equity	446,279	357,846
	\$759,087	\$563,969

Tiger International, Inc.

**Schedule III — Investments in, Equity in Earnings of,
and Dividends Received from Related Parties (a)
For the Three Years Ended December 31, 1980**

	The Flying Tiger Line Inc.	Tiger Leasing Group, Inc.(b)	Hall's Motor Transit Com- pany	Total
	(In thousands)			
Balance at December 31, 1977	\$146,068	\$175,529	\$ —	\$321,597
Equity in net income of subsidiaries	21,744	25,409	—	47,153
Dividends received	(9,000)	—	—	(9,000)
Transfer of Tiger Leasing Group Common Stock from the Flying Tiger Line to registrant	—	14,321	—	14,321
Acquisition of 53,000 shares of North American Car — Third Series Preferred Stock from Tiger Insurance Group by the Registrant	—	2,650	—	2,650
Other	(1)	(6)	—	(7)
Balance at December 31, 1978	158,811	217,903	—	376,714
Equity in net income of subsidiaries	11,479	42,290	—	53,769
Exchange of note receivable from Flying Tiger Line for Flying Tiger Line Preferred Stock	14,000	—	—	14,000
Redemption of North American Car First and Second Series Preferred Stock	—	(1,141)	—	(1,141)
Balance at December 31, 1979	184,290	259,052	—	443,342
Equity in net income of subsidiaries	8,157	36,953	2,968	48,078
Dividends received	—	(12,700)	(1,500)	(14,200)
Acquisitions of Seaboard World Airlines and Hall's Motor Transit	97,619	—	45,198	142,817
Redemption of North American Car First and Second Series Preferred Stock	—	(4,000)	—	(4,000)
Transfer of Texas Railway Car Common Stock to North American Car	—	(5,485)	—	(5,485)
Balance at December 31, 1980	\$290,066	\$273,820	\$ 46,666	\$610,552

(a) The common stock interest in all subsidiaries is 100% owned by the registrant.

(b) Includes the registrant's investment in the Preferred Stock of North American Car of \$10,299,000 in 1978, \$9,158,000 in 1979 and \$5,158,000 in 1980. In addition, Tiger Leasing Group, Inc. includes the investment in Texas Railway Car Corporation, \$4,707,000 in 1978 and \$5,485,000 in 1979, which was transferred from Tiger International, Inc. on January 1, 1980.

Tiger International, Inc. and Subsidiaries

**Schedule V — Property, Plant and Equipment
For the Three Years Ended December 31, 1980**

	Balance at Beginning of Period	Additions	Retire- ments, Overhauls or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
(in thousands)					
Year Ended December 31, 1978					
Equipment used in operations:					
Equipment for lease or under lease	\$1,045,020	\$142,524	\$ 45,917	\$ (3,395)	\$1,138,232
Equipment used in air cargo operations	367,328	50,123	2,092	—	415,359
	1,412,348	192,647	48,009	(3,395)	1,553,591
Buildings and leasehold improve- ments	38,730	4,358	266	1,342	44,164
Shop properties, terminal facilities and other	39,354	20,530	598	2,873	62,159
	\$1,490,432	\$217,535	\$ 48,873	\$ 820	\$1,659,914
Year Ended December 31, 1979					
Equipment used in operations:					
Equipment for lease or under lease	\$1,138,232	\$205,486	\$ 82,781	\$ (6,390)	\$1,254,547
Equipment used in air cargo operations	415,359	139,759	1,023	—	554,095
	1,553,591	345,245	83,804	(6,390)	1,808,642
Buildings and leasehold improve- ments	44,164	7,679	584	1,060	52,319
Shop properties, terminal facilities and other	62,159	10,471	1,715	283	71,198
	\$1,659,914	\$363,395	\$ 86,103	\$ (5,047)	\$1,932,159
Year Ended December 31, 1980					
Equipment used in operations:					
Equipment for lease or under lease	\$1,254,547	\$248,530	\$ 67,728	\$ (10,379)	\$1,424,970
Equipment used in air cargo operations	554,095	260,776	39,207	202,611	978,275
Equipment used in trucking operations	—	2,787	617	32,220	34,390
	1,808,642	512,093	107,552	224,452	2,437,635
Buildings and leasehold improve- ments	52,319	17,856	874	40,186	109,487
Shop properties, terminal facilities and other	71,198	19,559	714	11,499	101,542
	\$1,932,159	\$549,508	\$109,140	\$276,137	\$2,648,664

(1) In 1980 includes \$327 million acquired in business combinations accounted for by the purchase method, less approximately \$37 million of aircraft deposits refunded and approximately \$10 million of equipment placed on finance leases.

Tiger International, Inc. and Subsidiaries

**Schedule VI—Accumulated Depreciation and Amortization
of Property, Plant and Equipment
For the Three Years Ended December 31, 1980**

	Balance at Beginning of Period	Additions	Retirements, Overhauls or Sales	Transfers, Adjustments and Other	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1978					
Equipment used in operations:					
Equipment for lease or under lease	\$298,859	\$ 44,911	\$12,578	\$ 4,237	\$335,429
Equipment used in air cargo operations	130,231	23,899	2,120	4,971	156,981
	429,090	68,810	14,698	9,208	492,410
Buildings and leasehold improve- ments	8,983	1,552	60	560	11,035
Shop properties, terminal facilities and other	16,539	3,549	153	166	20,101
	\$454,612	\$ 73,911	\$14,911	\$ 9,934	\$523,546
Year Ended December 31, 1979					
Equipment used in operations:					
Equipment for lease or under lease	\$335,429	\$ 49,138	\$32,131	\$ (26)	\$352,410
Equipment used in air cargo operations	156,981	25,168	557	200	181,792
	492,410	74,306	32,688	174	534,202
Buildings and leasehold improve- ments	11,035	3,501	568	93	14,061
Shop properties, terminal facilities and other	20,101	3,349	332	38	23,156
	\$523,546	\$ 81,156	\$33,588	\$ 305	\$571,419
Year Ended December 31, 1980					
Equipment used in operations:					
Equipment for lease or under lease	\$352,410	\$ 62,649	\$33,133	\$ (700)	\$381,226
Equipment used in air cargo operations	181,792	39,743	5,237	(3,207)	213,091
Equipment used in trucking operations	—	6,308	104	(1,696)	4,508
	534,202	108,700	38,474	(5,603)	598,825
Buildings and leasehold improve- ments	14,061	3,905	506	(5)	17,455
Shop properties, terminal facilities and other	23,156	4,927	530	1,637	29,190
	\$571,419	\$117,532	\$39,510	\$(3,971)	\$645,470

Tiger International, Inc. and Subsidiaries

**Schedule VIII—Valuation and Qualifying Accounts and Reserves
For the Three Years Ended December 31, 1980**

	Allowance for Doubtful Accounts		Inventories Allowance
	Trade Receivables	Finance Lease Receivables	
	(In thousands)		
Balance at December 31, 1977	\$10,488	\$6,037	\$1,272
Additions (deductions) —			
Provisions charged to costs and expenses	4,350	2,731	275
Amounts charged to reserve	(3,421)	(612)	(176)
Balance at December 31, 1978	11,417	8,156	1,371
Additions (deductions) —			
Provisions charged to costs and expenses	4,576	275	562
Amounts charged to reserve	(3,741)	(3,134)	(56)
Balance at December 31, 1979	12,252	5,297	1,877
Additions (deductions) —			
Provisions charged to costs and expenses	6,421	1,076	2,657
Reserves from acquired companies	9,525	50	1,518
Amounts charged to reserve	(5,403)	(736)	(603)
Balance at December 31, 1980	\$22,795	\$5,687	\$5,449

SIGNATURES

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

TIGER INTERNATIONAL, INC.
(Registrant)

By DAVID L. AUCHTERLONIE
David L. Auchterlonie
Vice President—Controller

Date: March 20, 1981

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u> WAYNE M. HOFFMAN </u> Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	Mar. 20, 1981
<u> THOMAS F. GROJEAN </u> Thomas F. Grojean	President and Director	Mar. 20, 1981
<u> MARTIN A. LYNCH </u> Martin A. Lynch	Senior Vice President—Finance (Principal Financial Officer)	Mar. 20, 1981
<u> DAVID L. AUCHTERLONIE </u> David L. Auchterlonie	Vice President—Controller (Principal Accounting Officer)	Mar. 20, 1981
<u> Laurence C. Craigie </u>	• Director	Mar. 20, 1981
<u> J. Howard Edgerton </u>	• Director	Mar. 20, 1981
<u> William E. McKenna </u>	• Director	Mar. 20, 1981
<u> Gordon M. Metcalf </u>	• Director	Mar. 20, 1981
<u> B. Houston Rehrig </u>	• Director	Mar. 20, 1981

*By ROBERT J. HARTER, JR
Robert J. Harter, Jr.
Attorney-in-Fact and Agent

Notice to Stockholders

The following notice is published in accordance with Section 245.16 of subpart B of Part 245 of the Economic Regulations of the Civil Aeronautics Board (the "Board"); section references in the following notice are to sections of such regulations.

(1) Any person who either owned, at December 31, 1980, or subsequently acquired, beneficially or as a trustee, more than 5 per cent, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s, Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12, on or before April 1, 1981 as to the capital stock owned at December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing information required in Section 245.15.

Any stockholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Pricing and Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

Tiger International, Inc.

1888 Century Park East
Los Angeles, California 90067
(213) 552-6300

The Flying Tiger Line Inc.

7401 World Way West
Los Angeles, California 90009
(213) 646-6161

North American Car Corporation

33 West Monroe St.
Chicago, Illinois 60603
(312) 853-5000

Hall's Motor Transit Company

6060 Carlisle Pike
Mechanicsburg, Pennsylvania 17055
(717) 790-8400

TigerAir, Inc.

1888 Century Park East
Los Angeles, California 90067
(213) 552-6311

Auditors

Arthur Andersen & Co.
911 Wilshire Blvd.
Los Angeles, California
90017

General Counsel

White & Case
14 Wall Street
New York, New York 10005

Stock Exchanges

New York Stock
Exchange
20 Broad Street
New York, New York 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, California
94104

Midwest Stock Exchange
120 S. LaSalle Street
Chicago, Illinois 60603

Transfer Agents

Manufacturers Hanover
Trust Company
4 New York Plaza
New York, New York 10015

Union Bank
3810 Wilshire Blvd.
Los Angeles, California
90010

Registrars

The Bank of New York
90 Washington Street
New York, New York 10015

Union Bank
3810 Wilshire Blvd.
Los Angeles, California
90010

The Annual Meeting of
Stockholders will be held
on Friday, June 5, 1981 at
10:00 A.M. at the Beverly
Hilton Hotel, 9876 Wilshire
Boulevard, Beverly Hills,
California 90210.

TIGER INTERNATIONAL

FLYING TIGERS ■ NORTH AMERICAN CAR ■ HALL S MOTOR TRANSIT ■ TIGERAIR
GROWING TOGETHER FOR TOTAL TRANSPORTATION

1888 Century Park East
Los Angeles, California 90067

Tiger International 1981 Annual Report

**TIGER
INTERNATIONAL,
INC.**

**1981
ANNUAL
REPORT**

FINANCIAL HIGHLIGHTS

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

	1981	1980
Revenues	\$1,673,350	\$1,372,877^(a)
Net Income (Loss)	(16,613)	42,375
Earnings (Loss) Per Share	(.98)	2.68
Assets	2,702,397	2,758,425
Stockholders' Equity	419,389	446,279
Book Value		
Per Common Share	24.76	26.45
Cash Dividends Paid		
Per Common Share	.88	.80

^(a) Reclassified for comparative purposes (Railcar sales are currently recorded in revenues net of related costs of sales).

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1981 Annual Report on Form 10-K	19

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. Copies of the Exhibits are available upon request to the Director of Public Relations and Advertising, Tiger International, 1888 Century Park East, Los Angeles, California 90067.

Tiger International has been severely hurt by an unusual combination of forces: excessive interest rates persisting into a deep business recession. Were it not for the stabilizing benefit of our railcar leasing activities, our situation would be worse. Flying Tigers' losses have been offset to a great degree by the generally excellent performance of North American Car.

Meanwhile, we have taken a number of steps to maintain a safe cash position. We have increased credit lines, refinanced debt, sold some assets, cut capital expenditures, reduced staff, frozen salaries and eliminated bonuses and cash dividends.

Data Resources, Inc. recently published a transportation analysis which makes several points worth noting here. It is this organization's view, which we share, that freight transportation will become more, rather than less, important in the economy in the coming decade. Data Resources is enthusiastic about the prospects of the trucking sector stating that "motor carriers will be well positioned to take advantage of the new opportunities, and regulated truckers are expected to have the fastest growth of any

freight mode in the 1983 to 1990 period." While profits for the motor carrier industry as a whole will be lower in the 1980s, the "large conglomerates (including Tiger International, and eventually carriers such as Consolidated Freightways) will post strong earnings gains." Our decision to enter the motor carrier industry was premised upon the view that the progressive companies would benefit from the new environment brought about by deregulation and other factors. We believe this strategy will prove to be correct.

We already see deregulation causing a competitive realignment in the air freight, rail and motor carrier sectors, and we are positioning ourselves to take advantage of this new competitive climate. High interest rates will force shippers to reduce inventory carrying costs and to pay more attention to the total cost of distribution. We intend to meet the need for faster, more reliable and cost-effective transportation services.

Our present adverse circumstances should not be allowed to obscure the progress we have made

toward our goal of becoming one of the most profitable, innovative, customer-oriented transportation companies in the world. Examples abound. We have launched a new retail program at Flying Tigers which will open new domestic markets to us. We are marketing new products such as the RoadRailer and specialized railcars such as Pressure Differential. We are exploring intermodal opportunities through joint Hall's-Flying Tigers' programs.

We have launched Tiger Distribution Services to develop intermodal services for shippers requiring service involving combinations of sea, road, rail and air. We are presently engaging in multi-modal movements of international freight offering our customers the advantages of single carrier responsibility and reliability—a tailored transportation product which precisely fits their needs.

What of the future? When the economy improves once again, our various transportation businesses will show improved results almost immediately. If we are blessed with lower interest rates as well, we should see a return to solid earnings.

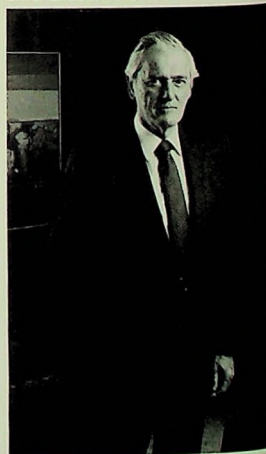
However, to assure our future success, we shall have to make some changes in the way we do business. We must reduce our capital intensity. Cheap money is a thing

of the past. We shall have to improve employee productivity. In an age of open competition we shall find ourselves competing with companies who are not saddled with outmoded work rules and practices. Recognizing these problems is the first step toward solving them.

We recognize that the past year's difficulties have required sacrifices from our stockholders and employees alike. We are confident that with everyone's continued support, we will achieve the high standard of earnings that we have set for ourselves.

Wayne M. Hoffman

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



1981, RoadRailer units entered commercial service for the first time and more orders are expected in the near future.

The railcar repair business has improved significantly, despite a continued reduction in industry demand. In addition, most of the new covered hoppers in inventory at year end have been placed in short-term service.

In order to restore profitability and to increase market share, Hall's has taken aggressive pricing actions, improved its service and increased productivity. Hall's has also restructured its sales and marketing departments. With the acquisition of Dohrn Transfer, Hall's increased its regional market intensity and currently has a network of 80 terminals.

In June 1981, we acquired Warren Transport, a leading motor carrier of heavy equipment and farm implements. Warren achieved record profits in 1981. Although the recession has hurt its customers, especially the farm implement manufacturers, Warren has been able to control its expenses, a high percentage of which are variable rather than fixed, and thus match capacity to the available business. Warren was recently awarded 48-state general commodities authority by the Interstate

In 1981, Tiger International reported its first full-year loss since 1968. To restore our operations to profitability, several significant actions have been taken. We have instituted cost reduction measures including a cutback in employment and a freeze on wages. We have also implemented new programs and services aimed at increasing revenues, stimulating traffic and improving productivity.

At Flying Tigers, a new domestic door-to-door air cargo delivery service was recently introduced. This money-back guaranteed service is designed to broaden the domestic customer base and improve profitability through a shift to higher yielding cargo. An increase in North Atlantic rates scheduled for May, coupled with additional air cargo service, should result in significant revenue improvement within that market. The Pacific market continues strong and profitable.

At North American Car, emphasis has been placed on providing value added services for railcar users and on producing proprietary railcars. During

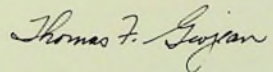
Commerce Commission, which opens many opportunities for expansion.

TigerAir, hurt by worldwide aviation cutbacks and a soft market for large aircraft, is concentrating on the service segment of its business. TigerAir's large aircraft inventory was substantially written down in 1981, and our current emphasis on fixed base operations and spare parts sales is expected to result in a substantial profit improvement in 1982.

We have also taken steps to ensure adequate cash resources for 1982. We recently expanded our long-term credit facilities, including Flying Tigers' revolving line of credit which was increased by \$40 million. This raised the aggregate amount of available long-term credit lines for Tiger International and subsidiaries to more than \$130 million. In addition, we anticipate in excess of \$200 million in cash to be generated from operations through depreciation charges, sales of railcars and collection of long-term

receivables. This level of liquidity will more than cover our needs.

As a result of our recent expansion, we have established strong positions in air cargo, trucking, railcar and aviation services and are postured to achieve substantial earnings when the world economy improves. Tiger's 14,000 highly skilled employees have their work cut out for them. We are confident that with their continued dedication and with the actions we have taken, Tiger International will have an early return to sustained profitability.



Thomas F. Grojean
President





Flying Tigers' door-to-door shipments have increased as a result of its guaranteed service.



Flying Tigers carries many types of cargo across the Pacific, including these cattle being reloaded in Tokyo for shipment to Taipei.



Flying Tigers serves major European markets, including Frankfurt, where the airline recently opened a new terminal.





Through its new, guaranteed door-to-door program, Flying Tigers picks up, flies and delivers shipments for its domestic customers.

AIR CARGO

Flying Tigers, the world's largest scheduled air cargo carrier, serves major markets in the United States, Asia and Europe. Flying Tigers recently implemented an exciting new door-to-door program throughout its domestic system. The new program offers the retail shipper three levels of service and a money-back guarantee if delivery is not on time. An extensive television and

radio advertising campaign launched the new door-to-door service.

Internationally, Flying Tigers' Pacific market continues strong and profitable. While volume on the Atlantic is increasing, rates are still not adequate. When proper rate levels are reached, the Atlantic market should also be profitable. To provide better service to its European customers, the airline established a hub at London's Heathrow Airport.

Flying Tigers operates cargo and passenger charters worldwide. Based

on combined passenger and cargo charters, Flying Tigers is the largest civilian contract carrier for the U.S. Military Airlift Command. The company's passenger division, Metro International Airways, operates charters to Europe, Hawaii, the Middle East and the Caribbean. In late March, Metro inaugurated scheduled service between New York and Brussels.



North American Car has the largest network of contract railcar repair shops in the industry with 27 locations across the country.



North American Car manufactures proprietary Pressure Differential cars which carry dry, flowable commodities such as flour, cement and chemicals.



Tiger Financial Services provides third party financing for various types of transportation equipment such as railcars, airplanes and barges.





The Illinois Central Gulf Railroad is operating North American Car's RoadRailers in regular commercial service between Memphis, Tennessee and Louisville, Kentucky.

RAILCAR SERVICES

leveraged leasing, and administrative and remarketing services.

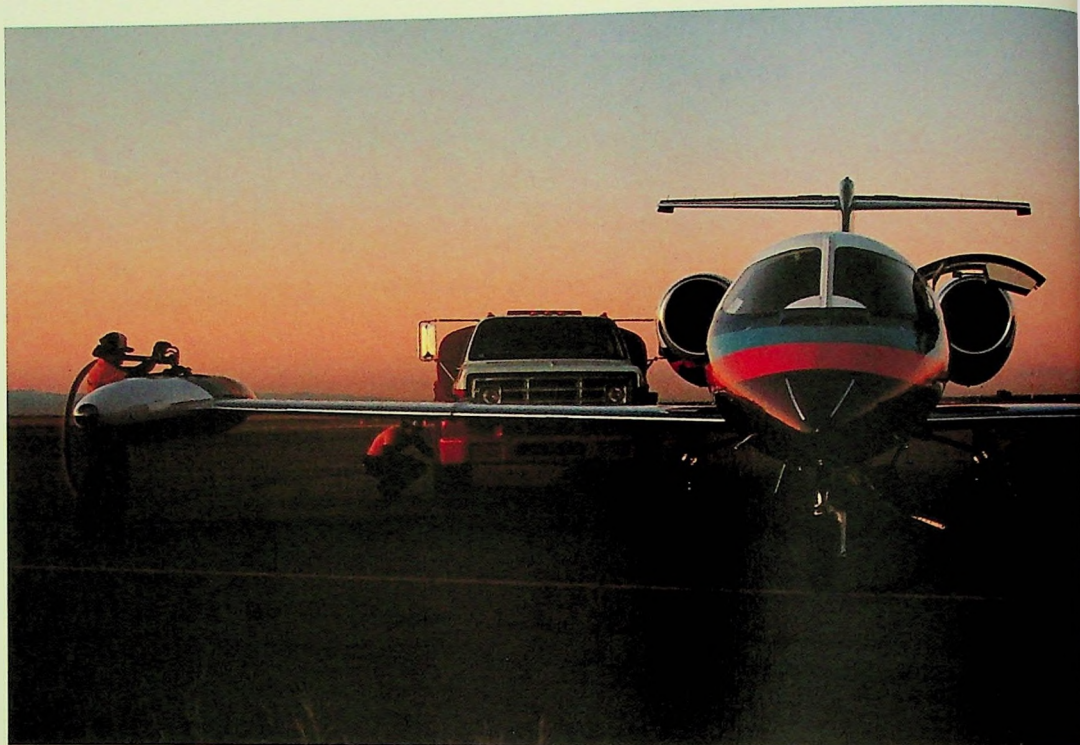
In September 1981, the first commercial operation of North American's RoadRailer® began on the Illinois Central Gulf Railroad. The RoadRailer is an innovative, bimodal vehicle that operates both as a truck trailer on highways and as a railcar on tracks. North American anticipates additional RoadRailer leases within the coming year.

Tiger Financial Services, a North American subsidiary, is one of the nation's 10 largest finance

lease brokers. Since its formation in 1971, Tiger Financial Services has exceeded one billion dollars in third party equipment financing.

North American continues to offer innovative services to its customers. It recently formed a new company, SEEK Systems, Inc., which provides shippers with a broad range of transportation information services, including tracking of railcar movements, to reduce shipper costs by optimizing fleet utilization.

North American Car, an international railcar leasing and services company, operates a fleet of more than 63,000 specialized railcars, including tanks, hoppers and its proprietary Pressure Differential cars. North American sells and leases railcars through its operations in the United States, Mexico, Europe and Canada. It also offers a broad range of railcar services, including repair and maintenance, financing and



Aircraft Tank Service recently installed the cylindrical supplemental fuel tank shown in this Boeing 727.



At TigerAir's fixed base operation in Burbank, California, a corporate pilot discusses flight plans with a TigerAir employee.



TigerAir's Spare Parts Support Division has an inventory of more than one million aircraft parts at its facilities in Sun Valley, California.





AVIATION SERVICES

TigerAir is a leading international aviation service and supply company serving general and commercial aviation markets. TigerAir owns and operates fixed bases in Burbank, California; Westchester County, New York; Denver, Colorado; and Salt Lake City, Utah. These facilities provide fuel, maintenance and ground support services to business and private aircraft operators.

Through its Aviquipo and Spare Parts Support operations, TigerAir distributes and sells aviation equipment worldwide.

Aviquipo is marketing a new central station system which supplies power and air conditioning to planes parked at airport gates. The central station system, which would replace mobile ground supply units, offers substantial savings to airlines. Spare Parts, which purchases inventories in bulk for resale and provides parts overhaul capability, has

increased its inventory to supply parts for additional types of aircraft.

The company's Aircraft Tank Service Division specializes in the design and installation of auxiliary fuel tanks and FAA-approved fueling systems for many types of private and commercial aircraft. During 1981, the division received a contract from Boeing to install an auxiliary fuel system in Boeing's own 727-100 executive aircraft.

At Denver Jet-Center, TigerAir's newest fixed base operation, refueling, maintenance and hangaring are among the ground support services provided to business and general aviation customers.



Hall's maintains its equipment at Mechanicsburg, where general repair, painting, tire repair and retreading, mechanical work and refueling take place.

Warren Transport's computerized dispatch system provides a wide range of information such as the status of customers' loads and location of drivers.



At Warren Transport's main terminal in Waterloo, Iowa, farm equipment awaits loading for delivery throughout the country.





TRUCKING

Tiger International has two trucking subsidiaries, Hall's Motor Transit and Warren Transport. Hall's is a less-than-truckload (LTL) general commodities carrier, and Warren is a specialized truckload hauler of heavy machinery and other commodities requiring special equipment.

Recently, Hall's was granted 48-state general commodities authority by the Interstate Commerce Commission. As a result, Hall's plans to expand its

Special Commodities Division which handles truckload traffic. In addition, this authority enables Hall's to expand the present geographic coverage of its LTL general commodities operation. The National Master Freight Agreement, recently ratified by the Teamsters Union, contains provisions giving Hall's more control over certain labor costs. The Agreement also contains work rule changes which will increase Hall's operational efficiencies.

Warren, the nation's leading carrier of farm equipment, was acquired

by Tiger International in June 1981. Warren owns more than 1200 trailer units and has contracts with 600 independent owner-operators. Warren received 48-state general commodities authority from the Interstate Commerce Commission in 1981 and, as a result, formed a truckload van division to penetrate the general commodities market.

Hall's Motor Transit has a network of 80 terminals. At its busy break-bulk terminal in Mechanicsburg, Pennsylvania, incoming freight is broken down and redistributed by destination for delivery to customers.



The market development staff of Tiger Distribution Services provides transportation and distribution expertise to shipping customers.



Tiger Distribution Services monitors and traces freight around the world through its various communications networks.



At Flying Tigers' Los Angeles Terminal, employees of Tiger Inter-Modal and the airline confirm arrangements for a sea-air shipment.





Tiger InterModal coordinated this shipment of farm equipment to Australia with Warren Transport trucks providing surface transportation from the Midwest to the Port of Long Beach, California.

INTERMODAL SERVICES

In November 1981, Tiger International formed a new division, Tiger Distribution Services, to develop intermodal transportation services and to capitalize on the strengths and capabilities of other Tiger International companies.

Tiger Distribution's market development staff consults with shippers to

assist them in designing and implementing more cost-effective transportation and distribution services. The market development staff, in coordination with other Tiger International companies, identifies and markets new specialized transportation services.

Tiger Distribution currently has one operating unit, Tiger InterModal, which accepts total responsibility for shipments requiring the service of

several transportation modes such as sea, road, air and rail.

In addition, Tiger InterModal is expanding its services by offering customs brokerage, insurance, warehousing and export packing. Currently, Tiger InterModal provides service to both Asia and Europe and has successfully completed test shipments to South Africa and Australia.

FIVE-YEAR FINANCIAL SUMMARY

(Amounts in thousands, except per share and ratio data)	1981	1980	1979	1978	1977
Revenues					
Air Cargo	\$ 924,702	\$ 713,123	\$ 465,152	\$ 413,187	\$ 297,838
Railcar Services ^(a)	308,385	308,657	256,642	199,621	171,642
Aviation Services	148,476	118,500	88,803	53,011	23,217
Trucking	286,567	187,049	—	—	—
Other	5,220	45,548	36,723	26,687	11,537
Total Revenues^(a)	\$1,673,350	\$1,372,877	\$ 847,320	\$ 692,506	\$ 504,234
Operating Profit Before Interest Expense & Income Taxes					
	\$ 164,042	\$ 199,804	\$ 163,241	\$ 167,025	\$ 127,543
Interest Expense	\$ 194,355	\$ 140,929	\$ 99,118	\$ 90,309	\$ 85,604
Income Tax Provision (Benefit)	\$ (13,700)	\$ 16,500	\$ 20,496	\$ 26,697	\$ 15,595
Net Income (Loss)	\$ (16,613)	\$ 42,375	\$ 43,627	\$ 50,019	\$ 26,344
Per Share Data					
Earnings (Loss) per Share	\$ (.98)	\$ 2.68	\$ 3.03	\$ 3.68	\$ 2.08
Book Value per Share	\$ 24.76	\$ 26.45	\$ 25.12	\$ 22.86	\$ 19.42
Cash Dividends Paid per Share	\$.88	\$.80	\$.80	\$.60	\$.50
Shares Used for Computation (000)	17,000	15,810	14,405	13,598	12,695
Other Data					
Funds from Operations	\$ 337,650	\$ 301,196	\$ 225,136	\$ 225,997	\$ 158,771
Long-term Debt to Equity Ratio	4.05	3.70	3.20	2.91	3.87
Fixed Charge Coverage Ratio	.86	1.36	1.57	1.81	1.47
Stockholders' Equity	\$ 419,389	\$ 446,279	\$ 357,846	\$ 325,301	\$ 246,413
Total Assets	\$2,702,397	\$2,758,425	\$1,940,601	\$1,616,655	\$1,504,982
Number of Employees	13,952	14,769	8,684	7,162	4,938

^(a) Revenues reclassified for comparative purposes (Railcar sales are currently recorded in revenues net of related costs of sales).

FIVE-YEAR SUMMARY OF OPERATING STATISTICS

15

	1981	1980	1979	1978	1977
Air Cargo					
<i>Scheduled Cargo Service</i>					
Domestic revenue ton miles (000)	846,667	881,895	776,459	752,027	(a)
Pacific revenue ton miles (000)	502,922	500,001	445,750	485,313	(a)
Atlantic revenue ton miles (000)	340,358	89,512	—	—	—
<i>Sources of Operating Revenues (percent)</i>					
Scheduled cargo operations	71.3	73.1	80.1	84.2	81.3
Military Airlift Command	12.7	12.1	9.9	8.6	8.3
Charter	11.3	11.3	8.5	5.4	9.4
Other	4.7	3.5	1.5	1.8	1.0
Fuel Cost per Gallon (\$)	1.13	.99	.58	.41	.39
Railcar Services					
Number of Railcars in Owned and Managed Fleet	63,400	59,180	52,264	48,513	46,575
On-lease Rate (Percentage average for year)	96.4	98.8	99.5	99.0	98.0
Trucking					
<i>Hall's Motor Transit^(a)</i>					
<i>Tonnage (000)</i>					
Truckload	1,697	1,707	2,294	2,419	2,146
Less-than-truckload	1,104	695	705	721	732
Total tonnage	2,801	2,402	2,999	3,140	2,878
Operating Ratio (percent)	100.7	96.9	95.7	94.4	93.4
Number of Terminals Operated	80	58	56	58	63
<i>Warren Transport^(c)</i>					
Ton Miles (000)	525,022	484,800	454,714	435,212	419,468
Intercity Miles (000)	42,452	42,071	38,400	36,085	36,981
Operating Ratio (percent)	92.0	91.3	90.7	90.1	90.5
Number Trailers Owned	1,281	1,128	1,107	1,014	821

^(a) Comparable figures for 1977 are not available.

^(b) The operating statistics for Hall's include the results of Dohrn Transfer Company as of January 1981. Hall's was acquired by Tiger International in January 1980.

^(c) Warren Transport was acquired in June 1981.

**TIGER
INTERNATIONAL
DIRECTORS**

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

Laurence C. Craigie
Consultant, Lockheed
Aircraft Corp.

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

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

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

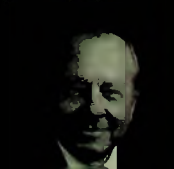
William E. McKenna
General Partner
McKenna Equities
(Private Investment
Company)

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

Thomas F. Grojean
President
Tiger International
and Flying Tigers

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

B. Houston Rehrig
President
Rehrig International
(Plastic Molders)



**TIGER
INTERNATIONAL
EXECUTIVES**

Martin A. Lynch
Senior Vice President-
Finance

David L. Auchterlonie
Vice President-Controller

Walter H. Bernhardson
Vice President-
Human Resources

Rolf Bodenburg
Vice President-Taxes

Robert J. Harter, Jr.
Vice President-Law and
Corporate Secretary

Jack Reiter
Vice President-
Government Relations

Gerald N. Hall
President
Hall's Motor Transit

Raymond Buch
Executive Vice President
and Chief Operating Officer
Hall's Motor Transit

Robert J. Molinaro
President
Warren Transport



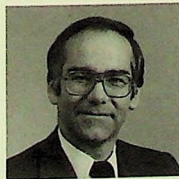
James H. Ozanne
President
North American Car

John E. Flynn
Executive Vice President
Flying Tigers



George M. Gross
President
TigerAir

Thomas B. Liesy
President
Tiger Distribution Services



TIGER INTERNATIONAL DIRECTORS AND EXECUTIVES

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Manatt, Phelps,
Rothenberg & Tunney
(Attorneys)

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General Partner
McKenna Equities
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Chief Executive Officer
Sears, Roebuck
& Company

B. Houston Rehrig
President
Rehrig International
(Plastic Molders)

Tiger International

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Chief Executive Officer

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Jack Reiter
Vice President-
Government Relations

Flying Tigers

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Chairman of the Board

Thomas F. Grojean
President

John E. Flynn
Executive Vice President

L. Russell Emerson
Senior Vice President-
Scheduled Services

Peter E. Hubbard
Senior Vice President-
Marketing and Sales

Lewis H. Jolley
Senior Vice President-
Operations

Thomas H. Barron
Vice President-Finance

Nissen Davis
Vice President-
Public Relations
and Advertising

Richard E. Haberly
Vice President-
Northeast Region

Albert O. Hicks
Vice President-Europe

Jack Kane
Vice President-Sales
System Accounts

Richard M. Keefer
Vice President-Flying

John H. Mahoney
Vice President and Advisor

Lawrence M. Nagin
Vice President-
Administration and Law

Reuben M. Rosenthal
Vice President-Sales
United States

Hermann A. Spiegel
Vice President-
Central Region

Paul A. Stokes
Vice President-Asia

Edwin H. Wallace
Vice President-
Contract Programs

Harold Woody
Vice President-
Maintenance and
Engineering

George A. Zettler
Vice President-
Latin America

North American Car

James H. Ozanne
President

Robert N. Tidball
Vice President and
General Manager-
Railcar Leasing Division

Gerald D. Birmingham
Vice President-
Fleet Operations

James F. Compton
Vice President and General
Manager-Remarketing
Services Division

Richard R. Forrest
Vice President-
Eastern Region

Robert A. Greenbury
Vice President-
Marketing and Product
Management

Harold C. Herrmann
Vice President and General
Manager-Terminal Division

Donald E. Jessie
Vice President-
National Accounts

C. Taylor Kew
General Manager-
Car Repair Division

Francis W. Kreidler
Vice President-
Special Projects

Roger A. Noback
Vice President-Law

Paul M. O'Hara
Vice President-
Finance

Gary N. Reynolds
Vice President-
Marketing and Sales,
Car Repair Division

Judith Becker Thomas
Vice President-
Administration, Car
Repair Division

Richard C. Underwood
Vice President-Sales
Railcar Leasing Division

Bi-Modal Corporation

Robert S. Resbie
President

Tiger Financial Services, Inc.

John A. Harrison
President

Grupo Tiger, S.A. (Mexico)

Steven H. Spencer
President

NACCO, S.A. (France)

David MacNaughton
President

North American Car (Canada) Limited

Raymond L. Bachinsky
Vice President-
General Manager

Tiger Railcar Leasing (U.K.) LTD.

Richard Bull
General Manager

Tiger Air

George M. Gross
President

Robert B. Burgess
Senior Vice President,
President-Aviquipo

Thomas C. Walker
Senior Vice President-
Fixed Base Division

Ronald J. Barowski
Vice President-Controller

Stephen Epstein
Vice President-
Human Resources

William D. Evans
Vice President and
General Manager-
Spare Parts Support

Hall's Motor Transit

John N. Hall
Chairman

Gerald N. Hall
President

Raymond Buch
Executive Vice President-
Chief Operating Officer

Buddy G. Cummings
Vice President-
General Transportation

J. Thomas Bailey
Vice President-Sales
and Marketing

Alvin M. Bodford
Executive Vice President
and Administration and
Treasurer

D. Richard Hassinger
Vice President-Operations

Edward W. Keilher
Vice President-Traffic

David G. Quddor
Vice President-
Human Resources

Bruce Walker
Vice President-
Maintenance

Warren Transport

Roberto Molinaro
President

Harold C. Andrews
Executive Vice President,
Assistant Secretary and
Treasurer

Adel J. Warren
Executive Vice President
and Operations Manager

George S. Warren
Executive Vice President
and Safety Director

Kenneth A. Nelson
Vice President and
Traffic Manager

Howard A. Peterson
Vice President and
Comptroller

Tiger Distribution Services

Thomas B. Liesy
President

James A. Mucci
General Manager-
Tiger InterModal

**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, 1981**

Commission file number **1-6457**

(Exact name of registrant as
specified in its charter)

**TIGER
INTERNATIONAL,
INC.**

(State or other jurisdiction of
incorporation or organization)

Delaware

(I.R.S. Employer Identification No.)

95-2623176

(Address of principal executive offices)

**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
and listed on the
New York Stock Exchange:

Common Stock, \$1 Par Value*

*Also listed on the Midwest and
Pacific Stock Exchanges

**8%% Convertible Subordinated
Debentures Due 2005**

**11½% Sinking Fund Debentures
Due 1995**

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:

**\$132,170,000 as of March 1, 1982 based
upon the closing quotation for that date.**

Indicate the number of shares
outstanding of each of the
registrant's classes of common
stock, as of March 1, 1982:

**17,034,646 Shares of Common Stock,
\$1 Par Value**

Documents Incorporated by Reference

**Information called for by Part III (Item 10) is
incorporated by reference from registrant's
definitive proxy statement for registrant's
1982 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, 1982, pursuant to Regulation 14A.**

ANNUAL REPORT ON FORM 10-K

December 31, 1981

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* Certain Portions Not Applicable

** Not Applicable

PART I.

ITEM 1. BUSINESS.

Tiger International, Inc. ("Tiger") is engaged, through its subsidiaries, in air cargo, railcar services, aviation services and trucking

Tiger was incorporated in Delaware in 1969 and is a successor to a corporation organized in 1945. Its principal offices are located at 1888 Century Park East, Los Angeles, California 90067 and its telephone number is (213) 552-6300.

Revenue and Operating Profit

Information regarding Tiger's revenues, operating profit and identifiable assets by industry segment and geographic area is included in Part II under the caption "Item 8. Financial Statements and Supplementary Data."

Air Cargo

The Flying Tiger Line Inc. ("Flying Tigers") is a certificated air carrier primarily engaged in the scheduled common carriage of cargo over a route system serving cities in the United States, Asia and Europe. Flying Tigers is the largest air cargo carrier in the free world as measured by cargo revenue ton miles carried in 1981. On October 1, 1980 Flying Tigers merged with Seaboard World Airlines, Inc. Seaboard's results of operations have not been included in Tiger's consolidated financial statements prior to October 1, 1980.

Scheduled Operations

Domestic. As of March 1, 1982, Flying Tigers provided scheduled air service for both cargo and mail directly to the following U.S. cities: Anchorage, Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas-Fort Worth, Detroit, Houston, Los Angeles, Miami, Minneapolis, New York, Philadelphia, San Francisco-Oakland, Seattle-Tacoma, Syracuse, and San Juan, Puerto Rico. Service is provided to the following cities through other carriers on a sub-contract basis: Baltimore, Cincinnati, Denver, Orlando and St. Louis. Flying Tigers also transports, by coordinated air-truck and other modes of transportation, cargo originating at or destined to points other than the cities Flying Tigers serves by air.

International. As of March 1, 1982, Flying Tigers provided international scheduled air service for both cargo and mail directly between points served in the United States and points in Japan, the Republic of Korea, Hong Kong, the Republic of China (Taiwan), the Philippines, Malaysia, Singapore, the Republic of Ireland, France, the Federal Republic of Germany, Switzerland, Italy, the United Kingdom and Mexico. Service to the Benelux and the Scandinavian countries is provided via truck service to and from the cities which are served by air.

Charters

Commercial. Flying Tigers provides cargo charters within the United States and throughout the world. In 1981, Flying Tigers operated cargo charter flights which generated \$98,981,000 of operating revenues compared to \$80,164,000 in 1980 and \$38,808,000 in 1979.

In addition, in 1981 Flying Tigers began passenger charter service through its Metro International Division for charters between, primarily, the United States and Europe or the Middle East. Two of three Boeing 747-200 passenger aircraft were used in the Metro passenger charter operations in 1981, and are expected to be so utilized in 1982. Metro generated \$35,087,000 of operating revenues for its 12 months of operation in 1981. In prior years, Flying Tigers operated passenger charter flights, primarily carrying refugees or pilgrims, which generated revenues of \$25,326,000 and \$5,039,000 in 1980 and 1979, respectively.

Military. Military Airlift Command ("MAC") contracts for both passenger and cargo service are awarded annually on the basis of an airline's participation in the Civilian Reserve Air Fleet ("CRAF"). All of Flying Tigers' aircraft are committed to CRAF. Total revenues from MAC charters in the year ended December 31, 1981, were \$112,045,000 compared to \$86,035,000 in 1980 and \$45,485,000 in 1979. Flying Tigers was awarded a new MAC contract for the twelve months from October 1, 1981 to September 30, 1982, the fixed portion of which is in the amount of \$60,631,000. MAC contracts contain standard provisions which make them subject to renegotiation and termination for convenience by the U.S. Government. A third Boeing 747-200 passenger aircraft was used in MAC passenger charter operations in 1981, and will be similarly used in 1982.

Aircraft Operating Fleet

As of March 1, 1982, Flying Tigers' operating fleet consisted of seventeen DC-8-63 aircraft, seven DC-8-61 aircraft, three Boeing 747-100F aircraft, ten Boeing 747-200F aircraft and three Boeing 747-200 passenger aircraft. Two leased DC-8-63 aircraft were returned to a lessor during 1981 and a third will be returned in October of 1982. In 1981, Flying

Tigers sold its interests in three Boeing 747-100 freighters and related equipment for an aggregate consideration of approximately \$87,875,000. Substantially all of Flying Tigers' operating fleet is encumbered by equipment trust certificates, capital lease or similar obligations.

Fuel

The availability of fuel is critical to Flying Tigers' operations. Aviation jet fuel prices and supplies are not controlled and suppliers of aviation fuel have at times allocated the available fuel. In general, Flying Tigers has been able to obtain adequate fuel supplies to meet its commitments. The average price per gallon of fuel paid by Flying Tigers increased from \$1.02 in December, 1980 to \$1.13 in December, 1981.

Revenues and Revenue Ton Miles

The following table presents a percentage breakdown of Flying Tigers' sources of revenue for each of the past three years. Flying Tigers' revenues are seasonal, with more cargo carried in the third and fourth quarters of each year. Information as to Flying Tigers' revenues, income and identifiable assets is included in the Notes to the Consolidated Financial Statements, "Business Segment and Geographic Data".

	Year Ended December 31		
	1981	1980	1979
Sources of Operating Revenue (percent)			
Scheduled cargo operations	71.3%	73.1%	80.1%
Military Airlift Command	12.7	12.1	9.9
Charter	11.3	11.3	8.5
Other	4.7	3.5	1.5
	100.0%	100.0%	100.0%

The following table presents certain statistics relating to Flying Tigers' scheduled and nonscheduled cargo operations for each of the past three years. The load factors 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.

	Year Ended December 31		
	1981	1980	1979
Scheduled Cargo			
Revenue ton miles (thousands)			
Freight	1,603,217	1,405,117	1,164,382
Mail & Other	86,730	66,291	57,827
Load Factor (percent)	70.0	70.3	68.4
Revenue per ton mile (cents)	36.1	35.2	30.0
Nonscheduled Cargo			
Revenue ton miles (thousands)			
Military Airlift Command	236,681	189,724	132,720
Charter	272,276	217,419	127,157

Customers

Approximately 14% of Flying Tigers' business in 1979, 15% in 1980 and 16% in 1981 was performed for two agencies of the United States Government: the Military Airlift Command and the U.S. Postal Service. MAC charter rates, which were formerly established by the Civil Aeronautics Board ("CAB"), are now determined by negotiation between the individual carrier and MAC. Service mail rates continue to be established by the CAB, which has adopted a procedure whereby those rates are revised on a quarterly basis to reflect cost changes. The CAB, however, has proposed to establish a mail rates zone which would allow a carrier to negotiate rates within the zone with the Postal Service.

Flying Tigers' domestic and international cargo customers are freight forwarders, direct shippers and cargo agents. Approximately 7% of Flying Tigers' scheduled cargo business in 1980 was performed for one customer, compared to approximately 6% in 1979. By the end of 1981, substantially all the business of that customer, as well as a significant amount of other freight forwarding business, was not given to Flying Tigers because the customers arranged to utilize aircraft directly in their operations.

In early 1982, Flying Tigers introduced door-to-door service, with guaranteed delivery times, directly to retail customers. This is done in an effort to attract business which does not rely on freight forwarders or cargo agents.

Regulation of Air Transport Industry

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

Generally, 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.

Although the domestic portion of *Flying Tigers'* business has been substantially deregulated, the CAB regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of American air carriers abroad. The CAB's jurisdiction also 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

Flying Tigers serves its Transpacific routes pursuant to a temporary Certificate of Public Convenience and Necessity which remains effective until July, 1984 and its Transatlantic routes pursuant to a permanent Certificate of Public Convenience and Necessity. *Flying Tigers'* authorization to operate its international routes and to serve foreign points is further dependent upon permissions from 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 foreign international air carriers. Rates over international air transport routes are usually established by member agreement at periodic IATA Traffic Conferences. Specific agreements are subject to the approval of the CAB (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. The CAB has approved the IATA Traffic Conference system until March 15, 1982; *Flying Tigers* assumes the CAB will continue its approval of this system during 1982.

Flying Tigers was able to effect rate increases in all markets in 1981. However, these increases did not keep pace with increased costs. Under tariff rules, the cargo rates charged by carriers are expressed in each country's own currency and have not generally been adjusted for foreign currency exchange rate fluctuations.

Environmental Regulations

Flying Tigers is complying with a regulation issued by the FAA under the Noise Control Act of 1972 (the "FAA Noise Rule") by replacing the existing engines on its DC-8 fleet with newer, quieter engines ("re-engining") and/or replacing the DC-8 aircraft with other aircraft. The re-engining is expected to be completed by 1985 and its cost will be approximately \$13,500,000 per aircraft, exclusive of spares and other components. The re-engining modification will comply with the FAA Noise Rule and will also decrease fuel consumption by approximately 15% in comparison with present DC-8 engine performance.

Certain of the airports into which *Flying Tigers* operates have adopted noise abatement regulations. To date these regulations have not had a significant impact on *Flying Tigers'* overall operations.

Competition

The air cargo industry is highly competitive. As a result of deregulation, the number of *Flying Tigers'* domestic competitors has increased and may continue to increase. Further, current U.S. Government international aviation policies are both increasing significantly the number of competitors and expanding the number of U.S. interior points served by foreign competitors. Air freight forwarders are customers of *Flying Tigers*, but are becoming increasingly competitive because they have a direct relationship with the original shipper and are buying or chartering aircraft for their own use or in conjunction with other forwarders. The air cargo industry itself as one transportation mode is in competition with alternative means of transportation such as trucks, buses, railroads and container ships.

In its domestic operation, *Flying Tigers* also competes with most of the major passenger air carriers. In international service, Japan Air Lines, Northwest Airlines, China Airlines, Pan American World Airways and Korean Airlines are *Flying Tigers'* major Transpacific competitors and Air France, Alitalia, British Airways, KLM, Lufthansa, Pan American World Airways, SAS and TWA are *Flying Tigers'* major Transatlantic competitors. Such carriers provide scheduled air cargo service to many of the same points as does *Flying Tigers*. Most of these competitors operate all-cargo aircraft as well as passenger aircraft which carry cargo in addition to passengers.

International rates in the air cargo industry are subject to the approval of the CAB as well as of various foreign governments. For further information, see "International Route Authorizations and Rates". Competition in air cargo markets is based on both price and service. Market pressures result in some price uniformity. Flying Tigers' market research indicates that the following factors are most important in the shipper's decision as to which carrier or forwarder to use: reliability, door-to-door time, pickup and delivery service, tracing ability, claims processing, customer service and price.

Railcar Services

North American Car Corporation and its subsidiaries ("North American") are primarily engaged in furnishing and providing services with respect to specialized types of railcars. North American furnishes these railcars and services to industrial shippers in the grain, chemical, petroleum, food processing, fertilizer, lumber, and other industries. The shippers supply these railcars to the railroads which transport the shippers products in the United States, Canada, Mexico, and Western Europe. Railcars and services are also provided directly to the railroads.

Most railcars are furnished under full-service leases pursuant to which North American acquires, provides and maintains railcars, collects mileage compensation from railroads, pays certain property and related taxes, and performs various other administrative functions. North American also markets various elements of its full service lease program separately.

North American sells new and used railcars directly to its customers and provides maintenance and other services for them which they would otherwise perform for themselves. These services are provided on both project and, under North American's administrative services contracts, long-term contract bases. Under its leveraged lease program, North American arranges long-term, net capital leases of railcars to its customers from third party equity lessors and sells the railcars to such third parties.

Under its investor management programs, North American sells railcars to corporate and other investors subject to management agreements which provide that North American will manage, market and maintain the railcars for periods of up to approximately 20 years as part of its normal business operations. At the end of such agreements, North American has certain rights to remarket or purchase the railcars.

North American operates repair shops and light repair units throughout the United States and Canada to conduct its railcar repair, maintenance and inspection business. North American also modifies, constructs and rebuilds railcars for others at several of its shops.

Railcar Fleet

North American's railcar fleet at December 31, 1981, consisted of approximately 63,000 railcars. The fleet, as of December 31, 1980 and 1979 consisted of approximately 59,000 and 52,000 cars, respectively. Substantially all of the railcars in North American's fleet are encumbered under equipment trust, capitalized lease or similar obligations or operated by North American for others under North American's investor management programs or serviced for others under North American's administrative service contracts.

At December 31, 1981, approximately 31% of the railcars in the fleet were tank cars, 55% were covered hopper cars, and 14% were box, flat, and other types of railcars. The fleet is comprised of railcars owned by North American, held by North American under capitalized leases or similar obligations, operated by North American for others under North American's investor management program and serviced by North American for others under administrative services contracts. Railcars managed by North American under investor management programs or administrative services contracts are not reflected in North American's consolidated balance sheet and represent approximately 20% of the railcars in the above-described fleet.

Leases

Leases for railcars are generally at fixed rentals not subject to escalation during the term of the lease, except, where North American believes such lease provisions are appropriate, for increases in railcar costs or governmentally reported indices between the date of lease and delivery of new railcars. Occasionally, in response to market and other conditions, leases with rentals based on usage are entered. Leases for railcars in the fleet are for terms ranging for several months to over 10 years, with most such leases for terms of between 5 and 10 years. As of December 31, 1981, North American had firm rentals for railcars and related equipment owned and leased by North American and leased to others under operating and finance leases of approximately \$664,000,000 due to it during the period from January 1, 1982 through 1997, of which \$165,000,000 will be due in 1982 and \$347,000,000 during 1983 through 1986. Average fleet utilization of used railcars was 96% during 1981 and 99% during 1980. In addition, as of December 31,

1981 and 1980, 770 and 425 new railcars at a cost of approximately \$34,300,000 and \$19,900,000 were held in storage by North American.

North American's railcars are leased primarily to approximately 900 shippers and, to a lesser extent, railroads. No single customer leases more than 5% of North American's fleet, and less than 35% of the fleet is leased to North American's 20 largest customers.

Supply

In recent years, the new railcars added to North American's fleet or sold have been either purchased as completed units or assembled at facilities of North American or its contractors from purchased kits or components. Often North American obtains and furnishes components directly to its suppliers and assemblers of railcars. In January, 1981, North American purchased the manufacturing business of its exclusive supplier of pressure differential (P.D.[®]) railcars for transporting dry bulk commodities.

In order to acquire railcars for its various programs, North American places purchase orders for standard types of railcars and components before it has obtained commitments for the lease or sale of such railcars. This practice is designed to take advantage of production economies and to maintain an available supply of railcars for lease and sale. Demand for new railcars has lessened compared to prior periods and, as a result, North American currently has new railcars with respect to which it has no lease or sale commitments.

In recent years North American has acquired railcars and components from a number of different manufacturers and assemblers in the United States, Canada, Mexico and Europe. Most of the railcars expected to be delivered to North American for 1982 are to be manufactured or assembled by three companies in the United States, in addition to North American.

Maintenance

The railcars under full-service leases are repaired and maintained at North American's own shops and light repair units and at various facilities owned by railroads and others. Running repairs, which account for approximately one-half of North American's total maintenance expense, are normally made by railroads and billed to North American in accordance with rates established by the Association of American Railroads (the "AAR"). North American makes substantially all railcar repairs, other than running repairs, at its own facilities.

Competition

The business in which North American is engaged is highly competitive, and there are a number of well-established companies which actively compete with North American in the business of leasing and servicing railcars, including two concerns with fleets substantially the same size as that of North American, and one concern with a slightly smaller fleet. Although price and service are important considerations in dealings with customers, the availability of equipment for lease is often a major factor in the leasing of railcars. As a leasing and servicing company, North American might be considered to be competing with, or facing potential competition from, customers who could provide such services for themselves.

Railroads do not supply tank cars and hence do not compete with North American in offering tank cars to shippers. Railroads do supply covered hopper cars for grain and fertilizer service and such cars do compete directly with privately owned covered hopper cars suitable for such service. However, railroads do not generally offer covered hopper cars for pelletized plastic resin service (those in excess of 5,000 cubic feet) or P.D.[®] covered hopper cars and hence do not generally compete with respect to such cars. North American currently has approximately 4,100 plastic pellet and P.D.[®] type railcars in its fleet.

The competition with railroad-supplied, grain covered hopper cars arises in part because of railroad restrictions on the use of similar equipment supplied by shippers. Railroads in the United States are required to establish reasonable rules for the use of privately supplied railcars under the Interstate Commerce Act and other applicable laws. In periods of railcar shortages, railroad approval of shipper supplied cars is obtained fairly easily. However, in periods of oversupply, railroads may seek to cancel approvals, may request or require shippers to alternate loadings of privately and railroad supplied grain covered hopper cars in accordance with ratios established by the railroads, or decline to grant new approvals in order to keep railroad owned cars moving in preference to private cars.

There currently exists a surplus supply of grain covered hopper cars in relation to demand. The last extended period during which a surplus of grain covered hopper cars occurred was 1975 and 1976. As a result of the present surplus, competition of privately-supplied grain covered hopper cars with railroad-supplied grain covered hopper cars is particularly intense for cars originating on a number of railroads.

Regulation

North American is not a common carrier and is not subject to regulation or supervision by the Interstate Commerce Commission (the "ICC"). North American is subject to and affected by various industry requirements and government laws, rules and regulations concerning construction, condition and operation of its fleet of railcars. Changes in these laws, rules and regulations have required North American to make modifications to its railcars from time to time. In addition, railroads assert authority to restrict the use of non-tank railcars supplied by shippers (see "Competition").

International Activities

North American activities outside the United States include the leasing of railcars, principally in Canada, Mexico and Western Europe. Information as to North American's revenues, income and identifiable assets is included in the Notes to the Consolidated Financial Statements, "Business Segment and Geographic Data".

Other Activities

Tiger Financial Services, Inc., a wholly owned subsidiary of North American, is involved in the brokerage of leveraged lease transactions of various types of capital equipment, primarily transportation and energy-related equipment. During 1980 such transactions involved the placement of financing for equipment with a cost of approximately \$220 million. A major portion of the \$182 million placed by Tiger Financial Services during 1981 consisted of sales of tax benefits under the Economic Recovery Tax Act.

North American's Terminal Services Division furnishes, leases and services storage tanks for storage and blending of bulk liquids. North American's Chemical Division blends and packages water purification chemicals such as chlorine, caustic soda, and bleach which are then marketed to municipalities, private companies and institutions in the Midwest.

Aviation Services

TigerAir, Inc. ("TigerAir") organized into two business groups during 1981: Commercial Corporate Aircraft Sales and Leasing, and Aviation Services. Management is emphasizing the Aviation Services group and expects to continue efforts to dispose of TigerAir's fleet of commercial aircraft. Substantially all of TigerAir's fleet is encumbered by debt.

The Aviation Services group consists of four fixed base operations ("FBO") and three supply companies. FBOs, located in Salt Lake City, Utah; White Plains, New York; Denver, Colorado; and Burbank, California, sell and charter light aircraft and sell fuel, aircraft parts, repair and light modification services to the general aviation market. The Denver FBO was acquired in 1981. FBO's compete with other fixed base operations located at each airport. Generally, jet fuel sales to corporate users at the FBO's have not been materially impacted by the recession, but sales of light aircraft, particularly piston-powered aircraft, lagged during 1981, primarily due to higher financing costs to the buyer.

The supply companies furnish aircraft parts and auxiliary fuel tank systems to the domestic and international aviation and airport authority markets, including private, commercial and government owned aircraft. Revenues derived from TigerAir's aviation equipment operations were down to \$51,881,000 in 1981 from \$55,342,000 in 1980. The revenue reduction is attributable to reduced commercial aircraft flying, offset by improved operating efficiencies and controls. Commercial aircraft constitute a significant portion of the supply companies' customers.

During 1981, Aircraft Sales and Leasing group transferred three Boeing 747's to Flying Tigers, and wrote down the realizable value of its remaining fleet by approximately \$11,200,000. At December 31, 1981, TigerAir's fleet included four 727-200's and two DC-10's on lease, and twelve aircraft for sale with an aggregate net book value for all TigerAir aircraft of \$83,300,000.

Trucking

Tiger controls two trucking companies, Hall's Motor Transit Company ("Hall's") and Warren Transport, Inc. ("Warren"). Each company is separately managed and specializes in different types of motor carrier service.

Hall's was acquired by Tiger on January 24, 1980. Dohrn Transfer Company ("Dohrn"), a common carrier engaged in motor freight transportation primarily in the North Central and Great Lakes regions, was acquired by Halls in January, 1981. Hall's results of operations include Dohrn beginning January 1, 1981; Dohrn was merged into Hall's on April 19, 1981. On the basis of operating revenues for 1981, Hall's ranked as the fourteenth largest motor carrier in the United States.

Hall's is a common carrier of general commodities by motor vehicle, operating in interstate and foreign commerce in 23 states and the District of Columbia under authority granted by the ICC, 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 Pennsylvania, New York, Maryland, Wisconsin and Illinois under authority granted by the applicable state commissions

Hall's operating revenues were \$253,300,000 in 1981, \$197,100,000 in 1980 and \$199,300,000 in 1979. For these same three fiscal years, Hall's handled 1.2 billion ton-miles in 1981, 1.0 billion ton-miles in 1980 and 1.2 billion ton-miles in 1979. Hall's operating ratio was 100.7% in 1981, 96.9% in 1980 and 95.7% in 1979.

Hall's is authorized to transport general commodities, with exceptions, over a network of regular routes. In 1981 Hall's received from the ICC a preliminary grant for nationwide, general commodities authority. In addition, Hall's maintains interline connections beyond its territory to most other cities in the United States and to points in Eastern Canada. It also possesses irregular route general commodity authority from and to specified points or areas in 13 states and the District of Columbia and irregular route specific commodity authority from and to specified points or areas in 38 states and the District of Columbia.

Hall's has 60 agencies in 55 cities booking freight for its Special Commodities Division, which transports chiefly iron, steel, and related products, glass and refrigerated shipments, on a commission basis.

Of the total intercity tonnage carried during 1981 by Hall's, 88% both originated and terminated within the Hall's system, the remaining 12% either originated or terminated with Hall's. During the fiscal years ended December 26, 1981, and December 27, 1980, 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. None of Hall's customers accounted for more than 1% of Hall's revenues.

Warren was acquired on June 1, 1981. Warren's results of operations are not included in Tiger's consolidated financial statements prior to that date. Warren is primarily a specialized truckload hauler of heavy machinery and other commodities that require special equipment. Warren is the leading hauler of agricultural machinery in the United States.

Warren's operating revenues were \$49,900,000 in 1981, \$46,300,000 in 1980 and \$41,200,000 in 1979. For these same three fiscal years, Warren handled 525 million ton-miles in 1981, 485 million ton-miles in 1980 and 455 million ton-miles in 1979. Warren's operating ratio was 92% in 1981, 91.3% in 1980 and 90.7% in 1979. A significant portion of Warren's business in 1981 and 1980 was performed for one customer.

On June 16, 1981, Warren was authorized by 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 foreign commerce to and from specified points in the Province of Ontario and by the applicable state commissions to operate in intrastate commerce in Missouri, Nebraska, Kansas, Iowa, Illinois, and Minnesota.

Equipment

As of December 26, 1981, Hall's owned 1,967 truck tractors, 4,131 van semitrailers and 292 trucks, substantially all of which is encumbered by debt. Hall's also leases truck tractors, with or without drivers, from brokers and owner-operators, as needed for its operations, generally for the purpose of hauling steel, glass and perishables.

As of December 31, 1981, Warren owned 16 tractors (switch only) and 1,281 semitrailers. Warren leases truck tractors with drivers from owner-operators.

Regulation of the Motor Carrier Industry

Hall's and Warren are subject to the Interstate Commerce Act, under which the ICC and the Department of Transportation'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 issued by the ICC. These certificates specify the commodities that can be hauled and the territory in which a carrier can operate. The Motor Carrier Act of 1980 ("Motor Carrier Act") simplified this process and eased the burden on a carrier seeking new or expanded authority.

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 has 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 qualification and the maximum hours of service of Hall's and Warren drivers.

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

Competition

The motor carrier industry is highly competitive. Hall's and Warren compete with other motor common carriers, motor contract carriers, private carriers and railroads. The operating authorities granted to Hall's and Warren do not give them exclusive rights in any of the areas in which they do business. A substantial number of motor carriers operate within the same areas served by Hall's and Warren's, 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 Hall's and Warren's. 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 Hall's and Warren for regulated interstate transportation are on file with the ICC. Normally, regional tariff bureaus, on behalf of their members, including Hall's and Warren, publish revisions of rates and charges subject to the approval of the ICC.

While rate increases have generally been granted to cover increased costs incurred by members of regional tariff bureaus 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

Hall's buys diesel fuel in bulk for delivery to each of its terminals for use as needed by its trucks. Because of the placement of its terminals, a relatively small portion of the diesel fuel used by Hall's trucks is purchased from truck stops and other retail sales outlets. Hall's has been and continues to be able to obtain diesel fuel in the quantities, at the times, and in the locations needed, without interruption or other adverse effect upon its ability to provide freight hauling services. However, the cost of fuel has increased significantly and only part of the additional cost of fuel has been offset by increased rates authorized by the various regulatory commissions.

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

Other Activities

Tiger Distribution Services

In November, 1981, Tiger Distribution Services ("TDS") was established as an operating division of Tiger, to develop intermodal business opportunities, establish corporate marketing programs and provide both internal (to Tiger) and external transportation consulting services.

Computer Leasing

Through its Tiger Computer division in the United States and its Tiger Leasing Division in Europe, National Equipment Rental, Ltd. ("NER") leases, arranges leases of, and provides administrative and remarketing services in connection with, IBM System 370 and 3000 Series computer equipment.

At December 31, 1981, computers on operating and finance leases had firm and insured rentals of \$23,700,000, or 73% of the book value of such equipment. In addition, NER arranges, administers and/or has remarketing agreements for computer leases with nonaffiliated investors. NER's investment in the computer equipment related to these leases at December 31, 1981, was \$11,100,000 or 7% of original cost.

Private Mortgage Insurance

As a consequence of Tiger's decision to concentrate its future activities in transportation related businesses, Tiger sold its former subsidiary, Tiger Investors Mortgage Insurance Company, and its subsidiaries for a purchase price of approximately \$83,000,000 in cash on February 26, 1981.

Tiger Employees

As of December 31, 1981, Tiger and its subsidiaries had approximately 13,950 employees. Approximately 3,000 of Flying Tigers' employees in the United States are covered by contracts between Flying Tigers and three unions. During

1982, pursuant to the provisions of Title II of the Railway Labor Act, Flying Tigers and the three unions will be negotiating new contracts. Approximately 3,600 Hall's employees are governed by labor agreements between Hall's and the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America; approximately 240 additional Tiger employees are covered by other union contracts, all of which contracts expire and will be renegotiated in 1982.

ITEM 2. PROPERTIES.

Tiger's executive offices are located in leased space in Los Angeles, California. These offices cover approximately 48,500 square feet under two leases expiring in 1996.

Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30 acre tract leased at Los Angeles International Airport. A hangar and a general office building, including a ten-story office tower, have been constructed on this property by Flying Tigers. Flying Tigers also has entered into long-term leases on airport facilities at most of the cities it serves. Flying Tigers' operating fleet is described under the caption "Item 1. Business."

In addition to the railcars described above under the caption "Item 1. Business.", North American operates 15 repair shops throughout the United States and Canada at which it conducts railcar repair, modification, rebuilding and, to a lesser extent, assembly. Such repair shops are owned or leased by North American or its affiliates. North American leases its executive offices in Chicago, Illinois and sales offices in cities throughout the country.

The aircraft owned by TigerAir are described under the caption "Item 1. Business." TigerAir leases its executive offices in Atlanta, Georgia and its subsidiaries lease office space and hangar and warehouse facilities throughout the United States. TigerAir subsidiaries also lease sales offices and warehouse facilities in foreign cities.

Hall's owns a 36-acre tract in Mechanicsburg, Pennsylvania where it maintains its executive and general offices, breakbulk terminal, and principal garage facility. Hall's maintains 96 terminal facilities in 89 cities in 23 states and the Province of Quebec. Hall's operates 80 of the 96 terminals, of which it owns 50 and leases 30 under leases due to expire between 1982 and 2001. Of the 15 terminals not used by Hall's, 7 are leased to unrelated parties and 8 are vacant. Hall's equipment is described under the caption "Item 1. Business."

Warren maintains 16 terminals in 15 cities located in 9 states and the Province of Manitoba. Warren operates all 16 of these terminals, of which it owns 11 and leases 5. The leases are due to expire between 1982 and 1986. Warren's executive and general offices and principal garage facilities are in Waterloo, Iowa. Warren's equipment is described under the caption "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table shows persons known to Tiger to be the beneficial owners of more than five percent of the outstanding Tiger Common Stock, as of February 1, 1982:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Reliance Financial Services Corporation and its subsidiary, Reliance Insurance Company, 919 Third Avenue, New York, New York 100222	3,746,200(1)	21.92%
Mathers and Company, Inc. 125 S Wacker Drive, Chicago, Illinois 606061	1,134,610(2)	6.68%

(1) This information is derived from Amendment No. 9 to Schedule 13D, dated February 10, 1982, filed with the Securities and Exchange Commission by Reliance Financial Services Corporation, a subsidiary of Reliance Group, Inc. In such filing, Reliance reported that (i) it had sole voting and investment power with respect to all of the above-referenced shares and (ii) it had no shared voting or investment power with respect to such shares. In this filing, Reliance has stated that the above-referenced shares were acquired for investment as part of the general investment portfolio of Reliance Insurance Company, and that "subject to availability and price and subject to applicable laws and regulations, Reliance Insurance may increase its holdings but also reserves the right to dispose of any or all of such securities on terms and at prices determined by [it]." On April 22, 1980, Tiger commenced suit against Reliance Insurance Company and certain of its affiliates in the United States District Court for the Central District of California, alleging that their purchases of Tiger Common Stock violated the Federal securities laws and seeking injunctive relief.

(2) This information is derived from Amendment No. 1 to Schedule 13G, dated February 18, 1982, filed by Mathers and Company, Inc. In such filing, Mathers reported that (i) it had sole voting power with respect to 400,000 shares of Tiger Common Stock; (ii) it had sole investment power with respect to 1,134,610 shares of Tiger Common Stock; and (iii) it had no shared voting or investment power with respect to any shares of Tiger Common Stock.

The following table shows the number of shares of Tiger Common Stock beneficially owned by each director and by all directors and officers of the registration as a group (none of whom owns any other equity security of Tiger), as of March 30, 1982:

Name	Title of Class	Amount of Beneficial Ownership	Percent of Class
Wayne M. Hoffman	Common Stock	350,326	2.01%(A)
B. Houston Rehrig	Common Stock	456	(B)
Charles Luckman	Common Stock	3,912	(B)
Laurence C. Craigie	Common Stock	10,279	(B)
J. Howard Edgerton	Common Stock	5,596	(B)
William E. McKenna	Common Stock	910	(B)
Thomas F. Grojean	Common Stock	200,959	1.15%(A)
Gordon M. Metcalf	Common Stock	1,100	(B)
Charles T. Manatt	Common Stock	0	(B)
Gerald R. Ford	Common Stock	102	(B)
All directors and officers as a group	Common Stock	631,188	3.62%(A)

(A) Includes 30,250 shares of outstanding Tiger Common Stock (.17%) which Mr. Hoffman, 21,250 shares (.12%) which Mr. Grojean and 32,400 shares (.18%) which other Tiger officers have the right to acquire pursuant to options granted under Tiger's 1981 Key Employees Stock Option Plan, which options are exercisable after May 24, 1982, at the earliest. Tiger has entered into stock purchase agreements with certain of its principal executive officers pursuant to which such officers agreed to purchase, within ten years of the date of the agreement, a specified number of shares of Tiger Common Stock at the market price on the date of the agreement. The amounts shown include 200,000 shares, in the case of Mr. Hoffman, and 150,000 shares, in the case of Mr. Grojean, which each is obligated to purchase pursuant to agreements which have been approved by Tiger's stockholders. The amounts shown do not include 100,000 shares, in the case of Mr. Hoffman, and 80,000 shares, in the case of Mr. Grojean, which each is obligated to purchase pursuant to agreements which will be submitted to Tiger's stockholders for their approval.

(B) Less than 0.1% of the outstanding shares of Tiger Common Stock. Each of the foregoing persons has sole voting and investment powers with respect to all shares owned by him.

Executive Officers of the Registrant.

Each officer is appointed by the Board of Directors of Tiger and serves at its pleasure. Pursuant to the retirement agreement between Tiger and Mr. Hoffman, he is to serve in an executive capacity until the normal retirement age of 65.

The following table lists executive officers of Tiger at March 1, 1982.

Name	Title	Age
Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer and Director	59
Thomas F. Grojean	President and Director	43
Martin A. Lynch	Senior Vice President—Finance	44
David L. Auchterlonie	Vice President—Controller	35
Walter H. Bernhardson	Vice President—Human Resources	50
Rolf Bodenbug	Vice President—Taxes	53
Robert J. Harter, Jr.	Vice President—Law and Corporate Secretary	37
Jack Reiter	Vice President—Government Relations	62

There is no family relationship between any of the foregoing persons.

The following is a brief account of the business experience during the past five years of the executive officers of Tiger.

Wayne M. Hoffman	Before becoming Chairman of the Board and Chief Executive Officer of Tiger in March, 1978, Mr. Hoffman had been President and Chief Executive Officer of Tiger since August, 1973.
Thomas F. Grojean	Before becoming President of Tiger in March, 1978, Mr. Grojean had been Executive Vice President of Tiger since September, 1975. In addition, Mr. Grojean has served as President of Flying Tigers since August, 1979.
Martin A. Lynch	Before becoming Senior Vice President—Finance in April, 1980, Mr. Lynch had been Vice President—Finance since July, 1979. Mr. Lynch was Vice President—Treasurer of Tiger from April, 1976 to June, 1979. Since 1971, Mr. Lynch has been a Vice President of North American and since March, 1976 he has been Treasurer of North American.
David L. Auchterlonie	Before becoming Vice President—Controller in September, 1980, Mr. Auchterlonie had been Senior Audit Manager of the Los Angeles office of Price Waterhouse since July, 1978. Mr. Auchterlonie had been with Price Waterhouse since September, 1968.
Walter H. Bernhardson	Before becoming Vice President—Human Resources of Tiger in May, 1979, Mr. Bernhardson had been Vice President—Personnel Relations for Flying Tigers since June, 1977, and Senior Director of Personnel Relations for Flying Tigers from 1972 to June, 1977.
Rolf Bodenbug	Before becoming Vice President—Taxes in July, 1979, Mr. Bodenbug had been Assistant Treasurer—Taxes from April, 1976.
Robert J. Harter, Jr.	Before becoming Vice President—Law and Corporate Secretary in June, 1980, Mr. Harter had been Vice President—Law since July, 1979. Mr. Harter was Associate General Counsel to Tiger from April, 1978 to June, 1979. Prior to April, 1978, Mr. Harter was an attorney with the Los Angeles law firms of Shutan & Trost from 1976 to 1978, and Gibson, Dunn & Crutcher from 1970 to 1976.
Jack Reiter	Before becoming Vice President—Government Relations in January, 1980, Mr. Reiter had been an attorney with the Washington, D.C. law firm of Zuckert, Scoutt & Rasenberger since March, 1979. Prior to that date, he had been Vice President, Government Affairs of World Airways, Inc. since 1968 and had been a director of World since 1975.

PART II.**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.**

Tiger Common Stock is traded on the New York, Midwest and Pacific stock exchanges under the symbol TGR. As of March 1, 1982, there were approximately 23,450 record holders of Tiger Common Stock according to records maintained by Tiger's transfer agent. The range of the sales price of Tiger Common Stock by quarter and the cash dividends declared per common share for the two years ended December 31, 1981 are as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
1981				
High	23.88	26.63	23.00	14.00
Low	18.50	21.50	11.88	11.63
Close	23.00	23.00	13.88	13.50
Cash dividends paid per common share	.20	.225	.225	.225
1980				
High	\$24.75	\$24.00	\$28.75	\$25.00
Low	17.88	20.00	22.00	21.13
Close	20.00	22.25	24.38	23.25
Cash dividends paid per common share	.20	.20	.20	.20

On March 1, 1982, the closing sales price of Tiger's Common Stock amounted to \$7.88 per share.

Certain bank credit agreements provide for restrictions on the payment of cash dividends. At December 31, 1981, under the most restrictive of the agreements, approximately \$5.4 million of retained earnings were available for the payment of cash dividends; approximately \$11,400,000 of cash dividends were declared in 1981. The Board of Directors of Tiger determined not to declare a dividend for the first quarter of 1982, and has made no decision with respect to future dividends.

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for the Company and its subsidiaries for each of the five years ended December 31, 1981 (in thousands, except per share and ratio data):

	1981	1980	1979	1978	1977
Results of operations					
Revenues	\$ 1,673,350	\$ 1,372,877	\$ 847,320	\$ 692,506	\$ 504,234
Net income (loss)	\$ (16,613)	\$ 42,375	\$ 43,627	\$ 50,019	\$ 26,344
Earnings (loss) per common share	\$ (.98)	\$ 2.68	\$ 3.03	\$ 3.68	\$ 2.08
Cash dividends declared per common share	\$.675	\$.80	\$.80	\$.60	\$.50
Funds provided by operations*	\$ 337,650	\$ 301,196	\$ 225,136	\$ 225,997	\$ 158,771
Ratio of earnings to fixed charges	.86	1.36	1.57	1.81	1.47
Financial position					
Total assets	\$ 2,702,397	\$ 2,758,425	\$ 1,940,601	\$ 1,616,655	\$ 1,504,982
Long-term obligations and minority preferred stock subject to mandatory redemption	\$ 1,703,399	\$ 1,655,575	\$ 1,151,851	\$ 952,845	\$ 961,396
Stockholders' equity	\$ 419,389	\$ 446,279	\$ 357,846	\$ 325,301	\$ 246,413
Long-term debt to equity ratio	4.05	3.70	3.20	2.91	3.87
Book value per common share	\$ 24.76	\$ 26.45	\$ 25.12	\$ 22.86	\$ 19.42

*Includes working capital provided by operations, collection of finance lease, long-term and other receivables, sale or retirement of property, plant and equipment and other assets. See Management Discussion and Analysis on page 13 and Consolidated Statement of Changes in Financial Position on page 23, and for additional information pertaining to source and use of funds.

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

Summary

Tiger is an international transportation and related services company. The Company has grown in each of its businesses (air cargo, railcar services, aviation services and trucking) over the past three years through both internal growth and acquisition.

This growth has required substantial investment. During the past three years, \$1.3 billion has been spent for 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, Warren and Dohrn were also acquired to complement the trucking business and two other transportation related businesses were also acquired. Lower than anticipated operating results in both 1980 and 1981 combined with funds required for the acquisitions and equipment additions have had the effect of increasing Tiger's debt to equity ratio from 3.20 to 1 in 1979 to 4.05 to 1 in 1981.

Tiger reported a net loss of \$16.6 million for 1981 compared to a net income of \$42.4 million in 1980. The current recession and continued high interest rates have negatively impacted each of Tiger's operations. The deterioration of the economy combined with the decline in domestic air cargo and truck freight and a slowdown in railcar sales and leasing markets resulted in lower than anticipated revenues and a consolidated operating loss in 1981. As a result of the 1981 fourth quarter loss coupled with poor economic conditions, Tiger omitted its first quarter dividend for 1982.

Liquidity and Capital Resources

Tiger International receives funds from its subsidiaries to meet its cash requirements and it also borrows funds. The Company's sources of funds include public and private issuances of equipment trust certificates, tax exempt revenue bonds, common stock and debentures. Additional sources include available bank facilities. At December 31, 1981 the Company had approximately \$295 million of unused bank facilities pursuant to formal and informal agreements.

The acquisitions completed during 1981 cost Tiger approximately \$65 million including the assumption of debt and liabilities of \$25 million. The 1980 acquisitions cost Tiger approximately \$352 million including the assumption of debt and liabilities of \$198 million. The acquisitions were financed from funds from operations, available bank commitments and issuances of common stock and debentures.

During the first half of 1981, Tiger received approximately \$70 million from the sale of its interest in three B-747-100 freighter aircraft and related equipment, and approximately \$83 million from the sale of its mortgage insurance subsidiary. These proceeds were used primarily to pay outstanding bank debt. During the fourth quarter of 1981 Flying Tigers issued approximately \$120 million of long-term debt securities which were used to refinance short-term bank debt.

1981 capital expenditures of \$186 million reflect a substantial reduction compared to 1980 expenditures of \$549 million. Capital requirements for 1982 are expected to be further curtailed until economic conditions improve. At December 31, 1981 purchase commitments amounted to \$370 million (as described in the note on page 33); these commitments relate principally to re-engining requirements for Flying Tigers DC-8 aircraft and to railcar deliveries.

Funds provided by operations amounted to \$337.7 million in 1981 including \$151.9 million of sales of aircraft and insurance operations compared to \$301.2 million in 1980. The net decline in funds provided is largely as a result of adverse operating results caused by economic conditions including high interest rates. At December 31, 1981, the Company had total debt outstanding of approximately \$1.8 billion with an average term of 7 years; approximately \$500 million of debt is subject to short-term interest fluctuations.

Results of Operations — Overview

1981 revenues of approximately \$1.7 billion exceeded 1980 revenues by 22% or approximately \$300 million. 1980 revenues exceeded 1979 revenues by 62% or approximately \$530 million. 1980 and 1979 revenues have been restated to report railcar sales net of related costs. They previously had been reported separately in results of operations as revenues and cost of sales, respectively.

The net loss of approximately \$17 million in 1981 compares unfavorably to the net income of \$42 million in 1980. The 1981 results were attributed to the economic recession, competitive pressure in most of Tiger's markets, and high interest costs. Also contributing to the earnings decline was a write-down of approximately \$22.7 million related to aircraft and leasing related assets. 1981 was favorably impacted by the sale of the Company's interest in three B-747s for a pretax gain of approximately \$35 million, a pretax gain of \$18.7 million on the sale of tax benefits and the sale of the mortgage insurance group for a pretax gain of approximately \$6 million. 1980 results were aided by a pretax gain on the sale of Tiger's interest in a real estate partnership amounting to approximately \$15 million. 1980 net income declined 3% from 1979 due to higher operating costs and poor economic conditions.

Air Cargo

1981 Flying Tigers revenues increased 30% over 1980 revenues from \$713 million to \$925 million. 1981 results include a full years' revenue from Seaboard whereas 1980 results reflect revenues from the date of acquisition in October 1980. 1980 revenues increased 53% from 1979. Flying Tigers sustained a pretax loss of \$23 million in 1981 compared to a pretax loss of \$10 million in 1980 and \$1 million of pretax income in 1979. Included in the 1981 results is the pretax gain of \$35 million on the sale of three B747-100s.

Flying Tigers' scheduled service revenues increased 21% in 1981 over 1980 revenue levels, reflecting a full year of Seaboard transatlantic operations. The transpacific route system remained strong during 1981 increasing revenues by 13% due primarily to higher average yields and increased volumes. The transatlantic route system was adversely affected during most of 1981 by highly competitive contract rates and excess capacity which made implementation of rate increases difficult. The domestic route system experienced intense competition during 1981 as revenues declined 5% over 1980 levels while volumes declined 8%. The domestic route system has been unfavorably affected by competition from freight forwarders arranging for their own aircraft which has reduced Flying Tigers' volumes. Additionally, the weak United States economy has negatively impacted Flying Tigers domestic traffic resulting in lower yields and volumes. These factors are expected to continue during 1982. The Company has implemented a commercial shipper retail program in an effort to offset trends experienced in 1981.

Military Aircraft Command revenues have increased significantly during the past three years increasing in 1981 30% over 1980 levels and 89% in 1980 over 1979 levels. The significant increase is the result of a much larger dedicated fleet due to the acquisition of Seaboard and aircraft purchases. MAC allocates business based upon the size of the dedicated fleet. 1982 contract awards are expected to decline as a result of reduced fleet size due to the sale of the three B-747s.

Commercial Charter revenues were \$99 million in 1981, an increase of 23% over 1980 while 1980 revenues increased 107% over 1979 levels. The implementation of a new commercial passenger program (METRO) resulted in the major charter revenue increase for 1981. Two passenger B-747's used in the METRO program, along with one other B-747, were leased for most of the year from TigerAir. During December 1981 these aircraft were transferred to Flying Tigers and refinanced under a favorable long-term fixed rate financing.

1981 costs and expenses increased 31% over 1980. The increase is attributable in part to the increased flying as the result of the Seaboard acquisition. Depreciation and interest costs increased faster than general costs adversely affecting profitability. The higher than normal increase in these costs is the result of aircraft acquisitions late in 1980. Fuel prices also adversely affected profitability increasing 14% during 1981 to an average price per gallon of \$1.13. In 1980 the average price per gallon increased by approximately 70%.

Railcar Services

North American revenues were \$308 million in 1981, a slight decrease from \$309 million in 1980. Currently, revenues for new and remarketing railcar sales are reported net of cost of goods sold. These transactions were previously reported during 1980 and 1979 separately in results of operations as revenues and costs of sales; prior periods have been restated to reflect this change. Revenues in 1980 increased 20% over 1979. Although revenues in 1981 are similar in amount to those reported in 1980 a number of factors influence relative comparability. These include the favorable impact in 1981 of sales of tax benefits and the strong performances by North American's international operations, offset by the adverse impact in 1981 of the continuing soft railcar market resulting in reduced railcar placements and reduced volumes at the car repair division. A prolonged labor dispute at a repair shop during 1981 contributed to the curtailment of car repair and railcar assembly activities.

Earnings in 1981 were negatively influenced by the railcar market and weak demand resulting in low railcar orders, lower fleet productivity and a decline in brokerage activities. The softness of the market is largely a function of the overall economic environment and is anticipated to continue in 1982. Interest costs throughout 1981 have hampered placements of both new and used railcars during the year. Despite the higher interest rates, North American Car successfully placed 1,000 used railcars through its used car investor program during 1981, and sustained steady earnings from leasing activities and other core operations.

The passage of the 1981 Economic Recovery Tax Act enabled North American Car to realize pretax income of approximately \$17.7 million from the sale of tax benefits. 1981 pretax income of \$70 million was a decrease of \$10 million from 1980. The decrease resulted primarily from soft new railcar demand and the lower volumes of North American's Car Repair Division. Also unfavorably affecting pretax income is a \$4 million write down of various non-rolling stock assets. 1980 results were favorably affected by new car sales and remarketing sales which were particularly strong.

Aviation Services

Aviation services operations reported revenues of \$148 million for 1981, an increase of 25% over 1980 revenues. 1980 revenues exceeded 1979 revenues by 33%. TigerAir's revenues increased due to expansion of their fixed base operations (primarily fueling, light maintenance and storage services aimed at corporate aircraft fleets) and spare parts sales activities.

Aviation services sustained a pretax loss of \$24 million in 1981 compared to a pretax loss of \$8 million in 1980 and pretax income of \$13 million in 1979. Operations in 1981 and 1980 were negatively impacted by the high carrying costs associated with three passenger B-747s purchased during 1980. These aircraft were on lease to Flying Tigers for use in their charter programs during most of 1981. Also affecting TigerAir's operations during 1981 was a weak aircraft market which significantly depressed prices and resulted in the write-down of certain aircraft by \$11 million pretax. The fixed base operations and the spare parts sales were profitable in 1980 and 1981. 1979 profits were primarily attributable to major aircraft sales and brokerage transactions.

Trucking

Combined trucking operations reported a pretax loss of \$3 million on revenues of \$287 million in 1981 as compared to pretax income of \$6 million on revenues of \$187 million for 1980. Tiger acquired Hall's Motor Transit in January 1980. The 53% increase in trucking revenues in 1981 as compared to 1980 is due primarily to Tiger's acquisition of Dohrn Transfer Company in January 1981 and the June 1981 acquisition of Warren Transport, a specialized truckload hauler of heavy machinery and other specialized equipment used in both the farm and construction industries.

The deterioration of the economy adversely impacted Hall's which operates in regions which were severely impacted during 1981. Hall's was less successful in controlling wages and benefit costs in 1981 as compared to 1980. The 1981 operating ratio was 100.7%, approximately 3.8% greater than 1980.

During 1982, Hall's expects to finalize a new Teamster contract which is expected to improve productivity of its union workforce.

To profitably operate in the current deregulated trucking environment, Hall's commenced a discount rate program in the third quarter aimed at increasing its share of less than truckload (LTL) shipments. The full impact of the program will not be known for several months. LTL shipping operations require a complex freight handling network that is too capital intensive for most new entrants to duplicate.

The acquisition of Warren Transport contributed favorably to Tiger's trucking operations during 1981. After being acquired June 1, 1981, Warren recorded revenues of \$30.4 million and pretax income of \$3.7 million. Warren experienced little increase in income over 1980 as the farming and construction industries have been severely impacted by the recession. Warren was able to maintain profitability as a result of increasing its market share during 1981. The current recession is expected to negatively impact Warren's profitability during 1982.

Impact of Inflation

Worldwide inflation has an impact on Tiger's results of operations and financial position which are reported in historical amounts. Tiger has estimated the impact of inflation for selected financial information on pages 38 to 41.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. and its subsidiaries (the Company) except for the insurance subsidiary which is accounted for by the equity method as described in the note on insurance operations and investments. All significant intercompany accounts and transactions have been eliminated. During the year ended December 31, 1981, new railcar sales have been recorded in revenues net of related costs of sales inasmuch as these railcars are usually placed with third parties before delivery to the Company. Certain reclassifications have been made to conform prior period information with the 1981 presentation.

Leases

In addition to its air cargo and trucking operations, the Company is engaged in the business of leasing railcars, aircraft, computers and other equipment. Most of the Company's leases are classified as operating leases. Rentals from these leases are reported as revenue over the life of the lease and expenses are charged against such revenues as incurred. Future rentals under existing operating leases are not recorded as assets.

Some leases are classified as direct financing leases. Aggregate rentals and estimated residual values from these leases, net of the related unearned income, are recorded as an asset. Revenue is recognized over the lease term to reflect an approximate constant rate of return on the net investment in these leases.

In addition to operating leases and direct financing leases, the Company also records income related to certain leases (other than aircraft and computer leases) in which it acts as a lease broker. Such income is based on the Company's share of the estimated residual value of the equipment under lease. During the lease term, the residual value recorded at its present value is accreted so that the estimated residual value at the end of the lease term reflects the estimated realizable proceeds to be received from the transaction.

Translation of Foreign Currencies

Foreign currency accounts are translated in accordance with Statement of Financial Accounting Standards No. 8. Under this method, balance sheet accounts are translated at exchange rates in effect at the end of the period for monetary items (cash, receivables, payables, debt, etc.) and at the rate in effect at the time of acquisition for non-monetary items (inventories, property and equipment, investments, equity accounts). Income and expense accounts are translated at the average rate prevailing during the period except for cost of sales, depreciation and amortization which are translated at the exchange rate in effect when the related non-monetary assets were acquired. Exchange gains and losses from both realized transactions and unrealized translations are included in current period results of operations.

In December 1981, the Financial Accounting Standards Board issued a revised Statement on Translation of Foreign Currencies. The business segment and geographic data note describes the estimated effect on the consolidated results of operations if this new standard had been adopted for the year ended December 31, 1981.

Inventories

Inventories consist of maintenance and assembly parts for aircraft, trucks and leased equipment and are carried at the lower of cost or market. Cost is determined by the average-cost method for air cargo operations and the first-in, first-out method for leasing operations.

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.

The Company 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: railcars — 25 to 30 years; aircraft — 5 to 20 years (15% maximum salvage value); trucks — 6 to 8 years; other — 2 to 40 years (average 15 years). Accelerated depreciation methods are utilized for certain computers and aircraft leased or held for lease.

Intangibles

Intangibles consist of cost in excess of fair value of net assets of acquired businesses. Those acquired prior to November 1, 1970 (\$15,863,000) are considered to have an unlimited life and are not being amortized. All others

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

acquired since that date are amortized on a straight-line basis over their estimated useful lives of 20 to 40 years. No cost was assigned to intangible motor carrier operating rights of trucking businesses acquired.

Short-Term Borrowings and Current Portion of Long-Term Obligations

The Company has long-term revolving credit facilities with lenders providing it with the ability to refinance short-term borrowings. To the extent management intends to refinance short-term borrowings with long-term financing such borrowings have been classified in the accompanying consolidated financial statements as long-term obligations.

The current portion of long-term obligations excludes the current portion of long-term debt and capital lease obligations related to leasing operations to the extent that such amounts will be paid from the net rentals to be received during the next year from finance leases and long-term operating leases.

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 subsidiaries which are expected to be invested indefinitely.

Investment tax credits on equipment acquired for use in air cargo, trucking and aviation 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 in the year in which they are so 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 carry-forward period. Investment tax credits arising from the acquisition of equipment for lease under finance leases are accounted for under the deferral method. Under this method the credits are amortized over the initial terms of the related lease in decreasing amounts in relation to the declining balance of the unrecovered investments.

Investment tax credits which have been utilized to reduce income tax provisions, but which the Company 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.

During 1981, the Company entered into agreements permitted under the Economic Recovery Tax Act of 1981 to sell tax benefits through tax leases. Under terms of the agreements, the Company transferred investment tax credits and depreciation tax benefits of asset ownership for certain assets placed in service during the year. Aggregate cash proceeds received from these transactions are recognized as income.

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, 1981, 1980 and 1979.

CONSOLIDATED STATEMENT OF OPERATIONS

	For the Years Ended December 31		
	1981	1980	1979
	(In thousands, except per share data)		
Revenues			
Operating revenues	\$ 1,624,394	\$ 1,340,245	\$ 829,907
Other	48,956	18,560	3,485
Pretax income of unconsolidated insurance subsidiary	—	14,072	13,928
	<u>1,673,350</u>	<u>1,372,877</u>	<u>847,320</u>
Costs and Expenses			
Costs of operations	1,185,979	916,949	502,534
Selling, general and administrative	167,741	137,792	99,896
Depreciation and amortization	155,588	118,332	81,649
Interest	199,768	153,094	106,411
Interest capitalized	(5,413)	(12,165)	(7,293)
	<u>1,703,663</u>	<u>1,314,002</u>	<u>783,197</u>
Income (Loss) Before Income Tax Provision (Benefit)	<u>(30,313)</u>	<u>58,875</u>	<u>64,123</u>
Income tax provision (benefit)	(13,700)	16,500	20,496
Net Income (Loss)	<u>\$ (16,613)</u>	<u>\$ 42,375</u>	<u>\$ 43,627</u>
Shares used in computation of earnings (loss) per share	<u>17,000</u>	<u>15,810</u>	<u>14,405</u>
Earnings (Loss) Per Share	<u>\$ (.98)</u>	<u>\$ 2.68</u>	<u>\$ 3.03</u>

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

CONSOLIDATED BALANCE SHEET

Assets	December 31	
	1981	1980
	(In thousands)	
Current Assets		
Cash	\$ 46,968	\$ 42,033
Receivables, net	253,490	246,389
Inventories	125,288	105,613
Prepaid expenses and other	25,577	17,672
Total Current Assets	451,323	411,707
Investment in Finance Leases	119,839	116,228
Property, Plant and Equipment		
Equipment used in operations	2,350,643	2,402,405
Buildings and leasehold improvements	142,245	109,487
Shop and terminal facilities and other	107,766	87,820
Construction in process	38,499	48,952
	2,639,153	2,648,664
Less accumulated depreciation and amortization	736,881	645,470
	1,902,272	2,003,194
Other Assets		
Investment in unconsolidated insurance subsidiary	—	76,421
Investments, other receivables and deposits	134,207	81,541
Cost in excess of fair value of acquired businesses, net	94,756	69,334
	228,963	227,296
Total Assets	\$2,702,397	\$2,758,425

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

Liabilities and Stockholders' Equity	December 31	
	1981	1980
	(In thousands)	
Current Liabilities		
Short-term borrowings	\$ 5,757	\$ 53,565
Current portion of long-term obligations	77,835	51,247
Accounts payable and accrued liabilities	290,332	299,844
<i>Total Current Liabilities</i>	<i>373,924</i>	<i>404,656</i>
Long-term Obligations		
Notes payable and equipment obligations	1,193,600	1,113,312
Subordinated debt	78,858	81,730
Capital lease obligations	425,125	454,200
	1,697,583	1,649,242
Deferred Credits		
Deferred income taxes and tax credits	137,145	171,267
Other	68,540	80,648
	205,685	251,915
Commitments		
Minority Preferred Stock Subject to Mandatory Redemption	5,816	6,333
Stockholders' Equity		
Common stock, \$1 par value		
Authorized — 35,000,000 shares; outstanding — 17,001,398 and 16,888,811 shares	17,001	16,889
Additional paid-in capital	219,052	216,905
Retained earnings	184,780	212,833
	420,833	446,627
Less treasury stock, at cost (65,364 and 18,600 shares)	1,444	348
<i>Total Stockholders' Equity</i>	<i>419,389</i>	<i>446,279</i>
Total Liabilities and Stockholders' Equity	\$2,702,397	\$2,758,425

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	\$1 Par Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
For the three years ended December 31, 1981					
<i>(In thousands)</i>					
Balance at December 31, 1978	\$14,231	\$159,880	\$151,190	\$ —	\$325,301
Net income	—	—	43,627	—	43,627
Treasury stock purchase of 18,600 shares	—	—	—	(348)	(348)
Issuance of shares pursuant to the Executive Incentive Plan	34	858	—	—	892
Shares issued upon exercise of stock options	2	29	—	—	31
Unrealized depreciation of equity investments by insurance subsidiary	—	—	(247)	—	(247)
Cash dividends declared on common stock (\$.80 per share)	—	—	(11,410)	—	(11,410)
Balance at December 31, 1979	14,267	160,767	183,160	(348)	357,846
Net income	—	—	42,375	—	42,375
Shares issued in connection with acquisitions	2,501	53,547	—	—	56,048
Issuance of shares pursuant to the Executive Incentive Plan	35	706	—	—	741
Issuance of shares pursuant to the Qualified Employees Stock Purchase Plan	86	1,885	—	—	1,971
Unrealized appreciation of equity investments by insurance subsidiary	—	—	471	—	471
Cash dividends declared on common stock (\$.80 per share)	—	—	(13,173)	—	(13,173)
Balance at December 31, 1980	16,889	216,905	212,833	(348)	446,279
Net loss	—	—	(16,613)	—	(16,613)
Shares issued in connection with acquisitions	67	1,318	—	—	1,385
Issuance of shares pursuant to the Executive Incentive Plan	45	829	—	—	874
Treasury stock purchase of 46,764 shares	—	—	—	(1,096)	(1,096)
Cash dividends declared on common stock (\$.675 share)	—	—	(11,440)	—	(11,440)
Balance at December 31, 1981	\$17,001	\$219,052	\$184,780	\$(1,444)	\$419,389

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		
	1981	1980	1979
Source of Funds			
Net income (loss)	\$ (16,613)	\$ 42,375	\$ 43,627
Items not involving working capital —			
Depreciation and amortization	155,588	118,332	81,649
Deferred income tax provision (benefit)	(13,909)	12,175	17,208
Gain on sale of insurance subsidiary	(5,850)	—	—
Gain on sale of equipment used in operations	(36,963)	(702)	—
Other	(3,321)	(1,276)	5,164
Working capital provided by operations	78,932	170,904	147,648
Collection of finance lease and long-term receivables	36,300	59,960	24,973
Retirement of property, plant and equipment	70,447	70,332	52,515
Proceeds from sale of insurance subsidiary	82,271	—	—
Proceeds from sale of B747-100 aircraft	69,700	—	—
	337,650	301,196	225,136
Net proceeds from debt financing	193,438	410,095	308,729
Issuance of common stock	2,259	58,760	923
Working capital of acquired businesses	6,547	(31,681)	142
Total Source of Funds	539,894	738,370	534,930
Application of Funds			
Acquisition of businesses	40,416	154,000	4,100
Additions to finance lease and long-term receivables	51,432	15,925	—
Additions to property, plant and equipment, net of new railcar sales	186,404	549,508	363,395
Payments on maturities of long-term obligations	150,332	97,077	113,295
Cash dividends on common stock	11,440	13,173	11,410
Other	29,522	(39,140)	37,816
Total Application of Funds	469,546	790,543	530,016
Increase (Decrease) in Working Capital	\$ 70,348	\$ (52,173)	\$ 4,914
Changes in Components of Working Capital			
Cash	\$ 4,935	\$ 845	\$ (24,187)
Receivables	7,101	89,085	50,143
Inventories	19,675	30,647	32,525
Prepaid expenses and other	7,905	8,825	2,569
Increase in Current Assets	39,616	129,402	61,050
Short-term borrowings (less portion reclassified to long-term in 1981 — \$124,000)	(47,808)	14,228	30,496
Current portion of long-term obligations	26,588	33,570	(4,364)
Accounts payable and accrued liabilities	(9,512)	133,777	30,004
Increase (Decrease) in Current Liabilities	(30,732)	181,575	56,136
Increase (Decrease) in Working Capital	\$ 70,348	\$ (52,173)	\$ 4,914

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

DETAILS OF CERTAIN ACCOUNTS**Supplemental Balance Sheet Information**

	December 31	
	1981	1980
	(In thousands)	
Receivables		
Trade	\$245,727	\$240,221
Federal income tax receivable	5,083	—
Other	26,397	28,963
Less allowance for doubtful accounts and revenue adjustments	(23,717)	(22,795)
Receivables, net	\$253,490	\$246,389
Inventories		
Maintenance parts	\$ 31,215	\$ 23,026
Railcar repair and assembly parts	48,552	55,977
Aircraft, aircraft parts and other equipment held for sale	45,521	26,610
Inventories	\$125,288	\$105,613
Accounts Payable and Accrued Liabilities		
Accounts payable	\$147,872	\$152,552
Accrued liabilities		
Payroll	14,698	10,325
Vacations	21,690	17,270
Interest	34,120	35,676
Dividends	—	3,537
Income taxes	3,076	3,149
Taxes other than payroll and income taxes	8,943	8,647
Pensions	10,554	12,574
Other	49,379	56,114
Accounts Payable and Accrued Liabilities	\$290,332	\$299,844

Supplemental Statement of Operations Information

	For the Years Ended December 31		
	1981	1980	1979
	(In thousands)		
Maintenance and repairs	\$141,647	\$125,374	\$ 92,221
Taxes other than payroll and income taxes	\$ 17,255	\$ 11,365	\$ 7,528
Amortization of cost in excess of fair value of acquired businesses	\$ 2,412	\$ 800	\$ 493

ACQUISITIONS AND DISPOSITIONS

Acquisitions

During 1980 the Company acquired Hall's Motor Transit Company, Seaboard World Airlines, Inc. and two other businesses for approximately \$154,000,000. These acquisitions have been accounted for as purchases and accordingly the results of their operations are included in the consolidated financial statements of the Company from the dates of acquisition. If the above acquisitions had occurred on January 1, 1980 the Company's unaudited pro forma results of operations for the year ended December 31, 1980 would be as follows: revenues of \$1,550,000,000 with net income of \$23,615,000 and earnings per share of \$1.41. This unaudited pro forma data was prepared by combining the reported operating results of the businesses acquired with the results of operations of the Company after making certain pro forma adjustments for the imputed interest on acquisition debt, for increased shares outstanding, and for depreciation and amortization of the cost of the assets and liabilities acquired.

During the first six months of 1981, an adjustment of approximately \$13,000,000 was made to the preliminary allocation of the purchase price related to the acquisition of Seaboard. This adjustment reflects the reduction of certain acquired asset values and increases in certain liability amounts with a corresponding increase in the cost in excess of fair value of acquired businesses (goodwill).

During 1981 the Company completed its acquisition of two trucking companies (Warren Transport and Dohrn Transfer), and two other businesses for cash and common stock aggregating approximately \$40,416,000. These acquisitions, which were accounted for as purchases, did not have a material effect on the Company's consolidated financial position or results of operations. The excess purchase prices over net assets acquired of approximately \$15,000,000 is being amortized over a period of 40 years. At the time of acquisition, Dohrn was not in compliance with certain technical financial provisions of debt arrangements. The aggregate principal amounts outstanding under these arrangements is approximately \$12,400,000 at December 31, 1981. The Company expects to restructure these loans.

In connection with the 1981 and 1980 acquisitions, the tax effect of book net operating loss carryforwards of approximately \$13,000,000 and investment tax credit carryforwards of approximately \$15,000,000 were also acquired and are available to reduce future income taxes otherwise payable. To the extent such carryforwards are utilized in the future the goodwill acquired will be reduced to reflect realization of the tax benefits acquired.

During 1980, legislation was enacted by Congress which substantially increased employer pension liabilities related to multiemployer union sponsored plans. During 1981, union pension plan administrators advised companies of the formula to be applied in estimating the effect of vested benefits associated with multiemployer plans. The legislation enacted has the potential effect of substantially increasing pension plan vested benefit liabilities assumed in the connection with the acquisition of Dohrn. The increased employer responsibilities under the 1980 Multiemployer Pension Plan Amendments Act are currently being litigated in the courts. In addition, legislation has been introduced to limit the liabilities imposed by the Act. As a result of the litigation in process and legislative amendments currently proposed, no amounts have been assigned in the allocation of the purchase price to potential vested benefits for such union sponsored plans. In the event the legislative amendments and pending litigation are unsuccessful, liabilities, net of taxes, will be adjusted for the vested benefits assumed in the Dohrn acquisition with a corresponding increase in goodwill.

Dispositions

Effective December 31, 1980, the Company disposed of its investment in a real estate partnership interest. The pretax gain of approximately \$15,000,000 has been included in other revenues in the accompanying consolidated statement of operations for the year ended December 31, 1980.

In February 1981, the Company sold its insurance operations resulting in a pretax gain of \$5,850,000 (see the footnote on "Insurance Operations and Investments").

During the first six months of 1981, the Company's air cargo subsidiary sold its interest in three Boeing 747-100 freighter aircraft and related equipment for proceeds aggregating approximately \$69,700,000; in addition, the buyer assumed a capital lease obligation of approximately \$18,175,000. The pretax gain of \$35,382,000 is included in other revenues in the accompanying consolidated statement of operations.

During 1981 the Company realized approximately \$18,700,000 in pretax income from the sale of tax and depreciation benefits.

INSURANCE OPERATIONS AND INVESTMENTS**Insurance Operations**

In December 1980, the Company reached an agreement to sell the capital stock of its private mortgage insurance operations for \$82,271,000 in cash. The sale was consummated in February 1981 resulting in a pretax gain of \$5,850,000 which is included in other revenues in the accompanying consolidated statement of operations.

The cash proceeds received from the sale were used to pay a portion of the Company's variable rate debt. Such reductions in debt had the effect of replacing the contribution of pretax income received from the insurance subsidiary by the reduction of interest expense with no material effect on the Company's operations. Accordingly, the Company's investment in the insurance operations assets and liabilities for periods prior to 1981 is presented in the accompanying consolidated balance sheet as "investment in unconsolidated insurance subsidiary" and the pretax income of the insurance operations has been reported under the equity method and is included in revenues in the consolidated statement of operations.

Condensed financial information for the Company's insurance operations for the years ended December 31, 1980 and 1979 are as follows:

	1980	1979
	(In thousands)	
Assets	\$ 106,625	\$98,053
Liabilities	\$ 30,204	\$30,488
Stockholder's Equity	76,421	67,565
	\$106,625	\$98,053
Revenues	\$ 28,243	\$26,293
Expenses	14,171	12,365
Income before income tax provision	14,072	13,928
Income tax provision	5,579	5,547
Net income	\$ 8,493	\$ 8,381

Investments

Among the investments held as of December 31, 1981, the Company has approximately 955,000 shares of Purolator, Inc. common stock at a cost of approximately \$29,413,000. This investment has been accounted for on the cost basis and represents approximately 14.6 percent of Purolator's common shares outstanding. At December 31, 1981, the market value of these shares exceeded the carrying value of this investment.

BUSINESS SEGMENT AND GEOGRAPHIC DATA

The Company is engaged primarily in four businesses: air cargo, railcar services, aviation services and trucking. The Company operates in the United States and Canada with some operations also located in Europe, the Far East, Mexico and South America. Revenues and transfers between industry and geographic areas are not currently significant.

Segment Data (In thousands)

	Revenues	Operating Results, Before Interest Expense	Interest Expense, Net	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
1981						
Air Cargo	\$ 924,702	\$ 37,340	\$ 60,223	\$1,123,703	\$ 51,046	\$ 65,917
Railcar Services	308,385	148,171	78,459	1,099,425	92,147	39,547
Aviation Services	148,476	3,693	27,957	155,975	23,223	14,111
Trucking	286,567	3,251	6,151	152,503	11,791	13,666
Other	5,220	(28,413)	21,565	170,791	8,197	22,347
	\$1,673,350	\$ 164,042	\$194,355	\$2,702,397	\$ 186,404	\$ 155,588
1980						
Air Cargo	\$ 713,123	\$ 23,137	\$ 32,742	\$1,073,683	\$ 276,515	\$ 45,304
Railcar Services	308,657	150,517	70,818	1,046,963	99,591	37,163
Aviation Services	118,500	7,513	15,502	267,637	126,271	7,429
Trucking	187,049	8,861	3,179	87,570	5,509	7,930
Other	45,548	9,776	18,688	282,572	41,622	20,506
	\$1,372,877	\$199,804	\$140,929	\$2,758,425	\$ 549,508	\$ 118,332
1979						
Air Cargo	\$ 465,152	\$ 20,311	\$ 19,125	\$ 544,282	\$ 148,021	\$ 29,442
Railcar Services	256,642	121,076	63,409	963,197	96,913	36,096
Aviation Services	88,803	18,968	5,966	141,754	68,599	4,365
Other	36,723	2,886	10,618	291,368	49,862	11,746
	\$ 847,320	\$163,241	\$ 99,118	\$1,940,601	\$ 363,395	\$ 81,649

Air cargo revenues and operating results (before interest expense) include interest income of \$6,275,000 in 1981, \$3,942,000 in 1980 and \$3,073,000 in 1979 earned on loans and advances to other industry segments. Other includes parent company and corporate intercompany elimination items, the Company's computer and other leasing activities and the investment in unconsolidated insurance operations for the years prior to 1981.

BUSINESS SEGMENT AND GEOGRAPHIC DATA (CONTINUED)**Geographic Data (In thousands)**

	Revenues	Pretax Income (Loss)	Identifiable Assets
1981			
United States	\$1,561,203	\$ (54,952)	\$2,362,752
Canada	53,399	18,033	224,555
Other Foreign	58,748	6,606	115,090
	<u>\$1,673,350</u>	<u>\$ (30,313)</u>	<u>\$2,702,397</u>
1980			
United States	\$1,270,039	\$ 38,311	\$2,445,254
Canada	49,158	15,555	191,665
Other Foreign	53,680	5,009	121,506
	<u>\$1,372,877</u>	<u>\$ 58,875</u>	<u>\$2,758,425</u>
1979			
United States	\$ 769,478	\$ 50,486	\$1,685,227
Canada	39,407	9,160	138,395
Other Foreign	38,435	4,477	116,979
	<u>\$ 847,320</u>	<u>\$ 64,123</u>	<u>\$1,940,601</u>

The accounts of foreign subsidiaries and other accounts presented in foreign currencies are translated into United States dollars in accordance with Statement of Financial Accounting Standards No. 8. Translation gains were \$3,180,000 in 1981 and \$2,312,000 in 1980 compared to translation losses of \$1,376,000 in 1979.

In December 1981, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 52 "Foreign Currency Translation". This Statement, which must be adopted by 1983, replaces SFAS No. 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." The principal change under this new accounting method is to translate balance sheet accounts of certain foreign entities at current exchange rates rather than a combination of current and historical exchange rates as is the method under SFAS No. 8. In addition, the translation adjustments after the application of the new rules are to be recorded as an adjustment to stockholders' equity rather than an adjustment to current period income. If the Company had adopted the provisions of SFAS No. 52 as of January 1, 1981, the effect would have been to increase 1981 net loss by approximately \$1,100,000 (\$.06 per share).

Provision for federal income taxes has not been made on undistributed earnings relating to the Company's foreign subsidiaries aggregating \$37,276,000 at December 31, 1981, because these earnings are considered indefinitely reinvested in these operations and not available for dividend payments.

THE COMPANY AS LESSOR

The leasing operations consist principally of the leasing of railcars, aircraft, computers and other equipment. Substantially all of the equipment is leased to third parties under operating leases. In addition, the Company has entered into certain lease arrangements which are accounted for as finance leases.

Operating Leases

Equipment used in operations (classified as property, plant and equipment) includes equipment held for lease at December 31 as follows (in thousands):

	1981	1980
Equipment for lease or under lease:		
Railcars	\$1,067,474	\$1,053,954
Aircraft	73,008	204,197
Computers	115,158	134,147
Other	13,007	21,894
	1,268,647	1,414,192
Less accumulated depreciation and amortization	(390,055)	(381,226)
Net book value of equipment for lease or under lease	\$ 878,592	\$1,032,966

During the year ended December 31, 1981, the Company recognized a pretax write-down of approximately \$14,200,000 related to the carrying value of aircraft, computer and other equipment as a result of evaluating changes in market and rental conditions.

Finance Leases

The components of the net investment in finance and other leases at December 31 are as follows (in thousands):

	1981	1980
Lease payments receivable (includes \$35,525 in 1981 and \$28,670 in 1980 due within one year)	\$186,365	\$155,322
Estimated unguaranteed residual value of leased equipment	17,107	15,155
Less — estimated executory costs	(8,993)	—
unearned income	(75,155)	(52,288)
allowance for uncollectible amounts	(3,072)	(5,687)
Net investment in finance leases	116,252	112,502
Other leases	3,587	3,726
Net investment in finance and other leases	\$119,839	\$116,228

The Company periodically evaluates the estimated unguaranteed residual value of leased equipment and adjusts the balance to reflect adverse changes in rental and economic conditions.

Minimum Future Lease Receivables

At December 31, 1981, minimum future lease receivables from non-cancellable operating leases and finance leases are as follows (in thousands):

	Operating Leases	Finance Leases
1982	\$ 181,955	\$ 35,525
1983	138,146	19,696
1984	90,706	18,211
1985	59,021	16,457
1986	40,640	15,150
Later Years	79,582	81,326
Total minimum future lease receivables	\$ 590,050	\$ 186,365

SHORT-TERM DEBT

The Company borrows short-term funds periodically under uncommitted arrangements with a number of banks. The short-term lines available at December 31, 1981, amounted to \$204.6 million of which \$129.8 million was borrowed. Of the \$129.8 million borrowed at December 31, 1981, \$124.0 million has been reclassified to long-term obligations because such amounts are expected to be refinanced under existing long-term revolving credit agreements. The average month-end balances of aggregate unsecured borrowings were \$139,085,000 in 1981 and \$60,188,000 in 1980 at weighted average interest rates of 18.3% and 14.1%. Maximum total month-end borrowings in 1981 and 1980 were \$210,885,000 and \$97,338,000. The weighted average interest rates of total short-term debt outstanding at December 31, 1981 and 1980 were 15.8% and 19.9%.

LONG-TERM DEBT

The outstanding balance of long-term debt at December 31 consisted of the following (in thousands):

	1981	1980
Notes Payable and Equipment Obligations		
Tiger International, Inc.		
Variable rate (subject to a 10% maximum rate) notes payable to banks, due in quarterly installments 1982 to 1984	\$ 12,526	\$ 17,537
11½% Debentures, due 1995, net of imputed interest	48,594	48,339
Subsidiaries		
5½% to 11% equipment obligations and trust certificates maturing serially 1982 to 2004 (average rate 9.7% in 1981)	595,791	652,319
5¾% to 20½% notes payable due 1982 to 2000 (average rate 9.8% in 1981)	292,759	201,595
Variable rate revolving credit agreements (average rate 19.4% in 1981)	110,918	93,506
Variable rate notes payable due 1982 to 1987 (average rate 17.6% in 1981)	58,677	132,364
Short-term borrowings classified as long-term (see above)	124,000	—
	1,243,265	1,145,660
Less current portion (exclusive of \$76,607 in 1981 and \$92,684 in 1980 to be paid from finance and long-term operating leases)	49,665	32,348
	\$ 1,193,600	\$ 1,113,312

	1981	1980
Subordinated Debt		
Tiger International, Inc.		
8½% Convertible Subordinated Debentures, due 2005	\$ 60,000	\$ 60,000
Subsidiaries (net of imputed interest)		
5% Convertible Subordinated Debentures, due to 1986	11,118	10,987
5¼% Subordinated Debentures, due to 1988	1,506	1,894
9¼% Subordinated Debentures, due to 1992	9,819	9,849
	82,443	82,730
Less current portion	3,585	1,000
	\$ 78,858	\$ 81,730

Tiger International, Inc.

Tiger has a \$40 million unsecured credit agreement with a group of banks. There were no borrowings outstanding under the credit agreement at December 31, 1981. The terms of this agreement provide for interest at the bank prime lending rate through December 31, 1982 (revolving period) and one-half of one percent over the prime lending rate thereafter through December 31, 1987 (term period). In addition, the agreement requires the maintenance of compensating balances or a fee in lieu thereof.

The \$60 million of 8% Convertible Subordinated Debentures, due in 2005, are convertible into common stock at an adjusted price of \$31 per share, are redeemable at a premium at any time at the option of the Company, and are entitled to sinking fund privileges commencing in 1990.

The 11½% debentures, \$52.5 million in aggregate principal, which were issued in connection with the acquisition of Seaboard World Airlines, are redeemable at the Company's option at any time at par. Commencing in 1986 the Company is required to redeem each year, at par, an equal portion necessary to retire or redeem all the debentures by the maturity date.

Tiger International receives funds from its subsidiaries to meet its cash requirements. See note on page 46 concerning restrictions on the transfer of funds to the parent.

Subsidiaries

Tiger subsidiaries have revolving lines of credit with various banks totaling \$291.5 million of which \$110.9 million was borrowed at December 31, 1981. The terms of these revolving credit lines provide for interest based on the prime rate. Commitment fees ranging from .25% to .50% per annum are paid on the unused portions of these credit lines.

The \$11.1 million of 5% Convertible Subordinated Debentures, due 1986, was assumed in connection with the acquisition of Seaboard and requires annual redemptions of \$2.6 million from 1982 through 1985 and \$1.95 million in 1986. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of the Company's 11½% debentures and 12 shares of the Company's common stock.

Effective January 31, 1982, Flying Tigers replaced its \$40 million unsecured Revolving Credit Agreement in effect at December 31, 1981 with an \$80 million Credit Agreement secured by defined domestic trade accounts receivable. The new agreement has a revolving period through January 31, 1984 at which time Flying Tigers has the option to convert the outstanding balance to a term loan through January 31, 1989.

Maturities

Principal maturities of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in the Commitments footnote) are as follows (in thousands):

Year	Long-Term Debt	Capital Lease Obligations	Total
1982	\$ 129,857	\$ 28,796	\$ 158,653
1983	126,550	29,856	156,406
1984	101,422	25,932	127,354
1985	92,462	19,669	112,131
1986	87,548	19,347	106,895
Later Years	663,869	326,110	989,979
Total	1,201,708	449,710	1,651,418
Short-term borrowings	124,000	—	124,000
	\$1,325,708	\$449,710	\$1,775,418

If short-term borrowings of \$124 million are converted to long-term lines of credit, the maturities of this debt would be \$24.8 million a year from 1983 through 1987.

Restrictions on Cash, Dividend Payments and Assets Secured by Debt

Certain lines of credit are covered by agreements which restrict borrowings and cash payment of dividends. In addition, certain lines require the maintenance of compensating balances or fees to be paid in lieu of maintaining compensating balances. At December 31, 1981 approximately \$12,300,000 of cash, which is not subject to restrictions on withdrawals, was available to meet minimum cash balance requirements. During 1981 \$837,000 was paid to the banks for fees in lieu of maintaining compensating balances. At December 31, 1981, under the most restrictive of the agreements, approximately \$5.4 million of retained earnings were unrestricted for payment of cash dividends to stockholders. Assets having an aggregate net book value of approximately \$1.3 billion were encumbered by debt.

COMMITMENTS**Leases**

At December 31, 1981 the Company was lessee under long-term leases on aircraft and engines, railcar equipment, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase options on 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, the Company 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):

	1981	1980
<i>Equipment used in operations:</i>		
Equipment for lease or under lease	\$ 168,663	\$ 173,401
Equipment used in air cargo operations	367,510	383,991
Equipment used in trucking operations	7,589	—
<i>Buildings and leasehold improvements</i>	5,419	3,464
	549,181	560,856
<i>Less accumulated amortization</i>	(149,930)	(128,672)
	<u>\$399,251</u>	<u>\$432,184</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, 1981, 1980 and 1979 was \$37,938,000, \$30,620,000 and \$19,610,000.

Minimum Future Lease Payments

At December 31, 1981, 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):

	Capital Leases	Operating Leases
1982	\$ 66,875	\$ 40,650
1983	65,442	37,925
1984	59,265	30,073
1985	51,458	24,709
1986	49,582	20,757
<i>Later Years</i>	578,080	211,839
<i>Total minimum lease payments</i>	870,702	<u>\$ 365,953</u>
<i>Less amount representing interest</i>	(420,992)	
<i>Present value of net minimum future lease payments</i>	449,710	
<i>Less current portion (exclusive of \$4,211 to be paid from finance and long-term operating leases)</i>	(24,585)	
<i>Long-term capital lease obligations</i>	<u>\$ 425,125</u>	

Purchase Commitments

At December 31, 1981, the Company had long-term commitments to purchase approximately \$100,000,000 of equipment, related for the most part to additions to the Company's railcar fleet. In addition, starting in 1982, the Company intends to begin re-engining a portion of its fleet of DC-8 aircraft at a total estimated cost of approximately \$270,000,000 to be incurred from 1982 to 1984.

Guarantees

At December 31, 1981, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations of \$53,000,000 which will be fully amortized during the period 1982 to 2010. The guarantees relate to construction of facilities, equipment sold and leases arranged for others which are financed by third parties. In addition, the Company has agreed to purchase certain residual values of various equipment from the lessors at the lessors' option for \$13,900,000 at December 31, 1981. The Company has also guaranteed to lessors certain future lease obligations of lessees amounting to \$8,500,000 at December 31, 1981.

CAPITAL STOCK**Common Stock**

At December 31, 1981 the Company had reserved the following number of shares of common stock for possible future issuance:

Key Employees Incentive Stock Option Plan	750,000
Qualified Employee Stock Purchase Plan	542,000
Officers' Stock Purchase Agreements	465,000
Conversion of Convertible Subordinated Debentures	2,390,000
Acquisitions completed prior to December 31, 1981	1,042,000
	5,189,000

Stock Option, Stock Purchase and Executive Incentive Plans

During 1981, the stockholders approved a Key Employees Incentive Stock Option Plan. At December 31, 1981, options granted to officers and key employees for the purchase of 445,700 shares were outstanding at \$12.375 per share (market value at date of grant) with an aggregate purchase price of \$5,516,000. These options are exercisable from 1982 to 1991. In early 1982, additional options were granted for the purchase of 33,125 shares at \$14.125 per share (market value at date of grant) with an aggregate purchase price of \$468,000.

An offering of common stock under the Qualified Employee Stock Purchase Plan was made in 1978 at \$22.90 per share. During 1980, 86,067 shares were purchased by employees under this offering and the Plan was terminated.

In 1974, 1978 and 1979, the Company entered into stock purchase agreements with certain principal officers. The agreements obligate the officers to pay the full purchase price (market value at the date of the agreements) for shares not later than ten years from the date of the agreements or upon demand by the Company if employment terminates. At December 31, 1981 shares available for purchase under these agreements include 120,000 shares at \$9.13, 100,000 shares at \$26.88 and 245,000 shares at \$22.13.

The Company has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. The amounts awarded (60% in stock and 40% in cash) under the plan were \$1,472,000 in 1980 and \$1,236,000 in 1979; no amounts were awarded for 1981. Shares awarded under the plan cannot be sold, hypothecated, or pledged for a period of five years from date of grant.

Minority Redeemable Preferred Stock

At December 31, 1981, North American Car Corporation had authorized 200,000 shares of \$3 Cumulative Preferred Stock at a \$50 per share stated value. At December 31, 1981, 116,314 shares were outstanding and held by minority interests. Retirement of the outstanding preferred shares is required at a rate of 8,000 shares per year. In addition the shares are redeemable at any time by North American at the stated value per share.

RETIREMENT PLANS

The Company maintains retirement plans for substantially all its union and non-union employees. The total employer cost for these retirement plans was \$16,763,000 in 1981, \$17,864,000 in 1980 and \$13,868,000 in 1979. The total cost includes amortization of unfunded prior service costs over periods from 25 to 30 years. In addition, the Company contributed \$8,831,000 in 1981 and \$7,300,000 in 1980 to union sponsored multiemployer plans.

The Company's policy is to fund pension costs accrued. The following table summarizes accumulated plan benefit information and plan net assets for the Company's retirement plans and certain union sponsored plans as of the dates of the most recent valuations. Excluded from the table are amounts related to union sponsored multiemployer plans.

(In thousands)	As of January 1	
	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	\$ 121,711	\$ 152,083
Non-vested	21,796	10,847
	\$ 143,507	\$ 162,930
Net plan assets including Company balance sheet accruals available for benefits	\$ 148,223	\$ 108,530

During 1981, the Company changed certain actuarial assumptions which were used by consulting actuaries to determine the information set forth above. The changes related to modifications of disability assumptions made as a result of reviewing current industry experience and certain changes in interest rate assumptions used to determine accumulated plan information. Estimated assumed rates of return used by consulting actuaries were between 4% and 9.25% in 1981 and 5.5% and 7.5% for 1980.

During 1980, legislation was enacted by Congress which substantially increased employer pension liabilities related to multiemployer union sponsored plans. The legislation enacted has the effect of substantially increasing pension plan vested benefits related to Tiger's trucking companies and has specific requirements for funding upon plan termination or company withdrawal.

During 1981, union plan administrators advised companies of the formula to be applied in estimating the effect of vested benefits associated with multiemployer plans. Based on the limited information provided, the Company's share of unfunded vested retirement benefits for these plans is believed to approximate \$40,000,000 (\$25,000,000 for Hall's and \$15,000,000 for Dohrn). Information with respect to the plan's non-vested retirement benefits and the fund assets pertaining to these benefits is not currently available from the plans' administrators.

The increased employer responsibilities under this legislation are being litigated in the courts. In addition, legislative efforts are being made to lessen the burden of the legislation. However, the outcome of these efforts is not currently determinable.

INCOME TAXES

The provisions (benefit) for income taxes for the years ended December 31, are summarized as follows (in thousands):

	1981	1980	1979
CURRENT			
United States	\$ (5,083)	\$ —	\$ —
Foreign	4,690	2,982	2,927
State	602	1,343	361
	209	4,325	3,288
DEFERRED			
United States	(25,661)	1,259	7,491
Foreign	10,088	7,725	6,242
State	1,664	3,191	3,475
	(13,909)	12,175	17,208
INCOME TAX PROVISION (BENEFIT)	\$ (13,700)	\$ 16,500	\$ 20,496

The income tax provision differs from the amount computed using the United States federal income tax rate. A reconciliation between this rate and the income tax provision (benefit) is as follows:

	1981	1980	1979
United States federal income tax rate (benefit)	(46.0)%	46.0%	46.0%
Investment tax credits	(52.7)	(22.9)	(17.3)
Capital gains rate on sale of real estate investment	—	(3.2)	—
Foreign taxes	14.1	3.2	4.6
Permanent differences between book and tax income	24.8	7.8	(4.4)
State income taxes, net of federal tax benefit, and other	14.6	(2.9)	3.1
Income tax provision (benefit) effective rate	(45.2)%	28.0%	32.0%

INCOME TAXES (Continued)

The tax effect of timing differences resulting from recognition of amounts in different periods for financial reporting purposes and for tax reporting purposes is as follows (in thousands):

	1981	1980	1979
Excess of tax over book depreciation	\$ 27,295	\$ 30,694	\$ 31,114
Differences in tax and book basis on disposal of assets	(3,723)	6,395	(2,537)
Excess book gain on sale of tax benefits	8,602	—	—
Differing tax treatment for leases	1,679	1,112	(1,262)
Differences in interest capitalized for tax and book purposes	1,875	744	3,221
Investment and foreign tax credits	(19,771)	(15,365)	(12,855)
Investment tax credits utilized	236	—	—
Tax net operating losses	(36,732)	(12,091)	(1,391)
Other, net	6,630	686	918
	\$ (13,909)	\$ 12,175	\$ 17,208

The Company has approximately \$88,371,000 of investment tax credit carryforwards available to reduce future federal and foreign income taxes, of which \$75,340,000 has been applied as a reduction of the deferred income tax account. The Economic Recovery Tax Act of 1981 extended the carryforward period for investment tax credits from seven to fifteen years. As a result of this extension substantially all of the Company's investment credit carryforward computed for financial reporting purposes will be utilized against net deferred federal income tax credits. Accordingly, the 1981 income tax benefit includes the expected future benefit of these carryforwards in accordance with the Financial Accounting Standards Board Interpretations No. 25 and No. 32.

Foreign tax credits available to offset 1981, and future years' federal income taxes aggregate \$2,990,000, which if not utilized will be included in federal income tax provisions in future years.

The tax credits expire for tax reporting purposes as follows (in thousands):

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1984	\$ —	\$ 130
1985	—	1,209
1986	2,990	523
1987 through 1991	—	15,761
1992 through 1996	—	70,748
	\$2,990	\$88,371

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of Tiger International, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years ended December 31, 1981, 1980 and 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Tiger International, Inc. and subsidiaries as of December 31, 1981 and 1980, and the results of their operations and the changes in their financial position for the years ended December 31, 1981, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Los Angeles, California
March 5, 1982

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 these 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 Statement No. 33 "Financial Reporting and Changing Prices." This Statement requires disclosure of historical financial statements adjusted for inflation under two different methods for measuring the effects of changing prices.

The information which follows complies with the requirements of Statement No. 33. It is intended as an experiment to provide certain measurements of the effects of inflation on the Company's operations.

Methods of Measuring Effects of Changing Prices

Constant Dollar: The constant dollar approach adjusts historical costs to dollars of the same current purchasing power. This method is an attempt to measure the effects of general inflation on a business enterprise. The adjustment to dollars of common purchasing power (constant dollar) is accomplished by using the Consumer Price Index for all Urban Consumers which is a broad-based measure of the general inflation rate.

Current Cost: The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1981. 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 used in the constant dollar approach. 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.

The methods used by the Company to adjust historical financial data in accordance with the constant dollar and current cost approaches are discussed below.

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

In the inflation adjusted financial information appearing on pages 40 and 41 for both the constant dollar and current cost methods, revenues and other operating expenses have not been adjusted because they generally reflect the average price levels for the year. However, depreciation expense and the inventory component of cost of sales have been adjusted in arriving at adjusted net 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 the Company's property, plant and equipment adjusted separately for changes in general purchasing power (constant dollar) and changes in specific prices (current cost). The adjustments to cost of sales are intended to reflect separately the increases in general purchasing power (constant dollar) and specific prices (current cost) that would have resulted if inventories were valued at the 1981 costs when sold.

Depreciation expense is greater when adjusted for general inflation than when adjusted for changes in specific prices. The difference reflects the Consumer Price Index (general inflation) rising faster than the increase of costs over the last several years of the type of property, plant and equipment used in the Company's various businesses.

In the accompanying inflation adjusted statements, current cost of property, plant and equipment and inventories 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 costs 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 costs 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.

Selected Financial Data Adjusted for Effects of Inflation (Unaudited) (Continued)

Tiger's monetary liabilities exceeded monetary assets (net amounts owed) resulting in an unrealized gain; however, Statement No. 33 does not permit such gain to be reflected in the adjusted net loss presentation required by the FASB. Tiger believes that the adjustments for depreciation expense and cost of sales alone do not adequately portray the effects of inflation adjustments prescribed by the FASB, and is therefore presenting two inflation adjusted presentations — one as defined by Statement No. 33 and the other as defined by the Company. Because Tiger finances substantially all of its fixed assets with long-term debt, it effectively hedges against the impact of inflation on depreciation and interest expense. The Company's inflation adjusted statement of operations includes a \$76.2 million reduction in depreciation and interest expense, net of applicable income taxes, representing that portion of the total unrealized purchasing power gain attributable to capital assets financed by long-term indebtedness.

In the opinion of management the accompanying Statement of Operations Adjusted for Changing Prices on a Current Cost basis is more indicative of the effects of inflation on the Company than is the Statement of Operations Adjusted for General Inflation on the Constant Dollar basis.

STATEMENT OF OPERATIONS ADJUSTED FOR CHANGING PRICES (Unaudited)

For the Year Ended December 31, 1981 (In thousands)

	Historical Financial Statements	Adjusted for Constant Dollar	Adjusted for Current Cost
Revenues	\$1,673,350	\$1,673,350	\$ 1,673,350
Cost and Expenses			
Cost of operations	1,185,979	1,193,017	1,196,201
Selling, general and administrative	167,741	167,741	167,741
Depreciation and amortization	155,588	238,368	207,974
Interest, net	194,355	194,355	194,355
Income tax benefit	(13,700)	(13,700)	(13,700)
	1,689,963	1,779,781	1,752,571
Net loss	(16,613)	(106,431)	(79,221)
Decrease in depreciation and interest expense, net of applicable income taxes, from decline in purchasing power of net monetary liabilities		76,158	76,158
Net loss adjusted for decrease in depreciation and interest expense	\$ (16,613)	\$ (30,273)	\$ (3,063)
Other Supplementary Information			
Increase in property, plant and equipment and inventories based on constant dollars			\$ 268,000
Increase in property, plant and equipment and inventories based on current costs			206,000
Excess in constant dollars over current costs			\$ 62,000
Current cost of net property, plant and equipment at December 31, 1981			\$2,700,000
Current cost of inventory December 31, 1981			\$ 128,000

**FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA
ADJUSTED FOR EFFECTS OF CHANGING PRICES STATED IN 1981 DOLLARS (Unaudited)**

(In thousands except per share data and index)

	For the Years Ended December 31				
	1981	1980	1979	1978	1977
Revenues	\$1,673,350	\$1,515,282	\$1,060,904	\$965,398	\$756,768
Constant dollar information					
As defined by Statement No. 33					
Net income	(106,431)	(16,601)	944		
Net income per common share	(6.25)	(1.05)	.07		
As defined by Tiger					
Net income	(30,273)	74,120	69,109		
Net income per common share	(1.78)	4.69	4.80		
Net assets at year end	1,308,000	1,289,000	1,131,000		
Current cost information					
As defined by Statement No. 33					
Net income	(79,221)	5,278	6,906		
Net income per common share	(4.66)	.33	.48		
As defined by Tiger					
Net income	(3,063)	95,999	75,070		
Net income per common share	(.18)	6.07	5.21		
Excess in constant dollars over current costs	62,000	102,000	1,300		
Net assets at year end	1,256,000	1,208,000	1,031,000		
Gain from decline in purchasing power of net amounts owed	142,000	161,000	126,000		
Cash dividends declared per common share	.675	.88	1.00	.83	.74
Market price per common share at year end	13.50	24.51	22.52	32.73	23.97
Average consumer price index (base year 1967=100)	272.4	246.8	217.4	195.4	181.5

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	QUARTER ENDED			
	March 31	June 30	September 30	December 31
	(In thousands except per share data)			
1981				
Revenues	\$388,850	\$416,168	\$411,817	\$456,515
Net Income (loss)	\$ 10,753	\$ 13,233	\$ (18,500)	\$ (22,099)
Earnings (loss) per Share				
Primary	\$.63	\$.78	\$ (1.09)	\$ (1.30)
Fully diluted	\$.60	\$.73	\$ —	\$ —
1980				
Revenues	\$273,791	\$321,654	\$338,124	\$439,308
Net Income	\$ 10,435	\$ 3,227	\$ 11,230	\$ 17,483
Earnings Per Share	\$.70	\$.21	\$.72	\$ 1.03
1979				
Revenues	\$187,663	\$216,437	\$201,723	\$241,497
Net Income	\$ 11,450	\$ 15,800	\$ 1,949	\$ 14,428
Earnings Per Share	\$.80	\$ 1.10	\$.14	\$ 1.00

The seasonal fluctuations in the business of Flying Tigers and fluctuations in foreign exchange rates are reflected in the above summary. In addition, the third quarter of 1979 reflects the impact of an 18-day strike at the Flying Tigers and the fourth quarter of 1980 includes a \$15,000,000 pre-tax gain on the sale of a real estate partnership interest. The first quarter of 1981 includes a pretax gain of \$5,850,000 from the sale of the insurance operations and a pretax gain of \$12,946,000 from the sale of a Boeing 747-100 freighter. The second quarter of 1981 includes a pretax gain of \$22,436,000 from the sale of two Boeing 747-100 freighters. The third quarter includes a pretax gain of \$4,500,000 from the sale of tax and depreciation benefits. The fourth quarter includes \$14,200,000 in pretax gain from the sale of tax and depreciation benefits and a pretax loss of \$22,700,000 due to the write down of certain aircraft and leasing assets.

Fully diluted earnings per share for the quarter ended December 31, 1980 amounted to \$.95 based upon 19,051,000 shares used for the computation. The fully diluted effect for the quarter ended September 30, 1980 was not significant.

As a result of additional shares issued during 1980 and 1979 the addition of quarterly earnings per share amounts for those periods will not equal the earnings per share reported for the annual period.

PART III.

Except as provided under the heading "Executive Officers of the Registrant" under Item 4 of Part I hereof, Items 9 and 10 are incorporated by reference to Tiger's definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

PART IV.

ITEM 11. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

	<u>Page</u>
(a) Financial Statement Schedules and Exhibits Filed	
<u>Financial Statement Schedules</u>	
Report of Independent Public Accountants on Financial Statement Schedules Filed	44
Condensed Parent Company Financial Data	45
Schedule V—Property, plant and equipment	47
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment	48
Schedule VIII—Valuation and qualifying accounts and reserves	49
<p>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.</p>	
<p>Separate financial statements of subsidiaries not consolidated and 50% or less owned persons accounted for by the equity method have been omitted because, if considered in the aggregate, they would not constitute a significant subsidiary.</p>	
<u>Exhibits</u>	
(3.1)	Restated Certificate of Incorporation of Tiger, effective May 20, 1981.
(3.2)	By-Laws of Tiger, as amended on January 18, 1982.
(4.1)	Indenture, dated as of September 1, 1980, between Tiger and Crocker National Bank, as Trustee, filed as Exhibit 2(b) to Tiger's Form S-16 Registration Statement, Regis. No. 2-68885, filed with the SEC on August 28, 1980, is hereby incorporated by reference.
(4.2)	Indenture, dated as of September 1, 1980, between Tiger and Bankers Trust Company, as Trustee, filed as Exhibit 6-2.2 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, filed with the SEC on August 11, 1980, is hereby incorporated by reference.
(4.3)	First Supplemental Indenture, dated as of September 30, 1980 between Tiger, Seaboard and J. Henry Schroeder Bank and Trust Company, as Trustee, filed as Exhibit 6-25 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, with the SEC on August 11, 1980 is hereby incorporated by reference.
(10.1)	Supplemental Retirement Income Plan dated December 13, 1977, as amended, between Tiger and Wayne M. Hoffman, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.

Exhibits

- (10.2) Form of Stock Purchase Agreement entered into between Tiger and certain principal executive officers of Tiger, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.
- (10.3) Executive Incentive Plan, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.
- (10.4) 1981 Key Employees Stock Option Plan for Tiger and subsidiaries, filed as Exhibit "A" to Tiger's 1981 Proxy Statement, filed with the SEC on April 30, 1981, is hereby incorporated by reference.
- (22) List of Subsidiaries.

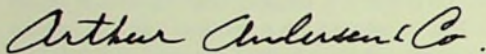
(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger with the SEC during the three months ended December 31, 1981.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES FILED

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

Our examinations of the consolidated financial statements in the Tiger International, Inc. and subsidiaries' annual report to stockholders and filed with this Form 10-K were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Financial Statement Schedules listed in the index to Item 11 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, 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 5, 1982

CONDENSED STATEMENT OF OPERATIONS AND STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the Years Ended December 31		
	1981	1980	1979
	(In thousands)		
CONDENSED STATEMENT OF OPERATIONS			
Revenues and dividend income (including equity in distributed earnings of consolidated subsidiaries and in 1980 a gain on the sale of a partnership interest)	\$ 20,677	\$ 36,370	\$ 4,449
Costs and expenses	62,962	40,563	25,912
Deferred income tax benefit, net	(35,858)	(4,197)	(2,940)
	27,104	36,366	22,972
Income (loss) before equity in undistributed earnings of subsidiaries	(6,427)	4	(18,523)
Equity in undistributed earnings (losses) of consolidated subsidiaries	(10,186)	33,878	53,769
Equity in undistributed earnings of unconsolidated subsidiary	—	8,493	8,381
Net income (loss)	\$ (16,613)	\$ 42,375	\$ 43,627

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

SOURCE OF FUNDS			
Net income (loss)	\$ (16,613)	\$ 42,375	\$ 43,627
Equity in undistributed (earnings) losses of subsidiaries	10,186	(42,371)	(62,150)
Other, net	(29,847)	4,344	6,370
Funds provided by (applied to) operations	(36,274)	4,348	(12,153)
Proceeds from issuance of stock and debt	2,538	166,298	52,272
Funds Provided	(33,736)	170,646	40,119
APPLICATION OF FUNDS			
Payments of long-term debt and notes payable	7,011	7,011	42,233
Cash dividends declared on common stock	11,440	13,173	11,410
Acquisition of or contribution to subsidiaries' capital	68,877	97,619	14,000
Increase in investments, notes, advances and other	8,700	25,337	27,081
Funds Applied	96,028	143,140	94,724
Net increase (decrease) in working capital	\$ (129,764)	\$ 27,506	\$ (54,605)

CONDENSED BALANCE SHEET

	December 31	
	1981	1980
	(In thousands)	
ASSETS		
Current assets	\$ 90,740	\$ 56,663
Investments in subsidiaries	746,187	610,552
Property, plant and equipment, net	1,983	2,278
Long-term receivables from subsidiaries	8,419	7,534
Investment in unconsolidated insurance subsidiary	—	76,421
Investments and other	31,104	6,973
	<u>\$878,433</u>	<u>\$760,421</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$269,193	\$105,352
Long-term obligations	116,388	120,865
Long-term payables to subsidiaries	160,600	78,724
Deferred income taxes, tax credits and other	(87,388)	9,201
Stockholders' equity	419,640	446,279
	<u>\$878,433</u>	<u>\$760,421</u>

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

At December 31, 1981 Tiger Leasing Group, North American Car and Warren Transport are free from restrictions limiting dividends and advances to Tiger International. At December 31, 1981 the combined retained earnings of these companies is approximately \$212,000,000. Dividends and advances to Tiger International from Flying Tigers, National Equipment Rental, Halls Motor Transit and TigerAir are subject to restrictions contained in credit loan agreements. At December 31, 1981, NER, Halls', and TigerAir could not advance funds or declare dividends to Tiger International, however, approximately \$21,000,000 was available for dividends or advances from Flying Tigers.

Cash Dividends Paid to Parent From Consolidated Subsidiaries

During the year ended December 31, 1981 Tiger International received total dividends of \$12,600,000, all from Tiger Leasing Group. During the year ended December 31, 1980 Tiger International received dividends of \$12,700,000 from Tiger Leasing Group and \$1,500,000 from Hall's Motor Transit for a total of \$14,200,000 for the year. Tiger International received no dividends from its subsidiaries for the year ended December 31, 1979.

Parent Company Debt

Parent company long-term debt is disclosed in the Long-Term Debt Note to the Consolidated Financial Statements under the caption "Tiger International, Inc."

Maturities of Tiger International long-term debt for the five years subsequent to December 31, 1981 are: 1982 \$5 million; 1983 \$5 million; 1984 \$2.5 million and 1986 \$5.3 million. There is no debt due in 1985. Maturities due subsequent to 1986 total approximately \$108 million.

Schedule V — Property, Plant and Equipment

For the Three Years Ended December 31, 1981	Balance at Beginning of Period	Additions	Retire- ments, Overhauls or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
(In thousands)					
Year Ended December 31, 1979					
Equipment used in operations:					
Equipment for lease or under lease	\$1,133,958	\$161,825	\$ 79,562	\$ (6,390)	\$1,209,831
Equipment used in air cargo operations	390,135	115,223	1,023	—	504,335
	1,524,093	277,048	80,585	(6,390)	1,714,166
Buildings and leasehold improvements	44,164	7,679	584	1,060	52,319
Shop properties, terminal facilities and other	57,476	8,589	1,715	283	64,633
Construction in process	34,181	70,079	3,219	—	101,041
	\$1,659,914	\$363,395	\$ 86,103	\$ (5,047)	\$1,932,159
Year Ended December 31, 1980					
Equipment used in operations:					
Equipment for lease or under lease	\$1,209,831	\$243,783	\$ 66,673	\$ 27,251	\$1,414,192
Equipment used in air cargo operations	504,335	248,652	39,207	240,043	953,823
Equipment used in trucking operations	—	2,787	617	32,220	34,390
	1,714,166	495,222	106,497	299,514	2,402,405
Buildings and leasehold improvements	52,319	17,856	874	40,186	109,487
Shop properties, terminal facilities and other	64,633	14,809	714	9,092	87,820
Construction in process	101,041	21,621	1,055	(72,655)	48,952
	\$1,932,159	\$549,508	\$109,140	\$ 276,137	\$2,648,664
Year Ended December 31, 1981					
Equipment used in operations:					
Equipment for lease or under lease	\$1,414,192	\$110,790	\$109,970	\$(146,365)	\$1,268,647
Equipment used in air cargo operations	953,823	31,648	84,624	123,229	1,024,076
Equipment used in trucking operations	34,390	5,579	824	18,775	57,920
	2,402,405	148,017	195,418	(4,361)	2,350,643
Buildings and leasehold improvements	109,487	16,948	3,170	18,980	142,245
Shop properties, terminal facilities and other	87,820	18,254	2,120	3,812	107,766
Construction in process	48,952	3,185	2,860	(10,778)	38,499
	\$2,648,664	\$186,404	\$203,568	\$ 7,653	\$2,639,153

(1) 1980 includes \$327 million acquired in business combinations accounted for by the purchase method, less approximately \$37 million of aircraft deposits refunded and approximately \$10 million of equipment placed on finance leases. 1981 includes \$40 million acquired in business combinations accounted for by the purchase method.

Schedule VI—Accumulated Depreciation and Amortization of Property, Plant and Equipment

For the Three Years Ended December 31, 1981	Balance at Beginning of Period	Additions	Retirements, Overhauls or Sales	Transfers, Adjustments and Other	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1979					
<i>Equipment used in operations:</i>					
Equipment for lease or under lease	\$335,429	\$ 49,138	\$32,131	\$ (26)	\$352,410
Equipment used in air cargo operations	156,981	25,168	557	200	181,792
	492,410	74,306	32,688	174	534,202
Buildings and leasehold improvements	11,035	3,501	568	93	14,061
Shop properties, terminal facilities and other	20,101	3,349	332	38	23,156
	\$523,546	\$ 81,156	\$33,588	\$ 305	\$571,419
Year Ended December 31, 1980					
<i>Equipment used in operations:</i>					
Equipment for lease or under lease	\$352,410	\$ 62,649	\$33,133	\$ (700)	\$381,226
Equipment used in air cargo operations	181,792	39,743	5,237	(3,207)	213,091
Equipment used in trucking operations	—	6,308	104	(1,696)	4,508
	534,202	108,700	38,474	(5,603)	598,825
Buildings and leasehold improvements	14,061	3,905	506	(5)	17,455
Shop properties, terminal facilities and other	23,156	4,927	530	1,637	29,190
	\$571,419	\$117,532	\$39,510	\$ (3,971)	\$645,470
Year Ended December 31, 1981					
<i>Equipment used in operations:</i>					
Equipment for lease or under lease	\$381,226	\$ 69,583	\$48,097	\$(12,657)	\$390,055
Equipment used in air cargo operations	213,091	55,500	31,139	31,812	269,264
Equipment used in trucking operations	4,508	10,253	(93)	(2,031)	12,823
	598,825	135,336	79,143	17,124	672,142
Buildings and leasehold improvements	17,455	6,838	33	433	24,693
Shop properties, terminal facilities and other	29,190	11,002	1,068	922	40,046
	\$645,470	\$153,176	\$80,244	\$ 18,479	\$736,881

Schedule VIII—Valuation and Qualifying Accounts and Reserves

For the Three Years Ended December 31, 1981	Allowance for Doubtful Accounts		Inventories Allowance	Aircraft Overhaul Reserves
	Trade Receivables(1)	Finance Lease Receivables		
	(In thousands)			
Balance at December 31, 1978	\$11,417	\$8,156	\$1,371	\$ 26,845
Additions (deductions) —				
Provisions charged to costs and expenses	4,576	275	562	23,598
Amounts charged to reserve	(3,741)	(3,134)	(56)	(23,192)
Balance at December 31, 1979	12,252	5,297	1,877	27,251
Additions (deductions) —				
Provisions charged to costs and expenses	6,421	1,076	2,657	34,086
Reserves from acquired companies	9,525	50	1,518	12,140
Amounts charged to reserve	(5,403)	(736)	(603)	(33,261)
Balance at December 31, 1980	22,795	5,687	5,449	40,216
Additions (deductions) —				
Provisions charged to costs and expenses	14,440	104	3,098	29,498
Reserves from acquired companies	494	—	30	—
Amounts charged to reserve	(14,012)	(2,719)	(449)	(23,339)
Balance at December 31, 1981	\$23,717	\$3,072	\$8,128	\$ 46,375(2)

(1) Includes revenue adjustments.

(2) Includes \$19,896 classified in accumulated depreciation and \$26,479 classified as other deferred credits.

Signatures

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

TIGER INTERNATIONAL, INC.
(Registrant)

By DAVID L. AUCHTERLONIE
David L. Auchterlonie
Vice President—Controller

Date: March 26, 1982

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u> WAYNE M. HOFFMAN </u> Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 26, 1982
<u> THOMAS F. GROJEAN </u> Thomas F. Grojean	President and Director	March 26, 1982
<u> MARTIN A. LYNCH </u> Martin A. Lynch	Senior Vice President—Finance (Principal Financial Officer)	March 26, 1982
<u> DAVID L. AUCHTERLONIE </u> David L. Auchterlonie	Vice President—Controller (Principal Accounting Officer)	March 26, 1982
<u> Laurence C. Craigie </u>	* Director	March 26, 1982
<u> J. Howard Edgerton </u>	* Director	March 26, 1982
<u> Gerald R. Ford </u>	* Director	March 26, 1982
<u> Charles Luckman </u>	* Director	March 26, 1982
<u> William E. McKenna </u>	* Director	March 26, 1982
<u> Gordon M. Metcalf </u>	* Director	March 26, 1982

By ROBERT J. HARTER, JR
Robert J. Harter, Jr.
Attorney-in-Fact and Agent

Notice to Stockholders

The following notice is published in accordance with Section 245.16 of subpart B of Part 245 of the Economic Regulations of the Civil Aeronautics Board (the "Board"); section references in the following notice are to sections of such regulations.

(1) Any person who either owned, at December 31, 1981, or subsequently acquired, beneficially or as a trustee, more than 5 per cent, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s, Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12, on or before April 1, 1982 as to the capital stock owned at December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing information required in Section 245.15.

Any stockholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

1888 Century Park East
Los Angeles, California 90067
(213) 552-8800

The Phoenix Mutual Co.
7401 World Way West
Los Angeles, California 90049
(213) 648-6161

10000 Ardmore Blvd. 90003
Chicago, Illinois 60630
(312) 353-8088

1700 U.S. 100
Baltimore, Md. 21201
Pension Center
Baltimore, Maryland 21204
(410) 395-3755

10000 Carlisle Pike
Mechanicsburg, Pennsylvania 17055
(717) 753-5800

Warren Transport, Inc.
P. O. Box 920
Waukegan, Iowa 50794
(515) 238-5918

1888 Century Park East
Los Angeles, California 90067
(213) 552-8800

Auditors
Arthur Andersen & Co.
575 Wilshire Blvd.
Los Angeles, California
90077

Counsel
White & Case
16 Wall Street
New York, New York 10038

Stock Exchanges
New York Stock
Exchange
20 Broad Street
New York, New York 10005

Pacific Stock Exchange
250 Pine Street
San Francisco, California
94104

Midwest Stock Exchange
120 S. LaSalle Street
Chicago, Illinois 60605

**TRUSTCO NATIONAL
Manufacturers Hanover
Trust Company**
4 New York Plaza
New York, New York 10016

Union Bank
2810 Wilshire Blvd.
Los Angeles, California
90070

Registars
The Bank of New York
200 Washington Street
New York, New York 10038

Union Bank
2810 Wilshire Blvd.
Los Angeles, California
90070

**The Annual Meeting of
Stockholders will be held
on Tuesday, June 15, 1982
at 10:00 a.m. at the Beverly
Hilton Hotel, 9876 Wilshire
Boulevard, Beverly Hills,
California 90210.**

1982

**TIGER
INTERNATIONAL
ANNUAL
REPORT**

**TIGER
INTERNATIONAL,
INC.
1982
ANNUAL
REPORT**

FINANCIAL HIGHLIGHTS

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. Copies of the Exhibits are available upon request to the Director of Corporate Communications Tiger International
1888 Century Park East
Los Angeles, California 90067.

For the year ended December 31, (Amounts in thousands, except per share data)	1982	1981
Revenues	\$1,446,008	\$1,545,086
Loss from continuing operations	\$ (98,348)	\$ (2,949)
Loss from discontinued operations	(37,875)	(13,664)
Net loss	\$ (136,223)	\$ (16,613)
Loss per share		
Continuing operations	(5.81)	(.18)
Discontinued operations	\$ (2.23)	\$ (.80)
Total	\$ (8.04)	\$ (.98)
Assets	\$2,460,619	\$2,702,397
Stockholders' Equity	\$ 283,166	\$ 419,389
Book Value		
Per Common Share	\$ 16.72	\$ 24.76
Cash Dividends Paid		
Per Common Share	\$ —	\$.88

TO OUR STOCKHOLDERS

Tiger International, along with the transportation industry in general, continues to be adversely affected by the poor business climate. Not only did we suffer heavy losses in 1982, but we had to take severe measures to conserve cash until our operating companies experience an upturn in business.

Specifically, we have asked our lenders to accept a moratorium on principal and interest payments, pending a restructuring of certain of the debt of the various operating units. We continue to meet all payments on public debt and to pay all trade debts on schedule.

We have cut costs throughout the company by reducing staff, freezing and, in some instances, cutting salary levels and through general operating efficiencies.

We have raised cash through sales of excess assets and will continue to do so until we are once again in a healthy cash position. Recently, we sold four DC-8-73s to United Parcel Service for approximately \$80 million generating \$30 million in cash. This year, North American Car sold its Chemical and Terminal divisions for approximately \$11 million.

In addition, we made a determination to sell the various operating units of TigerAir. As a result, Tiger-Air is being accounted for as a discontinued operation.

Let us now discuss each of our operating units, their current problems and their prospects for recovery as the economy turns around.

Flying Tigers has been particularly hard hit by the effects of deregulation, high interest rates, high fuel costs and the recession. Flying Tigers' major difficulties are in its North Atlantic and domestic markets where the company is unprofitable. We have gained market share on the North Atlantic since acquiring Seaboard World Airlines and that business continues to grow satisfactorily. However, rates are still too low for profitable operations and are held at these low levels due to overcapacity owing to the worldwide recession. When business conditions improve, yields on the Atlantic should improve, and this is very important to our future.

A different situation prevails in Flying Tigers' domestic market. Air freight deregulation, which occurred in 1978, spawned many new competitors for Flying Tigers, some who were former large customers. We have met this competitive challenge with a guaranteed door-to-door delivery program, expanding our service to many cities and giving customers new service options.

The door-to-door program has grown successfully and the traffic generated by it has recently surpassed the break-even level. This service, together with the vital airport-to-airport service we provide our forwarder customers, will play a significant role in Flying Tigers' return to profitability. Another important factor is the continued reduction in fuel prices. Each penny per gallon reduction in fuel saves the company \$3 million per year.

Flying Tigers also made progress in 1982. Our revenues in Asia hit record highs and continue strong. Asia also continues to be very profitable. We inaugurated scheduled service to South America and are making excellent progress in that market.

At North American Car, we are experiencing the effects of weak industrial activity, high interest rates and poor grain movements exacerbated by the political decision to embargo sales to the Communist bloc. North American's off-lease rate for railcars has fallen to levels not seen since 1938, the height of the depression.

Except in the agricultural market, which continues to be severely depressed, the factors working against us have diminished and we expect to see more cars on lease in 1983. We anticipate improvement in the market price of used railcars which will aid our cash position.

The prospects in the trucking industry will also improve with the economy. Warren Transport continues to be profitable in spite of a severely depressed agricultural machinery market.

Hall's Motor Transit, a large regional less-than-truckload (LTL) carrier, has been reorganized to respond to the competitive conditions created by the Motor Carrier Dereg-

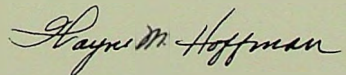
ulation Act of 1980. At Hall's, aggressive cost control and improved operational efficiencies have reduced break-even revenue levels by 20 percent. A number of large LTL carriers in Hall's territory and elsewhere have failed, leaving a marketplace where vigorous, well directed survivors can make excellent profits.

Completing its first full year of operation, Tiger Distribution Services successfully provided multimodal transportation services to its customers. In addition, its subsidiary, Tiger InterModal, continued to expand its business base providing intermodal services to shippers throughout the world.

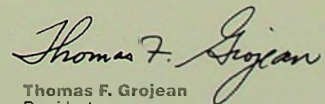
What of the future? We believe that while our problems are certainly not behind us, we are at the nadir and see improvement ahead. Business indicators point toward a strong recovery in the economy. The reduction in interest rates is a significant factor for all of our operating units, affecting both the company and our customers whose expanding business will help our recovery.

Negotiations with our lenders are going well. With their continued cooperation and an improved economy, we are confident that we shall return to profitability.

The recent working environment for the Tiger men and women has been very demanding. Our people have demonstrated that special kind of fighting spirit necessary to combat the severe problems facing the company. They are working extremely hard to rebuild a profitable enterprise, and we will succeed.



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



Thomas F. Grojean
President

Flying Tigers is the world's largest air cargo carrier providing scheduled air cargo service throughout North and South America, Asia and Europe, and charter service worldwide.

Flying Tigers' domestic door-to-door program, launched in 1982, features a guarantee for on-time delivery to any city in the continental United States. This new program has grown successfully in spite of the economic recession. Shipment count and pounds continue to increase dramatically.

On the Pacific, Flying Tigers continues strong and profitable. Over capacity and price cutting on the Atlantic continue to impede the company's profitability in that marketplace. However, the company anticipates a stabilization of rates in 1983 as capacity is absorbed and the U.S.—European economy improves. Flying Tigers has increased the number of flights across the Atlantic to provide broader coverage for its European customers.

In 1982, the company expanded its international service to include South America, serving Brazil and, recently, Argentina.

Flying Tigers recently sold four DC-8-73 jettfreighters. This year the company acquired four additional B-747 jettfreighters in exchange for three passenger B-747s, which strengthened the composition of the air cargo carrier's fleet. As the economy turns around, Flying Tigers' aircraft fleet is ideally positioned to meet the growing transportation needs of the world's shippers.





North American Car is a railcar leasing and services company that operates in the United States, Europe, Mexico and Canada. North American's fleet of approximately 63,000 railcars includes tanks, hoppers and its proprietary Pressure Differential (PD®) cars which are manufactured by North American. The PD cars carry dry, flowable commodities such as flour, cement and chemicals.

North American offers its customers a wide variety of railcar services, including repair and maintenance which is handled at its repair shops located across the country.

Through its SEEK Systems, Inc., founded last year, North American offers its customers a broad range of transportation information services used for routing, mileage analysis and improved fleet utilization. SEEK Systems has grown successfully during its first year of operation, moving from sixth to second place in the railcar tracking business.

North American's RoadRailers®, which began commercial operation in September 1981, are now being operated between New York City and Buffalo by the Empire State Xpress, a new transportation service developed by the company. The RoadRailer is a unique bimodal vehicle that operates as a truck trailer on highways and as a railcar on tracks. The RoadRailer is attractive to shippers because of its quick transfer between rail and highway modes and its lower fuel consumption.

Tiger International's trucking operations include Hall's Motor Transit, based in Mechanicsburg, Pennsylvania, and Warren Transport, headquartered in Waterloo, Iowa.

Hall's is a general freight carrier specializing in less-than-truckload (LTL) service. Through its extensive terminal network, Hall's serves customers in Canada and 23 states, stretching from New England and the middle Atlantic states west beyond the Mississippi River and south to Texas.

During 1982, Hall's strengthened its position as an LTL specialist instituting several new services for its customers. These new services include specific price programs, next day delivery in major markets and contract carrier service. Due to its innovative marketing programs and cost reductions, Hall's is well positioned for an improvement in the economy.

Warren Transport is a specialized truckload carrier of heavy machinery and durable goods which require special equipment or handling. In addition, Warren is the nation's leading carrier of farm equipment. Warren owns approximately 1300 trailer units and has contracts with 500 independent owner-operators.

Warren remains a strong and profitable carrier. Throughout the past year, the company successfully expanded its customer base. Its truckload van division penetrated the general commodities market serving points between the United States, Canada and Mexico. Warren works with other Tiger companies to move intermodal traffic in the international marketplace.





Tiger Distribution Services, formed in November 1981, completed its first full year of operation. Tiger Distribution provides multimodal transportation services for the shipping community. The company combines the capabilities of Tiger International companies to create distribution services tailored to the needs of shippers.

During 1982, the company completed distribution studies for major corporations which demonstrated substantial cost saving alternatives to existing transportation systems. In addition, Tiger Distribution worked with Tiger companies to develop new intermodal products. One of these new products is a premium service utilizing truck, rail and ocean capabilities for shipments moving in either the domestic or international market.

Tiger InterModal, a Tiger Distribution subsidiary, continued to expand its business during the past year. Tiger InterModal provides intermodal ocean, air, road and rail services to customers throughout the world.

Recently, Tiger InterModal launched its NVOCC (non-vessel operating common carrier) division, offering cost effective ocean services to international shippers. In addition, Tiger InterModal provides shippers with warehousing and consolidation services, complete export/import documentation support and insurance.

FIVE-YEAR FINANCIAL SUMMARY

(Amounts in thousands, except per share and ratio data) 1982 1981 1980 1979 1978

Revenues from Continuing Operations

Air Cargo	\$ 924,933	\$ 924,702	\$ 713,123	\$ 465,152	\$ 413,187
Railcar Services	254,535	308,385	308,657	256,642	199,621
Trucking	259,615	286,567	187,049	—	—
Other	6,925	25,432	57,099	37,193	28,388
Total	\$1,446,008	\$1,545,086	\$1,265,928	\$ 758,987	\$ 641,196

Income (Loss) from Continuing Operations Before Income Taxes	\$ (157,448)	\$ (6,049)	\$ 66,864	\$ 51,121	\$ 65,596
Income Tax Provision (Benefit)	(59,100)	(3,100)	20,000	14,082	21,710

Income (Loss) from Continuing Operations

Income (Loss) from Continuing Operations	(98,348)	(2,949)	46,864	37,039	43,886
Income (Loss) from Discontinued Operations	(37,875)	(13,664)	(4,489)	6,588	6,133
Net Income (Loss)	\$ (136,223)	\$ (16,613)	\$ 42,375	\$ 43,627	\$ 50,019

Per Share Data

Earnings (Loss) per Share					
Continuing Operations	\$ (5.81)	\$ (.18)	\$ 2.96	\$ 2.57	\$ 3.23
Discontinued Operations	\$ (2.23)	\$ (.80)	\$ (.28)	\$.46	\$.45
Total	\$ (8.04)	\$ (.98)	\$ 2.68	\$ 3.03	\$ 3.68
Book Value per Share	\$ 16.72	\$ 24.76	\$ 26.45	\$ 25.12	\$ 22.86
Cash Dividends Paid per Share	\$ —	\$.88	\$.80	\$.80	\$.60
Shares Used for Computation (000)	16,936	17,000	15,810	14,405	13,598

Other Data

Funds from Operations	\$ 105,253	\$ 337,650	\$ 301,196	\$ 225,136	\$ 225,997
Long-term Debt to Equity Ratio	5.75	4.05	3.70	3.20	2.91
Fixed Charge Coverage Ratio	.10	.86	1.36	1.57	1.81
Stockholders' Equity	\$ 283,166	\$ 419,389	\$ 446,279	\$ 357,846	\$ 325,301
Total Assets	\$2,460,619	\$2,702,397	\$2,758,425	\$1,940,601	\$1,616,655
Number of Employees	13,200	13,952	14,769	8,684	7,162

FIVE-YEAR SUMMARY OF OPERATING STATISTICS

	1982	1981	1980	1979	1978
Air Cargo					
Scheduled Cargo Service					
Domestic revenue ton miles (000)	690,310	846,667	881,895	776,459	752,027
Pacific revenue ton miles (000)	585,504	502,922	500,001	445,750	485,313
Atlantic revenue ton miles (000)	433,559	340,358	89,512	—	—
Latin America revenue ton miles (000)	5,471	—	—	—	—
Sources of Operating Revenues (percent)					
Scheduled cargo operations	72.0	71.3	73.1	80.1	84.2
Military Airlift Command	12.7	12.7	12.1	9.9	8.6
Charter	10.3	11.3	11.3	8.5	5.4
Other	5.0	4.7	3.5	1.5	1.8
Fuel Cost per Gallon (\$)	1.09	1.13	.99	.58	.41
Railcar Services					
Number of Railcars in Owned and Managed Fleet	63,000	63,000	59,000	52,000	48,000
On-lease Rate (Percentage average for year)	84	94	99	99	99
Trucking					
Hall's Motor Transit ^(a)					
Tonnage (000)					
Truckload	1,084	1,697	1,707	2,294	2,419
Less-than-Truckload	776	923	695	705	721
Total tonnage	1,860	2,620	2,402	2,999	3,140
Operating Ratio (percent)	104.1	100.7	96.9	95.7	94.4
Number of Terminals Operated	75	80	58	56	58
Warren Transport ^(b)					
Ton-Miles (000)	463,307	525,022	484,800	454,714	435,212
Intercity miles (000)	35,067	42,452	42,071	38,400	36,085
Operating Ratio (percent)	94.2	92.0	91.3	90.7	90.1
Number Trailers Owned	1,315	1,281	1,128	1,107	1,014

^(a)The operating statistics for Hall's include the results of Dohrn Transfer Company as of January 1981. Hall's was acquired by Tiger International in January 1980.

^(b)Warren Transport was acquired in June 1981.

DIRECTORS

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

Thomas F. Grojean
President
Tiger International
and Flying Tigers

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

Charles T. Manatt
Manatt, 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

B. Houston Rehrig
President
Rehrig International
(Plastic Molders)

EXECUTIVES

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

Thomas F. Grojean
President
Tiger International
and Flying Tigers

Martin A. Lynch
Senior Vice President-
Finance
Tiger International

David L. Auchterlonie
Vice President-Controller
Tiger International

Rolf Bodenburg
Vice President-Taxes
Tiger International

Robert J. Harter, Jr.
Vice President-Administration,
General Counsel
and Secretary
Tiger International

Denis P. Kalscheur
Vice President-Treasurer
Tiger International

Jack Reiter
Vice President-
Government Relations
Tiger International

James H. Ozanne
President
North American Car

John E. Flynn
Executive Vice President
Flying Tigers

Gerald N. Hall
President and Chief
Executive Officer
Hall's Motor Transit

Buddy G. Cummings
Executive Vice President
and Chief Operating Officer
Hall's Motor Transit

Robert J. Molinaro
President and Chief
Executive Officer
Warren Transport

Thomas B. Liesy
President
Tiger Distribution Services

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, 1982**

Commission file number: **1-6457**

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

TIGER INTERNATIONAL, INC.

Delaware

(I.R.S. Employer Identification No.)

95-2623176

(Address of principal executive offices)

**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 and listed
on the New York Stock Exchange:

Common Stock, \$1 Par Value*

* Also listed on the Midwest and
Pacific Stock Exchanges

**8 5/8 % Convertible Subordinated
Debentures Due 2005**

11 1/2 % Sinking Fund Debentures Due 1995

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:

**\$106,931,996 as of March 1, 1983 based
upon the closing quotation for that date.**

Indicate the number of shares
outstanding of each of the
registrant's classes of common
stock, as of March 1, 1983:

17,034,658 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 1983 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, 1983, pursuant to
Regulation 14A.**

ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1982

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** Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1983 Annual Meeting of Stockholders.

ITEM 1. BUSINESS.

Tiger International, Inc. ("Tiger") is engaged, through its subsidiaries, in air cargo, railcar services, trucking and aviation services.

Tiger was incorporated in Delaware in 1969 and is a successor to a corporation organized in 1945. Its principal offices are located at 1888 Century Park East, Los Angeles, California 90067 and its telephone number is (213) 552-6300.

Financial Restructuring

On February 14, 1983, Tiger advised representatives of its bank and institutional lenders that it would be seeking their agreement to the rescheduling of certain of the debt of certain of its significant subsidiaries. Discussions with major lenders concerning specific rescheduling proposals are being conducted with respect to The Flying Tiger Line Inc. ("Flying Tigers"), North American Car Corporation ("North American")

and TigerAir, Inc. ("TigerAir"). During these negotiations, Tiger intends to defer payments on certain bank and institutional debt as a cash conservation measure. However, Tiger does not intend to defer payments on public debt and suppliers will continue to be paid on a current basis. Information concerning Tigers' financial resources is included in Part II under the caption "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Revenue and Operating Results

Information regarding Tiger's revenues, operating results and identifiable assets by business segment and geographic area is included in Part II under the caption "Item 8. Financial Statements and Supplementary Data."

Air Cargo

Flying Tigers is a certificated air carrier primarily engaged in the scheduled common carriage of cargo over a route system serving cities in the United States, Asia, Europe and South America. Flying Tigers is the largest air cargo carrier in the free world as measured by cargo revenue ton miles carried in 1982.

Scheduled Operations

As of March 1, 1983, Flying Tigers provided scheduled air service for both cargo and mail directly to 17 U.S. cities and San Juan, Puerto Rico. Service is provided to nine U.S. cities through other carriers on a sub-contract basis.

As of March 10, 1983, Flying Tigers provided international scheduled air service for both cargo and mail directly between points served in the United States and points in Japan, the Republic of Korea, Hong Kong, the Republic of China (Taiwan), the Philippines, Malaysia, Singapore, the Federal Republic of Germany, the United Kingdom, the Republic of Ireland, France, Switzerland, Italy, Iceland, Belgium, Brazil and Argentina.

Charters

Commercial. Flying Tigers provides both cargo and passenger charters within the United States and throughout the world. Total charter operations generated revenues of \$93,154,000 in 1982, \$98,981,000 in 1981 and \$80,164,000 in 1980, of which passenger charter operations were \$39,997,000 in 1982, \$35,087,000 in 1981 and \$25,326,000 in 1980. In 1983, FTL disposed of its Boeing 747 passenger aircraft, and its passenger charter operations will continue on a limited basis in 1983 with leased equipment.

Military. Military Airlift Command ("MAC") contracts for both passenger and cargo service are awarded annually on the basis of an airline's participation in the Civilian Reserve Air Fleet ("CRAF"). All of Flying Tigers' aircraft are committed to CRAF. Revenues from MAC charters were \$114,984,000 in 1982, \$112,045,000 in 1981 and \$86,035,000 in 1980. Flying Tigers was awarded a new MAC contract for the twelve months from October 1, 1982 to September 30, 1983, the fixed portion of which is in the amount of \$64,449,000, subject to expansion. MAC contracts contain standard provisions which make them subject to renegotiation and termination for convenience by the U.S. Government.

2 Aircraft Operating Fleet

As of March 1, 1983, Flying Tigers' operating fleet consisted of 11 DC-8-63 aircraft, five DC-8-61 aircraft, seven Boeing 747-100F aircraft and ten Boeing 747-200F aircraft. Substantially all of Flying Tigers' operating fleet is encumbered by equipment trust certificates, capital lease or similar obligations. In 1982, Flying Tigers sold its interests in three DC-8-73 aircraft and related equipment for approximately \$55,500,000. In 1983, Flying Tigers sold its interest in one DC-8-73 aircraft and related equipment for approximately \$21,600,000, and exchanged three Boeing 747-200 passenger aircraft airframes and related equipment for four Boeing 747-100 freighter aircraft airframes, four engines and related equipment.

Fuel

The availability of fuel is critical to Flying Tigers' operations. Aviation jet fuel prices and supplies are not controlled and suppliers of aviation fuel have, in previous years, allocated the available fuel. In 1982, Flying Tigers was able to obtain adequate fuel supplies to meet its commitments. The average price per gallon of fuel paid by Flying Tigers decreased from \$1.13 in December, 1981 to \$1.05 in December, 1982.

Revenues and Revenue Ton Miles

The following table presents a percentage breakdown of Flying Tigers' sources of revenue for each of the past three years. Flying Tigers' revenues are seasonal, with more cargo carried in the third and fourth quarters of each year.

	Year Ended December 31		
	1982	1981	1980
Sources of Operating Revenue (percent)			
Scheduled cargo operations	72.0%	71.3%	73.1%
Military Airlift Command	12.7	12.7	12.1
Charter	10.3	11.3	11.3
Other	5.0	4.7	3.5
	100.0%	100.0%	100.0%

The following table presents certain statistics relating to Flying Tigers' scheduled and nonscheduled cargo operations for each of the past three years. The load factors 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.

	Year Ended December 31		
	1982	1981	1980
Scheduled Cargo			
Revenue ton miles (thousands)			
Freight	1,604,964	1,603,217	1,405,117
Mail & Other	85,224	86,730	66,291
Load Factor (percent)	69.6	70.0	70.3
Revenue per ton mile (cents)	38.6	37.1	35.2
Nonscheduled Cargo			
Revenue ton miles (thousands)			
Military Airlift Command	232,210	236,681	189,724
Charter	238,398	272,276	217,419

Customers

Approximately 15% of Flying Tigers' business in 1980, 16% in 1981 and 17% in 1982 was performed for two agencies of the United States Government: the Military Airlift Command and the U.S. Postal Service. MAC charter rates are determined by negotiation between the individual carrier and MAC. International and domestic service mail rates are established by the Civil Aeronautics Board ("CAB") through a procedure whereby those rates are revised on a quarterly basis to reflect cost changes.

Flying Tigers' domestic and international cargo customers are freight forwarders, direct shippers and cargo agents. During 1982, Flying Tigers lost a significant amount of freight forwarding business as customers arranged to utilize aircraft directly in their operations.

In early 1982, Flying Tigers introduced door-to-door service directly to retail customers, with guaranteed on-time delivery to any city in the continental United States. This was done in an effort to attract business which does not rely on freight forwarders or cargo agents.

Regulation of Air Transport Industry

Flying Tigers is subject to the Federal Aviation Act under which the CAB, the Federal Aviation Administration ("FAA") and, in certain cases, the President of the United States, exercise jurisdiction over various phases of its business. Generally, 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. Although the domestic portion of Flying Tigers' business has been substantially deregulated, the CAB regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of American air carriers abroad. The CAB's jurisdiction also 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

Flying Tigers serves its Transpacific routes pursuant to a temporary Certificate of Public Convenience and Necessity which remains effective until October, 1984, its Transatlantic routes pursuant to a permanent Certificate of Public Convenience and Necessity and its South American route through temporary exemption authority from the CAB. 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 U.S. and foreign international air carriers. Rates for services over international routes are usually established by member agreement at periodic IATA Traffic Conferences. Such agreements are subject to the approval of the CAB (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.

Flying Tigers was able to effect rate increases in all markets in 1982. However, these increases did not keep pace with increased costs. Under tariff rules, the cargo rates charged by carriers are expressed in each country's own currency and have not generally been adjusted for foreign currency exchange rate fluctuations.

Environmental Regulations

To comply with a regulation issued by the FAA under the Noise Control Act of 1972 (the "FAA Noise Rule") Flying Tigers is replacing the existing engines on its DC-8 fleet with newer, quieter engines ("re-engining") and/or replacing the DC-8 aircraft with other aircraft. The first four re-engined DC-8 aircraft were sold by Flying Tigers. The re-engining is expected to be completed by 1985 and its cost will be approximately \$14,000,000 per aircraft, exclusive of spares engines. The re-engining modification will comply with the FAA Noise Rule and will also decrease fuel consumption by approximately 15% in comparison with present DC-8 engine performance.

Certain of the airports into which Flying Tigers operates have adopted noise abatement regulations. To date these regulations have not had a significant impact on Flying Tigers' overall operations.

Competition

The air cargo industry is highly competitive. As a result of deregulation, the number of Flying Tigers' domestic competitors has increased and may continue to increase. Further, current U.S. Government international aviation policies are both increasing significantly the number of competitors and expanding the number of U.S. interior points served by foreign competitors. Air freight forwarders, such as Emery, Airborne and UPS, are customers of Flying Tigers, but are becoming increasingly competitive because they have a direct relationship with the original shipper and are buying or chartering aircraft for their own use or in conjunction with other forwarders.

In its domestic operation, Flying Tigers also competes with most of the major passenger air carriers. In international service, Japan Air Lines,

4 Northwest Orient Airlines, China Airlines and Korean Airlines are Flying Tigers' major Transpacific competitors; Air France, Alitalia, British Airways, KLM, Lufthansa, SAS and TWA are Flying Tigers' major Transatlantic competitors; and Varig and Aerolineas Argentina are Flying Tigers' major South American competitors.

International rates in the air cargo industry are subject to the approval of the CAB as well as of

various foreign governments. Competition in air cargo markets is based on both price and service. Market pressures result in some price uniformity. Flying Tigers' market research indicates that the following factors are most important in the shipper's decision as to which carrier or forwarder to use: reliability, door-to-door time, pickup and delivery service, tracing ability, claims processing, customer service and price.

Railcar Services

North American Car Corporation and its subsidiaries ("North American") are primarily engaged in furnishing and providing services with respect to specialized types of railcars. North American furnishes these railcars and services to industrial shippers in the grain, chemical, petroleum, food processing, fertilizer, lumber, and other industries. The shippers supply these railcars to the railroads which transport the shippers' products in the United States, Canada, Mexico, and Western Europe. Railcars and services are also provided directly to the railroads.

Most railcars are furnished under full-service leases pursuant to which North American acquires, provides and maintains railcars, collects mileage compensation from railroads, pays certain property and related taxes, and performs various other administrative functions. North American also markets various elements of its full-service lease program separately. North American sells new and used railcars directly to its customers and provides maintenance and other services for them which they would otherwise perform for themselves. These services are provided on both project and, under North American's administrative services contracts, long-term contract bases.

Under its leveraged lease program, North American arranges long-term, net capital leases of railcars to its customers from third party equity lessors and sells the railcars to such third parties.

Under its investor management programs, North American sells railcars to corporate and other investors subject to management agreements which provide that North American will manage, market and maintain the railcars for periods of up to approximately 20 years as part of its normal business operations. At the end of such agreements, North American has certain rights to remarket or purchase the railcars.

North American operates repair shops throughout the United States and Canada to conduct its railcar repair, maintenance and inspection business. North American also modifies, constructs and rebuilds railcars for others at several of its shops.

Railcar Fleet

North American's railcar fleet at December 31, 1982, consisted of approximately 63,000 railcars. The fleet, as of December 31, 1981 and 1980 consisted of approximately 63,000 and 59,000 cars, respectively. At December 31, 1982, approximately 55% of the railcars in the fleet were covered hopper cars, 31% were tank cars and 14% were other types of railcars. The fleet is comprised of railcars owned by North American, held by North American under capitalized leases or similar obligations, operated by North American for others under North American's investor management program and serviced by North American for others under administrative services contracts. Railcars managed by North American under investor management programs or administrative services contracts are not reflected in North American's consolidated balance sheet and represent approximately 20% of the railcars in the above-described fleet. Substantially all of the railcars in North American's fleet are encumbered under security agreements.

Leases

Leases for railcars are generally at fixed rentals not subject to escalation during the term of the lease. Leases for railcars in the fleet are for terms ranging from specific trips to over 10 years. Average fleet utilization of railcars was 84% during 1982 and 94% during 1981. In addition, as of December 31, 1982 and 1981, 807 and 770 new railcars at a cost of approximately \$35,300,000 and \$34,300,000, respectively, were held in storage by North American.

In response to reduced demand for railcars during 1982, North American has leased railcars with rentals based on usage. North American has also entered into leases under which the railcars are used for grain storage. Storage leases are for short terms and at lower than normal rates.

North American's railcars are leased to approximately 815 shippers and railroads. No single customer leases more than 5% of North American's fleet, and less than 35% of the fleet is leased to North American's 20 largest customers.

Supply

Railcars and components are available from a number of different manufacturers and assemblers in the United States, Canada, Mexico and Europe. During the last two years, the demand for railcars has decreased and North American currently has new railcars for which it has no sale or lease commitments. In January, 1981, North American purchased the manufacturing business of its exclusive supplier of pressure differential ("P.D.®") railcars for transporting dry bulk commodities.

Maintenance

The railcars under full-service leases are repaired and maintained at North American's own shops and at various facilities owned by railroads and others. Running repairs, which account for approximately two-thirds of North American's total maintenance expense, are normally made by railroads and billed to North American in accordance with rates established by the Association of American Railroads (the "AAR"). North American makes substantially all railcar repairs, other than running repairs, at its own facilities.

Competition

The business in which North American is engaged is highly competitive, and there are a number of well-established companies which actively compete with North American in the business of leasing and servicing railcars, including two concerns with fleets substantially the same size as that of North American, and one concern with a slightly smaller fleet. Price and service are important considerations in dealings with customers. Although the availability of equipment for lease has been a major factor in the leasing of railcars, there is currently a surplus of railcars available for lease.

Railroads do not supply tank cars and hence do not compete with North American in offering tank cars to shippers. Railroads do supply covered hopper cars for grain and fertilizer service and such cars compete directly with privately-owned covered hopper cars suitable for such service. However, railroads do not generally offer large covered hopper cars (those in excess of 5,000 cubic feet) for light density commodity service such as pelletized plastic resin or P.D.® covered hopper cars and hence do not generally compete with respect to such cars. North American currently has approximately 4,100 plastic pellet and P.D.® type railcars in its fleet.

The competition with railroad-supplied grain covered hopper cars arises in part because of railroad restrictions on the use of similar equipment supplied by shippers. Railroads in the United States are required to establish reasonable rules for the use of privately-supplied railcars under the Interstate Commerce Act and other applicable laws. In periods of railcar shortages, railroad approval of shipper-supplied cars is obtained fairly easily. However, in periods of oversupply, railroads may seek to cancel approvals, may request or require shippers to alternate loadings of privately- and railroad-supplied grain covered hopper cars in accordance with ratios established by the railroads, or decline to grant new approvals in order to keep railroad-owned cars moving in preference to private cars.

There currently exists a surplus supply of grain covered hopper cars in relation to demand. The last extended period during which a surplus of grain covered hopper cars occurred was 1975 and 1976. As a result of the present surplus, competition of privately-supplied grain covered hopper cars with railroad-supplied grain covered hopper cars is particularly intense for cars originating on most Class I railroads.

Regulation

North American is not a common carrier and is not subject to regulation or supervision by the Interstate Commerce Commission (the "ICC"). North American is subject to and affected by various industry requirements and government laws, rules and regulations concerning construction, condition and operation of its fleet of railcars. Changes in these laws, rules and regulations have required North American to make modifications to its railcars from time to time.

6 International Activities

North American's activities outside the United States include the leasing and sale of railcars, principally in Canada, Mexico and Western Europe. Information as to North American's revenues, income and identifiable assets is included in the Notes to the Consolidated Financial Statements, "Business Segment and Geographic Data" under the business segment, "Railcar Services".

Other Activities

Tiger Financial Services, Inc., a wholly owned subsidiary of North American ("Tiger Financial"), is involved in lease brokerage transactions of various types of capital equipment, primarily transportation and energy-related equipment. During 1982, such

transactions involved the placement of financing for equipment with a cost of approximately \$161 million of which a major portion consisted of sales of tax benefits of North American. During 1981 and 1980, respectively, Tiger Financial placed financing for equipment with a cost of approximately \$182 million and \$220 million.

The Bi-Modal Corporation, a subsidiary of North American, is involved in the development, production and marketing of the RoadRailer®. The RoadRailer® is an intermodal vehicle equipped to operate on both highways and railroad tracks. Commercial operations for the RoadRailer® began in 1981.

North American's Terminal Services and Chemical Divisions were sold in 1983 for approximately \$10,500,000.

Trucking

Tiger owns two trucking companies, Hall's Motor Transit Company ("Hall's") and Warren Transport, Inc. ("Warren"). Each company is separately managed and specializes in different types of motor carrier service. Hall's was acquired by Tiger in 1980 and Warren was acquired by Tiger in 1981.

Hall's is a common carrier of general commodities by motor vehicle. In 1982, Hall's received from the ICC a grant of nationwide, general commodities authority. Previously, Hall's ICC authority to operate in interstate or foreign commerce was limited to 38 states and the District of Columbia. 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.

Warren is primarily a specialized truckload hauler of heavy machinery and other commodities that require special equipment. Warren is authorized by 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 foreign commerce to and from specified points in the Province of Ontario and by the applicable state commissions to operate in intrastate commerce in six Midwestern states.

Hall's operating revenues were \$215,335,000 in 1982, \$253,351,000 in 1981 and \$197,130,000 in 1980. For these same three fiscal years, Hall's handled 778 million ton-miles in 1982, 1.2 billion ton-miles in 1981 and 1 billion ton-miles in 1980. Hall's operating ratio was 104.1% in 1982, 100.6% in 1981 and 96.9% in 1980.

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. Only two of Hall's customers accounted for more than 1% of Hall's revenues in 1982. As of Hall's 1982 fiscal year-end, Hall's owned 1,766 truck tractors, 3,924 van semitrailers and 64 trucks, substantially all of which is encumbered by debt.

Warren is the leading hauler of agricultural machinery in the United States. Warren's operating revenues were \$39,745,000 in 1982, \$51,692,000 in 1981, and \$48,106,000 in 1980. For these same three fiscal years, Warren handled 463 million ton-miles in 1982, 525 million ton-miles in 1981 and 485 million ton-miles in 1980. Warren's operating ratio was 95.5% in 1982, 92% in 1981 and 91.3% in 1980. A significant portion of Warren's business in 1980 through 1982 was performed for one customer. As of December 31, 1982, Warren owned 17 tractors (switch only) and 1,315 semitrailers. Warren leases truck tractors with drivers from owner-operators.

Regulation of the Motor Carrier Industry

Hall's and Warren are subject to the Interstate Commerce Act, under which the ICC and the Department of Transportation'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 issued by the ICC. These certificates 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 qualification and the maximum hours of service of Hall's and Warren drivers.

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

Competition

The motor carrier industry is highly competitive. Hall's and Warren compete with other motor common carriers, motor contract carriers, private carriers and railroads. The operating authorities granted to Hall's and Warren do not give them exclusive rights in any of the areas in which they do business. A substantial number of motor carriers operate within the same

areas served by Hall's and Warren's, 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 Hall's and Warren's. 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 Hall's and Warren for regulated interstate transportation are on file with the ICC. Normally, regional tariff bureaus, on behalf of their members, including Hall's and Warren, publish revisions of rates and charges subject to the approval of the ICC.

While rate increases have generally been granted to cover increased costs incurred by members of regional tariff bureaus 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

Hall's has been and continues to be able to obtain diesel fuel in the quantities, at the times, and in the locations needed, without interruption or other adverse effect upon its ability to provide freight hauling services. During 1982, the average cost of fuel was \$.95 per gallon which was a significant decrease over the \$1.03 per gallon in 1981.

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

Aviation Services

As a consequence of Tiger's decision to concentrate on its core transportation activities, management decided to discontinue TigerAir's aviation services operations effective December 31, 1982. Tiger is engaged in negotiations leading to the sale of all or portions of such operations.

TigerAir owns four fixed base operations ("FBOs") and three supply companies. The FBOs, located in Salt Lake City, Utah; White Plains, New York; Denver, Colorado; and Burbank, California, sell and charter light aircraft and sell fuel, aircraft parts, repair and light modification services to the general aviation market. The FBOs compete with other fixed base operations located at each airport.

8 The supply companies furnish aircraft parts and auxiliary fuel tank systems to the domestic and international aviation and airport authority markets, including private, commercial and government owned aircraft.

At December 31, 1982, TigerAir's fleet included four Boeing 727-200 aircraft and two DC-10 aircraft on lease, and 7 additional aircraft for sale with an aggregate net book value for all TigerAir aircraft of approximately \$57,500,000. Substantially all of TigerAir's fleet is encumbered by debt.

Other Activities**Tiger Distribution Services**

In November, 1981, Tiger Distribution Services ("TDS") was established as an operating division of Tiger to develop customized products which incorporate the capabilities of Tiger's existing businesses and to introduce innovative services in attractive transportation segments.

TDS's market opportunities have been expanding rapidly as shippers have become increasingly aware of the impact which distribution has on profit and the competitive advantages it can provide. The relaxed regulatory environment has encouraged shippers to investigate and implement more efficient distribution systems. TDS provides shippers with analytical and evaluation services with respect to their existing distribution systems and designs alternative, more cost effective systems tailored to the needs of the shipper, built upon the capabilities of existing Tiger businesses.

Tiger InterModal, Inc. ("TIM") is a wholly-owned subsidiary of TDS which provides arrangements for sea-air and sea-surface transportation services.

Because TIM holds broad regulatory authority permitting it to provide ocean, air and surface support services, it can offer shippers a wide range of customized arrangements for transportation services, including intermodal and international. In 1982, TIM had revenues of \$7,267,000.

Computer Leasing

Through its Tiger Computer division in the United States and its Tiger Leasing Division in Europe, National Equipment Rental, Ltd. ("NER") leases, arranges leases of, and provides administrative and remarketing services in connection with, a portfolio of IBM System 370 and 3000 Series computer equipment. At December 31, 1982, computers on operating and finance leases had firm rentals of \$13,528,000, or 130% of the book value of such equipment.

Tiger Employees

As of December 31, 1982, Tiger and its subsidiaries had approximately 13,200 employees.

ITEM 2. PROPERTIES.

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

Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30 acre tract leased at Los Angeles International Airport. A hangar, a general office building and a flight training center have been constructed on this property by Flying Tigers. Flying Tigers also has entered into

long-term leases on airport facilities at several of the cities it serves.

North American leases its executive offices in Chicago, Illinois and sales offices in cities throughout the United States. North American owns or leases 15 repair shops throughout the United States and Canada.

Hall's owns a 36-acre tract in Mechanicsburg, Pennsylvania where it maintains its executive and general offices, breakbulk terminal, and principal garage facility. Of the 81 terminal facilities operated by Hall's, Hall's owns 48 and leases 33. Of the 10 terminals not used by Hall's, 5 are leased to unrelated parties and 5 are vacant.

Warren leases its executive and general offices and principal garage facilities in Waterloo, Iowa. Of the

18 terminal facilities operated by Warren, Warren owns 10 and leases 8.

TigerAir leases its executive offices in Atlanta, Georgia and its subsidiaries lease office space and hangar and warehouse facilities throughout the United States. TigerAir subsidiaries also lease sales offices and warehouse facilities in foreign cities.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business, Tiger and its subsidiaries become involved as defendants in various legal proceedings. It is the opinion of Tiger management, based upon the advice of its counsel,

that the ultimate disposition of pending legal proceedings will not be material in relation to Tiger's consolidated financial position.

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

There was no matter submitted during the fourth quarter of the fiscal year ended December 31, 1982 to

a vote of security holders of Tiger, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT.

Each officer is appointed by the Board of Directors of Tiger and serves at its pleasure. Pursuant to the retirement agreement between Tiger and Mr. Hoffman, he is to serve in an executive capacity until the normal retirement age of 65.

The following table lists executive officers of Tiger at March 1, 1983.

Name	Title	Age
Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer and Director	60
Thomas F. Grojean	President and Director	44
Martin A. Lynch	Senior Vice President—Finance	45
David L. Auchterlonie	Vice President—Controller	36
Rolf Bodenbug	Vice President—Taxes	54
Robert J. Harter, Jr.	Vice President—Administration, General Counsel and Secretary	38
Denis P. Kalscheur	Vice President—Treasurer	31
Jack Reiter	Vice President—Government Relations	63

10 There is no family relationship between any of the foregoing persons.

The following is a brief account of the business experience during the past five years of the executive officers of Tiger.

Wayne M. Hoffman

Before becoming Chairman of the Board and Chief Executive Officer of Tiger in March, 1978, Mr. Hoffman had been President and Chief Executive Officer of Tiger since August, 1973.

Thomas F. Grojean

Before becoming President of Tiger in March, 1978, Mr. Grojean had been Executive Vice President of Tiger since September, 1975. In addition, Mr. Grojean has served as President of Flying Tigers since August, 1979.

Martin A. Lynch

Before becoming Senior Vice President—Finance in April, 1980, Mr. Lynch had been Vice President—Finance of Tiger since July, 1979. From April, 1976 to June, 1979, Mr. Lynch was Vice President—Treasurer of Tiger.

David L. Auchterlonie

Before becoming Vice President—Controller in September, 1980, Mr. Auchterlonie had been Senior Audit Manager of the Los Angeles office of Price Waterhouse since July, 1978. Mr. Auchterlonie had been with Price Waterhouse since September, 1968.

Rolf Bodenburg

Before becoming Vice President—Taxes in July, 1979, Mr. Bodenburg had been Assistant Treasurer—Taxes since April, 1976.

Robert J. Harter, Jr.

Before becoming Vice President—Administration, General Counsel and Secretary in April, 1982, Mr. Harter had been Vice President—Law since July, 1979, Secretary since June, 1980, and Associate General Counsel from April, 1978 to June, 1979.

Denis P. Kalscheur

Before becoming Vice President—Treasurer in March 1983, Mr. Kalscheur had been Assistant Treasurer since October, 1980. From August, 1979 to October, 1980, Mr. Kalscheur had been Director—Corporate Banking. Prior to such date, he had been a lending officer with Continental Illinois National Bank and Trust Company of Chicago since 1977.

Jack Reiter

Before becoming Vice President—Government Relations in January, 1980, Mr. Reiter had been an attorney with the Washington, D.C. law firm of Zuckert, Scutt & Rasenberger since March, 1979. Prior to that date, he had been Vice President, Government Affairs of World Airways, Inc. since 1968 and had been a director of World since 1975.

**ITEM 5. MARKET FOR THE REGISTRANT'S
COMMON STOCK AND RELATED SECURITY
HOLDER MATTERS.**

Tiger Common Stock is traded on the New York, Midwest and Pacific stock exchanges under the symbol TGR. As of March 1, 1983, there were approximately 22,600 record holders of Tiger Common Stock according to records maintained by Tiger's transfer agent. The range of the sales price of Tiger Common Stock by quarter and the cash dividends declared per common share for the two years ended December 31, 1982 are as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
1982				
High	\$14.25	\$10.39	\$9.39	\$10.25
Low	7.13	6.88	4.63	7.13
Close	7.75	7.75	7.88	8.50
Cash dividends paid per common share	—	—	—	—
1981				
High	\$23.88	\$26.63	\$23.00	\$14.00
Low	18.50	21.50	11.88	11.63
Close	23.00	23.00	13.88	13.50
Cash dividends paid per common share	.20	.225	.225	.225

On March 1, 1983, the closing sales price of Tiger's Common Stock was \$6.38 per share.

Certain bank credit agreements provide for restrictions on the payment of cash dividends. At December 31, 1982, under the most restrictive of the agreements, Tiger could not declare or pay cash dividends. The Board of Directors of Tiger did not declare any dividends in 1982.

PART II. (Continued)**12 ITEM 6. SELECTED FINANCIAL DATA.**

The following table presents selected consolidated financial data for the Company and its subsidiaries for each of the five years ended December 31, 1982 (in thousands, except per share and ratio data):

	1982	1981	1980	1979	1978
Results of operations					
Revenues from continuing operations	\$1,446,008	\$1,545,086	\$1,265,928	\$ 758,987	\$ 641,196
Income (loss) from continuing operations	\$ (98,348)	\$ (2,949)	\$ 46,864	\$ 37,039	\$ 43,886
Net income (loss)	\$ (136,223)	\$ (16,613)	\$ 42,375	\$ 43,627	\$ 50,019
Earnings (loss) per common share from continuing operations	\$ (5.81)	\$ (.18)	\$ 2.96	\$ 2.57	\$ 3.23
Earnings (loss) per common share	\$ (8.04)	\$ (.98)	\$ 2.68	\$ 3.03	\$ 3.68
Cash dividends declared per common share	\$ —	\$.675	\$.80	\$.80	\$.60
Total funds provided by operations*	\$ 105,253	\$ 337,650	\$ 301,196	\$ 225,136	\$ 225,997
Ratio of earnings to fixed charges	.10	.86	1.36	1.57	1.81

Financial position

Total assets	\$2,460,619	\$2,702,397	\$2,758,425	\$1,940,601	\$1,616,655
Long-term obligations and minority preferred stock subject to mandatory redemption	\$1,632,849	\$1,703,399	\$1,655,575	\$1,151,851	\$ 952,845
Stockholders' equity	\$ 283,166	\$ 419,389	\$ 446,279	\$ 357,846	\$ 325,301
Long-term debt to equity ratio	5.75	4.05	3.70	3.20	2.91
Book value per common share	\$ 16.72	\$ 24.76	\$ 26.45	\$ 25.12	\$ 22.86

* Includes total working capital provided by continuing and discontinued operations, collection of finance lease, long-term and other receivables, sale or retirement of property, plant and equipment and other assets. See Management Discussion and Analysis below and Consolidated Statement of Changes in Financial Position on page 25 for additional information pertaining to source and application of funds.

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 transportation and related services throughout the

world. Each of Tiger's operating companies have experienced significant growth primarily through acquisition over the past three years.

This growth has required substantial capital investment. During the past 3 years \$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, Warren and Dohrn were also acquired to complement the trucking business and two smaller acquisitions were also completed. Operating losses during 1981 and 1982, combined with funds required for the acquisitions and equipment additions, have had the effect of adversely affecting liquidity while increasing Tiger's debt to equity ratio from 3.70 to 1 in 1980 to 5.75 to 1 in 1982.

The continued worldwide recession and the precipitous decline in the United States economy has had a significant adverse effect on each of Tiger's operations. Tiger reported a net loss of \$136.2 million in 1982 compared to a net loss of \$16.6 million in 1981 and net income of \$42.4 million in 1980. Continued adverse operating results have caused management to dispose of activities not essential to Tiger's core transportation businesses while seeking additional financial resources.

In July 1982, Tiger sold its investment in Purolator, Inc. common stock, and in December 1982, Tiger decided to dispose of its aviation services segment, TigerAir. Management is currently negotiating the sale of all or portions of TigerAir and accordingly this business segment has been reported as a discontinued operation in the accompanying consolidated financial statements.

On February 14, 1983, Tiger announced that it was seeking the agreement of its bank and institutional lenders to reschedule certain debt obligations at its principal subsidiaries. In addition, the Company announced that it is deferring payments of principal and interest on certain bank and institutional debt as a cash conservation measure until the negotiations are complete. These matters are more fully described in the accompanying consolidated financial statements (in the note on page 26 related to debt rescheduling) and in the liquidity discussion that follows. The announced deferral of certain debt payments is not expected to include any of the Company's public debt obligations and does not affect trade creditors and suppliers.

Tiger has not paid dividends on its common stock since the fourth quarter of 1981.

Liquidity

Funds provided by operations, including sales of assets and collections of long-term receivables, declined to \$105 million for the year ended December 31, 1982 compared to \$338 million in the comparable 1981 period. To fund the cash requirements during this period all of the Company's formal and informal bank and credit facilities were used during 1982. Tiger also sold assets and arranged debt financings to generate cash.

In July 1982, Tiger received \$31.7 million in cash on the sale of its investment in Purolator. Also in September 1982, a \$50 million long-term secured financing for North American Car Corporation was completed. During December 1982, Flying Tigers agreed to sell four re-engined DC-8's for net cash proceeds of \$30 million. Cost saving measures have also been implemented to reduce costs and conserve cash at each of Tiger's operations.

At December 31, 1982 the Company had total debt outstanding, including capital lease obligations, of approximately \$1.8 billion with an average scheduled term of approximately seven years; approximately \$195 million of this debt is scheduled for payment during 1983. Tiger has deferred certain principal and interest payments and is seeking an agreement with its banks and institutional lenders to reschedule certain of the debt of its principal subsidiaries. Discussions are underway with regard to Flying Tigers North American Car Corporation and TigerAir. The 1983 principal and interest debt service for the debt instruments subject to the rescheduling proposals is approximately \$228 million. Several rescheduling proposals have been presented since announcement of the deferral and at this time discussions are continuing.

Although a substantial portion of the assets of the Company are pledged as collateral for secured debt, certain receivables, inventories, and tangible fixed assets are available as additional collateral for a limited amount of financing from lending institutions.

Management is of the view that additional funds can be generated to meet anticipated cash requirements during 1983 from a combination of continued asset sales, improved operating performance, debt rescheduling and additional secured financings.

Capital Resources

Capital expenditures of \$139 million in 1982 reflect a planned reduction compared to 1981 expenditures of \$186 million and 1980 expenditures of \$549 million. Capital expenditures for 1983 are expected to be further curtailed until operating performance improves. At December 31, 1982 purchase commitments amounted to \$188 million (as described in the note on page 34); these commitments, to be incurred in 1983 and 1984, relate almost entirely to re-engining requirements for Flying Tigers' DC-8 aircraft.

Results of Operations—Overview**Continuing Operations**

Revenues from continuing operations declined from \$1.5 billion in 1981 to \$1.4 billion in 1982, approximately a 6% decline. Revenues increased approximately 22% in 1981 over 1980.

The net loss from continuing operations of approximately \$98 million in 1982 compares unfavorably with the net loss in 1981 of \$3 million. The 1982 results include a pretax asset writedown of approximately \$14 million of which \$2.5 million relates to the trucking operations and \$11.5 million relates to the leasing and related services, while in 1981 pretax writedown of assets amounted to \$14.2 million relating primarily to leasing related assets. Also included in the 1982 results is \$19.8 million of foreign exchange translation gains, while 1981 had foreign exchange translation gains of approximately \$3.2 million. 1981 results were favorably affected by the sale of the Company's interest in three B-747's for a pretax gain of approximately \$35 million, while in 1982 \$5 million of pretax gain was recorded on the sale of three re-engined DC-8's. Also favorably impacting both 1982 and 1981 results were the sale of tax benefits for a pretax gain in 1981 of \$18.7 million and a pretax gain of \$13.5 million in 1982. 1980 results included no pretax gain on the sale of tax benefits. 1981 results were also improved by the sale of the Mortgage Insurance Group for a pretax gain of approximately \$6 million. 1980 net income from continuing operations of approximately \$47 million was aided by the sale of Tiger's interest in a real estate partnership, accounting for approximately \$15 million of pretax gain.

Air Cargo

1982 Flying Tigers' revenues of \$925 million remained substantially unchanged compared to 1981 revenues. 1981 revenues increased 30% from 1980 revenues. 1981 results include a full year's revenue from Seaboard whereas 1980 results reflect revenues from the date of acquisition in October 1980. Flying Tigers sustained a pretax loss of \$73 million in 1982, compared to a pretax loss of \$23 million in 1981 and \$10 million of pretax losses in 1980. Included in 1982 results is the pretax gain of \$5 million on the sale of three DC-8-73's and related equipment to UPS. Included in the 1981 results is the pretax gain of \$35 million on the sale of three B-747-100's.

Included in the 1982 results of operations is 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 the markets are generated in foreign currencies. The decline in yields approximately offset the translation gain.

On December 29, 1982, Flying Tigers announced the sale of four DC-8-73 freighters and related equipment to UPS for approximately \$77 million. Three of these aircraft were sold during 1982 and one was sold during early 1983. The sale included spare engines and parts and the re-engining of the aircraft. The transaction generated \$30 million in cash net of payments to re-engining manufacturers. The sale is in accordance with Flying Tigers' plan to resize its aircraft fleet.

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 1982, with revenues increasing by 9% due primarily to higher volumes. Increased competition in the Transpacific market has resulted in a slight decrease in average yields. The Transatlantic route system was adversely affected during most of 1982 by highly competitive contract rates and excess capacity, which made implementation of rate increases difficult. Flying Tigers increased frequencies on the Transatlantic routes resulting in a 32% increase in Transatlantic revenues. The Domestic route system experienced

intense competition during 1982 as revenues declined 16% over 1981 levels while volumes declined 42%. The Domestic route system has been unfavorably affected by competition from freight forwarders arranging for their own aircraft. Additionally, the weak United States economy has negatively impacted Flying Tigers' Domestic traffic, resulting in lower yields and volumes. These factors are expected to continue during 1983. In early 1982, Flying Tigers introduced door-to-door service with guaranteed delivery time directly to retail customers. The volumes, measured by revenue pounds received, have increased from 1.5 million pounds in the first quarter of 1982, to 17.5 million pounds in the fourth quarter of 1982.

MAC revenues have increased during the past three years, increasing 3% in 1982 over 1981 levels and 30% in 1981 over 1980 levels. The reduced rate of growth in MAC revenues is a result of stabilization in the size of the dedicated fleet due to the sale of three B-747's in 1981. MAC allocates business based upon the size of the dedicated fleet. Contract awards in 1983 are expected to decline as a result of the reduced size of the fleet due to the sale of DC-8-73's at the end of 1982 and early 1983.

Commercial charters revenues were \$93 million in 1982, a decline of 6% over 1981, while 1981 revenues increased 23% over 1980 levels. In December 1982 Flying Tigers and Pan American World Airways agreed to exchange four Pan American B-747-100 freighters for three Flying Tiger B-747-200 passenger aircraft associated with the Metro program. The exchange of aircraft took place in early 1983. The swap enables Flying Tigers to concentrate resources in the cargo business. Flying Tigers will increase both frequency and capacity to Europe, and capacity on scheduled routes to South America while providing service to the Middle East and Australia.

1982 costs and expenses increased 5% over 1981. The increase is attributable, in part, to the increased flying on Transatlantic and Transpacific routes in order to increase market share. Sales, advertising and publicity expenses increased 59% over 1981, primarily as a result of introducing and promoting the new door-to-door guaranteed delivery service and scheduled passenger operations. Ground operations expenses increased 14% in 1982 as a result of the expansion of operations to an increased number of cities serviced directly by Flying Tigers under the

door-to-door program. Interest expense increased 17% primarily as a result of certain aircraft financing agreements made during the fourth quarter of 1981 and borrowing of additional funds during the first quarter of 1982. Fuel prices decreased 4% during 1982 to an average price per gallon of \$1.09. In 1981, the average price per gallon was \$1.13.

Railcar Services

North American Car is an international lessor of railcars, conducting business in the United States, Canada, Mexico, France and England, with an owned and managed fleet of approximately 63,000 railcars. North American Car also conducts ancillary businesses to its leasing operations, such as car repair services, remarketing services and Seek Systems, which is a tracking service for railcars. Additionally, North American Car has a car manufacturing division which produces specialized covered hoppers and is involved in development of a prototype railcar (RoadRailer®) which is capable of running on railroads or being moved on highways by truck.

North American Car revenues were \$254 million in 1982, a decrease of approximately 17% from \$308 million in 1981. Revenues in 1981 compared to 1980 were essentially flat. Revenues from leasing and car sales activities have declined significantly during 1982 as a result of lower fleet utilization and the continuing soft railcar market. Fleet utilization has declined from approximately 95% at the end of 1981 to approximately 81% at the end of 1982. Car sales have also been adversely affected as a result of the current excess supply of railcars as well as high interest rates during most of 1982. Also contributing to the revenue decline during 1982 were lower car repair revenues as car repair volumes have declined due to the excess supply of railcars. Revenues from international operations have also declined, primarily as a result of the Mexican operations suffering from the current economic plight of Mexico.

Pretax income has significantly declined during 1982 from \$69.7 million in 1981 to \$1.7 million in 1982. The decline in profitability is attributable to the lower fleet productivity noted above, increased interest costs as a result of higher borrowings due to purchases of railcars made in 1981 and 1982 and higher working capital needs. During 1981, North

American Car realized pretax income of approximately \$17.7 million from sales of tax benefits, while in 1982 \$13.5 million was realized on tax benefit sales. The decrease in the sale of tax benefits is largely the result of new tax legislation passed during 1982, which significantly decreased the market for the sale of tax benefits. 1980 pretax income for North American Car was \$10 million higher than that of 1981, largely a result of higher fleet utilization and a stronger railcar market during 1980.

Trucking

Combined trucking operations for 1982 reported a pretax loss of \$11.7 million on revenues of \$260 million, which compares unfavorably to 1981 when the pretax loss from operations was \$3 million on revenues of \$286 million. Tiger owns two trucking companies: Hall's Motor Transit and Warren Transport. Hall's was acquired in January 1980, and was further expanded by the acquisition of Dohrn Transfer Company in January 1981. Hall's is a general commodities carrier, primarily operating in the Central, Mid-Atlantic and Northeastern portion of the United States, providing less than truckload (LTL) and truckload services to those areas of the United States. Hall's revenues declined approximately 15% in 1982 from \$256 million in 1981 to \$218 in 1982. The economic recession has severely impacted Hall's revenue base throughout 1982 as volumes have been significantly below those of 1981. Also adversely impacting Hall's revenues is the impact of deregulation, as competition has significantly increased during 1982 with competitive bidding and rate discounting.

The deterioration of revenue has also led to a deterioration of Hall's operating ratio, as the operating ratio has risen from 100% in 1981 to 103.5% in 1982. Hall's has taken significant steps to lower the operating ratio in 1982 through controlling wages, benefits and operating costs and has realized significant improvement. The operating ratio has declined from a high of 116% in the beginning of 1982 to under 100% near the end of 1982, it is expected that this trend will continue into 1983.

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, packing materials and textiles. Warren was acquired on June 1, 1981 and reported revenues of \$30.4 million and pretax income of \$3.7 million during the last seven months of 1981. During the full year of 1982, Warren reported revenues of \$41.5 million and pretax income of \$3.5 million. This reflects a slight decrease in revenues and profitability for Warren on a full year-to-year comparison. The decline is primarily a result of the severe economic problems of the farming and construction industries during 1982, as Warren is dependent upon those industries for a majority of its revenue. Warren has been able to maintain profitability as a result of controlling its variable expenses in relationship to its lower revenues during 1982.

Discontinued Operations

Aviation Services—Discontinued

Effective December 31, 1982 Tiger announced its plan for the sale and disposition of its Aviation Services segment, TigerAir, which includes four fixed base operations (primarily fueling, light maintenance and storing services), spare parts sales activities and commercial and corporate aircraft sales and leasing activities. Tiger has concluded that the disposition of TigerAir will enable Tiger to concentrate its activities on its core transportation businesses. For the year 1982, TigerAir reported \$112 million in revenues and \$21 million in pretax losses, which included a write-down of certain aircraft for \$11 million. In addition, Tiger established a \$20 million reserve to cover anticipated costs and losses from the operations during the phaseout and ultimate disposition of the aviation services business.

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. This information is presented on pages 39 to 42.

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

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CONSOLIDATED FINANCIAL STATEMENTS

Tiger International, Inc. and Subsidiaries

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

19

Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. and its subsidiaries (the Company) except for the Company's former insurance subsidiary which was accounted for by the equity method during 1980 (see note on acquisitions and dispositions). All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to conform prior period information with the 1982 presentation.

Effective December 31, 1982 the Aviation Services segment has been accounted for as discontinued operations in the accompanying financial statements. Accordingly, the results of operations of the Aviation Services segment have been segregated in the consolidated statement of operations for all years presented. At December 31, 1982, the net assets of discontinued operations, except for debt guaranteed by other Tiger subsidiaries, are also segregated on the 1982 Consolidated Balance Sheet. The Aviation Services segment has been consolidated for purposes of presenting 1981 balance sheet information.

Leases

In addition to its air cargo and trucking operations, the Company is engaged in the business of leasing railcars, computers and other equipment. Most of the Company's leases are classified as operating leases. Rentals from these leases are reported as revenue over the life of the lease and expenses are charged against such revenues as incurred. Future rentals under existing operating leases are not recorded as assets.

Some leases are classified as direct financing leases. Aggregate rentals and estimated residual values from these leases, net of the related unearned income, are recorded as an asset. Revenue is recognized over the lease term to reflect an approximate constant rate of return on the net investment in these leases.

In addition to operating leases and direct financing leases, the Company also records income related to certain leases (other than computer leases) in which it acts as a lease broker. Such income is based on the Company's share of the estimated residual value of the equipment under lease. During the lease term, the residual value recorded at its present value is accreted so that the estimated residual value at the end of the lease term reflects the estimated realizable proceeds to be received from the transaction.

Translation of Foreign Currencies

Foreign currency accounts are translated in accordance with Statement of Financial Accounting Standards No. 8. Under this method, balance sheet accounts are translated at exchange rates in effect at the end of the period for monetary items (cash, receivables, payables, debt, etc.) and at the rate in effect at the time of acquisition for non-monetary items (inventories, property and equipment, investments, equity accounts). Income and expense accounts are translated at the average rate prevailing during the period except for cost of sales, depreciation and amortization which are translated at the exchange rate in effect when the related non-monetary assets were acquired. Exchange gains and losses from both realized transactions and unrealized translations are included in current period results of operations.

In December 1981, the Financial Accounting Standards Board issued a revised Statement on Translation of Foreign Currencies, which the Company is required to adopt on January 1, 1983. The business segment and geographic data note describes the principal changes of this new standard.

Inventories

Inventories consist of maintenance and assembly parts for aircraft, trucks and leased equipment and are carried at the lower of cost or market. Cost is determined by the average-cost method for air cargo operations and the first-in, first-out method for leasing operations.

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.

The Company 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.

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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: railcars—25 to 30 years; aircraft—5 to 20 years (15% maximum salvage value); trucks—5 to 8 years; other—2 to 40 years (average 15 years). Accelerated depreciation methods are utilized for certain computers.

Intangibles

Intangibles consist of cost in excess of fair value of net assets of acquired businesses. Those acquired prior to November 1, 1970 (\$15,867,000) are considered to have an unlimited life and are not being amortized. All others acquired since that date are amortized on a straight-line basis over their estimated useful lives of 20 to 40 years. No cost was assigned to intangible motor carrier operating rights of trucking businesses acquired.

Current Portion of Long-Term Obligations

The current portion of long-term obligations excludes the current portion of long-term debt and capital lease obligations related to leasing operations to the extent that such amounts will be paid from the net rentals to be received during the next year from finance leases and long-term operating leases.

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 arising from the acquisition of equipment for lease under finance leases are accounted for under the deferral method. Under this method the credits are amortized over the initial terms of the related lease in decreasing amounts in relation to the declining balance of the unrecovered investments.

Investment tax credits which have been utilized to reduce income tax provisions, but which the Company 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.

During 1981 and 1982, the Company entered into agreements permitted under the Economic Recovery Tax Act of 1981 to sell tax benefits through tax leases. Under terms of the agreements, the Company transferred investment tax credits and depreciation tax benefits of asset ownership for certain assets placed in service during the year. Aggregate cash proceeds received from these transactions are recognized as income.

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, 1982, 1981 and 1980.

CONSOLIDATED STATEMENT OF OPERATIONS

Tiger International, Inc. and Subsidiaries

	For the Years Ended December 31		
	1982	1981	1980
	(In thousands, except per share data)		
Revenues			
Operating revenues	\$1,429,709	\$1,496,130	\$1,233,296
Other	16,299	48,956	32,632
	1,446,008	1,545,086	1,265,928
Costs and Expenses			
Costs of operations	1,095,729	1,091,018	844,929
Selling, general and administrative	173,179	151,229	114,224
Depreciation and amortization	150,621	141,477	110,903
Interest	189,428	171,905	134,051
Interest capitalized	(5,501)	(4,494)	(5,043)
	1,603,456	1,551,135	1,199,064
Income (Loss) From Continuing Operations Before Income Taxes	(157,448)	(6,049)	66,864
Income tax provision (benefit)	(59,100)	(3,100)	20,000
Net Income (Loss) From Continuing Operations	(98,348)	(2,949)	46,864
Discontinued operations			
Loss from operations of discontinued businesses (less applicable tax benefits of \$3,100, \$10,600 and \$3,500)	(17,875)	(13,664)	(4,489)
Loss on disposal of discontinued operations, including provision of \$8,400 for operating losses during phase-out period (with no income tax benefit)	(20,000)	—	—
	(37,875)	(13,664)	(4,489)
Net Income (Loss)	\$ (136,223)	\$ (16,613)	\$ 42,375
Earnings (loss) per share			
—Continuing operations	\$ (5.81)	\$ (.18)	\$ 2.96
—Discontinued operations	(2.23)	(.80)	(.28)
Earnings (Loss) Per Share	\$ (8.04)	\$ (.98)	\$ 2.68
Shares used in computation of earnings (loss) per share	16,936	17,000	15,810

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

CONSOLIDATED BALANCE SHEET

Tiger International, Inc. and Subsidiaries

22	Assets	December 31	
		1982	1981
		(In thousands)	
	Current Assets		
	Cash and short-term investments	\$ 64,904	\$ 46,968
	Receivables, net	176,932	253,490
	Inventories	70,875	125,288
	Prepaid expenses and other	44,488	25,577
	Total Current Assets	357,199	451,323
	Investment in Finance Leases	76,278	119,839
	Property, Plant and Equipment		
	Equipment used in operations	2,261,253	2,350,643
	Buildings and leasehold improvements	143,837	142,245
	Shop and terminal facilities and other	116,627	107,766
	Construction in process	41,704	38,499
		2,563,421	2,639,153
	Less accumulated depreciation and amortization	798,761	736,881
		1,764,660	1,902,272
	Other Assets		
	Investments, other receivables and deposits	88,117	134,207
	Net assets, exclusive of certain obligations, of discontinued operations	90,545	—
	Cost in excess of fair value of acquired businesses, net	83,820	94,756
		262,482	228,963
	Total Assets	\$2,460,619	\$2,702,397

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

Liabilities and Stockholders' Equity	December 31	
	1982	1981
	(In thousands)	
Current Liabilities		
Short-term borrowings	\$ 20,000	\$ 5,757
Current portion of long-term obligations	116,834	77,835
Accounts payable and accrued liabilities	261,207	290,332
Total Current Liabilities	398,041	373,924
Long-term Obligations		
Notes payable and equipment obligations	1,151,358	1,193,600
Subordinated debt	76,061	78,858
Capital lease obligations	399,843	425,125
	1,627,262	1,697,583
Deferred Credits		
Deferred income taxes and tax credits	71,326	137,145
Other	75,237	68,540
	146,563	205,685
Commitments		
Minority Preferred Stock Subject to Mandatory Redemption	5,587	5,816
Stockholders' Equity		
Common stock, \$1 par value		
Authorized—35,000,000 shares; outstanding— 17,034,658 and 17,001,398 shares	17,035	17,001
Additional paid-in capital	219,257	219,052
Retained earnings	48,557	184,780
	284,849	420,833
Less treasury stock, at cost (98,624 and 65,364 shares)	1,683	1,444
Total Stockholders' Equity	283,166	419,389
Total Liabilities and Stockholders' Equity	\$2,460,619	\$2,702,397

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Tiger International, Inc. and Subsidiaries

For the three years ended December 31, 1982	\$1 Par Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
24 (In thousands)					
Balance at December 31, 1979	\$14,267	\$160,767	\$183,160	\$ (348)	\$357,846
Net income	—	—	42,375	—	42,375
Shares issued in connection with acquisitions	2,501	53,547	—	—	56,048
Issuance of shares pursuant to the Executive Incentive Plan	35	706	—	—	741
Issuance of shares pursuant to the Qualified Employees Stock Purchase Plan	86	1,885	—	—	1,971
Unrealized appreciation of equity investments by insurance subsidiary	—	—	471	—	471
Cash dividends declared on common stock (\$.80 per share)	—	—	(13,173)	—	(13,173)
Balance at December 31, 1980	16,889	216,905	212,833	(348)	446,279
Net loss	—	—	(16,613)	—	(16,613)
Shares issued in connection with acquisitions	67	1,318	—	—	1,385
Issuance of shares pursuant to the Executive Incentive Plan	45	829	—	—	874
Treasury stock purchase of 46,764 shares	—	—	—	(1,096)	(1,096)
Cash dividends declared on common stock (\$.675 per share)	—	—	(11,440)	—	(11,440)
Balance at December 31, 1981	17,001	219,052	184,780	(1,444)	419,389
Net loss	—	—	(136,223)	—	(136,223)
Issuance of shares upon conversion of debentures	34	205	—	—	239
Treasury stock acquired in connection with conversion of debentures by an affiliate	—	—	—	(239)	(239)
Balance at December 31, 1982	\$17,035	\$219,257	\$ 48,557	\$(1,683)	\$283,166

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Tiger International, Inc. and Subsidiaries

For the Years Ended December 31

(In thousands)

1982

1981

1980

25

Source of Funds

Continuing operations			
Income (loss) from continuing operations	\$ (98,348)	\$ (2,949)	\$ 46,864
Items not involving working capital—			
Depreciation and amortization	150,621	141,477	110,903
Deferred income tax provision (benefit)	(59,301)	(2,283)	17,709
Translation gain on yen denominated debt	(18,391)	—	—
Gain on sale of insurance subsidiary	—	(5,850)	—
Gain on sale of equipment used in operations	(5,634)	(36,963)	(702)
Unearned income on finance leases	(19,027)	(23,512)	(14,637)
Overhaul reserves, net	(10,376)	8,936	(5,939)
Other	6,161	2,316	11,906
Working capital provided (used) by continuing operations	(54,295)	81,172	166,104
Discontinued operations			
Loss from discontinued operations	(37,875)	(13,664)	(4,489)
Items not involving working capital—			
Depreciation and amortization	7,179	14,111	7,429
Other	17,427	(2,687)	1,860
Working capital provided (used) by discontinued operations	(13,269)	(2,240)	4,800
Total working capital provided (used) by operations	(67,564)	78,932	170,904
Collection of finance lease and long-term receivables	52,186	36,300	59,960
Retirement of property, plant and equipment	33,391	70,447	70,332
Proceeds from sale of investment	31,740	—	—
Proceeds from sale of insurance subsidiary	—	82,271	—
Proceeds from sale of aircraft	55,500	69,700	—
	105,253	337,650	301,196
Proceeds from debt financing, net of prepayments	109,809	193,438	410,095
Issuance of common stock	—	2,259	58,760
Working capital acquired business	—	6,547	(31,681)
Total Source of Funds	215,062	539,894	738,370

Application of Funds

Acquisition of businesses	—	40,416	154,000
Additions to finance lease and long-term receivables	16,345	51,432	15,925
Additions to property, plant and equipment, net of new railcar sales	139,066	186,404	549,508
Payment on maturities of long-term obligations	158,291	150,332	97,077
Cash dividends on common stock	—	11,440	13,173
Other	19,601	29,522	(39,140)
Total Application of Funds	333,303	469,546	790,543

Increase (Decrease) in Working Capital	\$(118,241)	\$ 70,348	\$(52,173)
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Changes in Components of Working Capital

Cash and short term investments	\$ 17,936	\$ 4,935	\$ 845
Receivables, net	(76,558)	7,101	89,085
Inventories	(54,413)	19,675	30,647
Prepaid expenses and other	18,911	7,905	8,825

Increase (Decrease) in Current Assets	(94,124)	39,616	129,402
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Short-term borrowings (less portion reclassified to long-term in 1981—\$124,000)	14,243	(47,808)	14,228
Current portion of long-term obligations	38,999	26,588	33,570
Accounts payable and accrued liabilities	(29,125)	(9,512)	133,777

Increase (Decrease) in Current Liabilities	24,117	(30,732)	181,575
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Increase (Decrease) in Working Capital	\$(118,241)	\$ 70,348	\$(52,173)
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See accompanying summary of significant accounting policies and notes to consolidated financial statements.

DEBT RESCHEDULING

On February 14, 1983 Tiger announced that it is seeking the agreement of its bank and institutional lenders to reschedule certain debt obligations maturing between 1983 and 1986 at its principal subsidiaries. In addition, the Company announced that it is deferring payments on certain bank and institutional debt as a cash conservation measure. The announced deferral of certain debt payments is not expected to include the Company's public debt obligations and does not affect trade creditors or suppliers. Negotiations are currently under way with lender committees for The Flying Tiger Line Inc., North American Car Corporation, and TigerAir, Inc.

The outstanding balances of debt subject to the rescheduling proposals is approximately \$1 billion at December 31, 1982. The 1983 cash requirements for these debt instruments are as follows (in thousands):

Operating Company	Debt Service		
	Principal	Interest	Total
Flying Tiger Line	\$ 39,900	\$ 48,600	\$ 88,500
North American Car	48,300	46,700	95,000
TigerAir	16,100	8,300	24,400
Others	15,800	4,000	19,800
Total	\$120,100	\$107,600	\$227,700

The agreements under which Tiger has not made payments under this temporary measure contain provisions which allow the lenders, at their option, to

accelerate the scheduled maturities on the underlying debt. Tiger has not obtained waivers of these defaults and, as a result, is currently in default under the agreements subject to the temporary deferral. In addition, several of the other agreements contain cross default provisions which could cause public debt of the Company to be in technical default as well. Such provisions could permit public debt holders to demand acceleration of scheduled maturities. The December 31, 1982, consolidated balance sheet has not been retroactively restated to reflect the outstanding balances of debt in default as current liabilities.

Tiger is continuing to negotiate with the individual operating company lenders through lender committees and has made and received a number of proposals from each of the groups. These proposals include provisions to obtain additional secured financing as well as rescheduling obligations with the individual lenders involved.

The length of the deferral is dependent upon the negotiation process and subject to an acceptable financial plan with the private lenders and institutions to restructure the debt and lease obligations. The level of debt service requirements cannot be determined until the negotiations are complete.

DISCONTINUED OPERATIONS

Effective December 31, 1982, management decided to discontinue the operations of the Aviation Services segment. Portions of the business are being offered for sale with the remaining operations being phased out.

The results of operations for Aviation Services are included in the consolidated statement of operations under the caption "Loss from operations of discontinued businesses". Summarized operations of this segment are as follows (in thousands):

	For the Years Ended December 31,		
	1982	1981	1980
Operating revenues	\$109,420	\$128,264	\$106,949
Intercompany income	2,339	20,212	11,551
Costs and expenses	111,759	148,476	118,500
Loss before income taxes	(20,975)	(24,264)	(7,989)
Income tax benefit	(3,100)	(10,600)	(3,500)
Net loss	\$ (17,875)	\$ (13,664)	\$ (4,489)

The consolidated statement of operations for the year ended December 31, 1982 includes a provision for estimated loss on disposal of discontinued operations and consists of the following (in thousands):

Loss on disposal of assets	\$11,600
Operating losses during the phase-out period	8,400
Net provision for loss on disposal of discontinued operations	\$20,000

The reserve for discontinued operations is included in other deferred credits in the Consolidated Balance Sheet.

Aviation Services assets, net of certain obligations, are included in the caption "Net assets, exclusive of certain obligations, of discontinued operations" in the Consolidated Balance Sheet at December 31, 1982.

The net assets, after consideration of the reserve for discontinued operations, are stated at estimated realizable values and consist of the following (in thousands):

Current Assets	\$ 54,121
Non-current Assets	80,318
	134,439
Current Liabilities	24,179
Long-term obligations and other	19,715
Net assets of discontinued operations	\$ 90,545

Obligations of approximately \$97.4 million have been excluded from the net assets of discontinued operations and are included in consolidated long-term obligations (see notes on Long-Term Debt and Commitments). Such amounts will continue to be obligations of the Company, however, a significant portion of these obligations are expected to be serviced by the cash proceeds to be received from the sale and leasing of the remaining assets.

At December 31, 1982, non-current assets include equipment held for lease with a net book value of approximately \$45.1 million and a net investment in a finance lease of approximately \$17.2 million. At December 31, 1982, minimum future lease receivables from non-cancellable operating leases and finance leases are as follows (in thousands):

Year	Operating Leases	Finance Lease
1983	\$ 8,223	\$ 2,769
1984	8,205	2,769
1985	3,413	2,769
1986	—	2,769
1987	—	2,769
Later years	—	4,152
Total minimum future leases receivables	\$19,841	\$17,997

28 ACQUISITIONS AND DISPOSITIONS**Acquisitions**

During 1980 the Company acquired Hall's Motor Transit Company, Seaboard World Airlines, Inc. and two other businesses for approximately \$154,000,000.

During 1981 the Company completed its acquisition of two trucking companies (Warren Transport and Dohrn Transfer), and two other businesses for cash and common stock aggregating approximately \$40,416,000.

These acquisitions have been accounted for as purchases and their results of operations have been included in the accompanying consolidated financial statements from date of acquisitions. The effect of the acquisitions made in 1981 are not material to consolidated results of operations or financial position.

Dispositions

Effective December 31, 1980, the Company disposed of its investment in a real estate partnership interest. The pretax gain of approximately \$15,000,000 has been included in other revenues in the accompanying consolidated statement of operations for the year ended December 31, 1980.

In December 1980, the Company reached an agreement to sell the capital stock of its private mortgage insurance operations for \$82,271,000 in cash. The sale was consummated in February 1981 resulting in a pretax gain of \$5,850,000 which is included in other revenues in the accompanying consolidated statement of operations. Prior to the

sale, the insurance operations were reported under the equity method of accounting. Accordingly, the 1980 pretax income of \$14,072,000 is included in other revenues in the consolidated statement of operations.

During the first six months of 1981, the Company's air cargo subsidiary sold its interest in three Boeing 747-100 freighter aircraft and related equipment for proceeds aggregating approximately \$69,700,000; in addition, the buyer assumed a capital lease obligation of approximately \$18,175,000. The pretax gain of \$35,382,000 is included in other revenues in the accompanying consolidated statement of operations.

During 1981 the Company realized approximately \$18,700,000 in pretax income from the sale of tax and depreciation benefits.

In the second quarter of 1982, the Company sold its investment in Purolator, Inc. common stock for a sales price of \$31,740,000. The pretax gain of \$2,327,000 is included in other revenues for the year ended December 31, 1982.

During 1982 the Company realized approximately \$13,500,000 in pretax income from the sale of tax and depreciation benefits.

In December 1982, the Company's air cargo subsidiary sold three DC-8-73 freighter aircraft and related equipment for proceeds aggregating \$55,500,000, resulting in a pretax gain of \$4,792,000. During the first quarter 1983, a fourth DC-8-73 freighter and related equipment was sold for additional proceeds of \$21,600,000. The net proceeds from the four aircraft were \$30,000,000 after prepayments to re-engining manufacturers.

BUSINESS SEGMENT AND GEOGRAPHIC DATA

The Company is engaged primarily in three businesses: air cargo, railcar services and trucking. Effective December 31, 1982, management decided to discontinue the operations of the aviation services

business. The Company operates in the United States and Canada with some operations also located in Europe, the Far East, Mexico and South America. Revenues and transfers between industry and geographic areas are not significant.

Segment Data (In thousands)	Revenues	Operating Results, Before Interest Expense	Interest Expense, Net	Pretax Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
1982							
Air Cargo	\$ 924,933	\$ (1,519)	\$ 71,070	\$ (72,589)	\$1,043,630	\$ 58,325	\$ 74,036
Railcar Services	254,535	87,719	86,030	1,689	1,068,211	70,685	40,628
Trucking	259,615	(6,058)	5,638	(11,696)	136,713	2,944	14,534
Other	6,925	(53,663)	21,189	(74,852)	121,520	4,801	21,423
Continuing Operations	1,446,008	26,479	183,927	(157,448)	2,370,074	136,755	150,621
Discontinued Operations	109,420	(25,503)	15,472	(40,975)	90,545	2,311	7,179
	\$1,555,428	\$ 976	\$199,399	\$(198,423)	\$2,460,619	\$139,066	\$157,800
1981							
Air Cargo	\$ 924,702	\$ 37,340	\$ 60,223	\$ (22,883)	\$1,123,703	\$ 51,046	\$ 65,917
Railcar Services	308,385	148,171	78,459	69,712	1,099,425	92,147	39,547
Trucking	286,567	3,251	6,151	(2,900)	152,503	11,791	13,666
Other	25,432	(27,400)	22,578	(49,978)	170,791	8,197	22,347
Continuing Operations	1,545,086	161,362	167,411	(6,049)	2,546,422	163,181	141,477
Discontinued Operations	128,264	2,680	26,944	(24,264)	155,975	23,223	14,111
	\$1,673,350	\$164,042	\$194,355	\$(30,313)	\$2,702,397	\$186,404	\$155,588
1980							
Air Cargo	\$ 713,123	\$ 23,137	\$ 32,742	\$ (9,605)	\$1,073,683	\$276,515	\$ 45,304
Railcar Services	308,657	150,517	70,818	79,699	1,046,963	99,591	37,163
Trucking	187,049	8,861	3,179	5,682	87,570	5,509	7,930
Other	57,099	13,357	22,269	(8,912)	282,572	41,622	20,506
Continuing Operations	1,265,928	195,872	129,008	66,864	2,490,788	423,237	110,903
Discontinued Operations	106,949	3,932	11,921	(7,989)	267,637	126,271	7,429
	\$1,372,877	\$199,804	\$140,929	\$ 58,875	\$2,758,425	\$549,508	\$118,332

Other includes parent company and corporate intercompany elimination items, the Company's computer and other leasing activities and the

investment in unconsolidated insurance operations for 1980.

30 BUSINESS SEGMENT AND GEOGRAPHIC DATA (Continued)

Geographic Data (In thousands)	Revenues	Pretax Income (Loss)	Identifiable Assets
1982			
United States	\$1,366,445	\$(161,554)	\$2,096,310
Canada	47,320	10,240	178,444
Other Foreign	32,243	(6,134)	95,320
	\$1,446,008	\$(157,448)	\$2,370,074
1981			
United States	\$1,444,255	\$ (30,555)	\$2,218,459
Canada	50,938	17,927	218,724
Other Foreign	49,893	6,579	109,239
	\$1,545,086	\$ (6,049)	\$2,546,422
1980			
United States	\$1,174,839	\$ 47,378	\$2,204,549
Canada	43,892	14,826	167,254
Other Foreign	47,197	4,660	118,985
	\$1,265,928	\$ 66,864	\$2,490,788

The accounts of foreign subsidiaries and other accounts denominated in foreign currencies are translated into United States dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 8. Translation gains were \$19,763,000 in 1982, \$3,180,000 in 1981 and \$2,312,000 in 1980.

In December 1981, the Financial Accounting Standards Board issued SFAS No. 52 "Foreign Currency Translation". This Statement, which must be adopted effective January 1, 1983, replaces SFAS No. 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." The principal change under this new accounting method is to translate balance sheet

accounts of certain foreign entities at current exchange rates rather than a combination of current and historical exchange rates as is the method under SFAS No. 8. In addition, the translation adjustments after the application of the new rules are to be recorded as an adjustment to stockholders' equity rather than an adjustment to current period income.

Provision for federal income taxes has not been made on undistributed earnings relating to the Company's foreign subsidiaries aggregating \$60,038,000 at December 31, 1982, because these earnings are considered indefinitely reinvested in these operations and not available for dividend payments.

THE COMPANY AS LESSOR

The leasing operations consist principally of the leasing of railcars. Substantially all of the equipment is leased to third parties under operating leases. In addition, the Company has entered into certain lease arrangements which are accounted for as finance leases.

Operating Leases

Equipment used in operations (classified as property, plant and equipment) includes equipment held for lease as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
December 31, 1982			
Railcars	\$1,114,933	\$311,768	\$803,165
Computers	83,432	77,576	5,856
Other	12,307	2,266	10,041
	\$1,210,672	\$391,610	\$819,062
December 31, 1981			
Railcars	\$1,067,474	\$281,297	\$786,177
Aircraft	73,008	16,934	56,074
Computers	115,158	89,850	25,308
Other	13,007	1,974	11,033
	\$1,268,647	\$390,055	\$878,592

In 1982 and 1981, the Company recognized pretax write-downs of approximately \$11,500,000 and \$14,200,000 related to the carrying value of computer and other equipment as a result of evaluating changes in market and rental conditions.

Finance Leases

The components of the net investment in finance and other leases at December 31 are as follows (in thousands):

	1982	1981
Lease payments receivable (includes \$18,103 in 1982 and \$35,525 in 1981 due within one year)	\$123,837	\$186,365
Estimated unguaranteed residual value of leased equipment	12,544	17,107
Less—estimated executory costs	(8,900)	(8,993)
unearned income	(53,640)	(75,155)
allowance for uncollectible amounts	(1,114)	(3,072)
Net investment in finance leases	72,727	116,252
Other leases	3,551	3,587
Net investment in finance and other leases	\$ 76,278	\$119,839

The Company periodically evaluates the estimated unguaranteed residual value of leased equipment and adjusts the balance to reflect adverse changes in rental and economic conditions.

Minimum Future Lease Receivables

At December 31, 1982, minimum future lease receivables from non-cancellable operating leases and finance leases are as follows (in thousands):

	Operating Leases	Finance Leases
1983	\$128,101	\$ 18,103
1984	87,995	13,825
1985	61,251	11,516
1986	46,646	10,254
1987	33,947	9,890
Later Years	58,551	60,249
Total minimum future lease receivables	\$416,491	\$123,837

SHORT-TERM DEBT

The Company borrows short-term funds periodically under uncommitted arrangements with a number of banks. The short-term lines at December 31, 1982, amounted to \$20.0 million all of which was borrowed. The short-term lines at December 31, 1981 amounted to \$204.6 million of which \$129.8 million was borrowed. Of the \$129.8 million borrowed at December 31, 1981, \$124.0 million was classified as long-term obligations because such amounts were expected to be refinanced under existing long-term committed revolving credit agreements. During 1982, the banks did not renew most of the short-term lines, and, as a result, the Company had to use long-term committed revolving credit agreements to repay most of the outstanding short-term borrowings. As of December 31, 1982, the Company has used all of its available committed and uncommitted bank facilities and accordingly has not reclassified any short-term borrowings to long-term obligations.

The average month-end balances of aggregate short-term borrowings were \$81,279,000 in 1982 and \$139,085,000 in 1981 at weighted average interest rates of 15.3% and 18.3%. Maximum total month-end borrowings in 1982 and 1981 were \$164,153,000 and \$210,885,000. The weighted average interest rates of total short-term debt outstanding at December 31, 1982 and 1981 were 12.7% and 15.8%.

32 LONG-TERM DEBT

The outstanding balance of long-term debt under existing terms at December 31 is as follows (in thousands):

	1982	1981
Notes Payable and Equipment Obligations		
Tiger International, Inc.		
Variable rate (subject to a 10% maximum rate) notes payable to banks, repaid January 1983	\$ 7,516	\$ 12,526
11½% Debentures, due 1995, net of imputed interest	48,883	48,594
Subsidiaries		
5½% to 15% equipment obligations and trust certificates scheduled to mature serially 1983 to 2005 (average rate 10.0% in 1982)	522,690	595,791
5¾% to 16.6% notes payable due 1983 to 2000 (average rate 10.3% in 1982)	237,772	292,759
Variable rate revolving credit agreements (average rate 12.6% in 1982)	234,500	110,918
Variable rate notes payable due 1983 to 1989 (average rate 13.1% in 1982)	188,548	58,677
Short-term borrowings classified as long-term (see above)	—	124,000
	1,239,909	1,243,265
Less current portion (exclusive of \$51,951 in 1982 and \$76,607 in 1981 to be paid from finance and long-term operating leases)	88,551	49,665
	\$1,151,358	\$1,193,600
	1982	1981
Subordinated Debt		
Tiger International, Inc.		
8¾% Convertible Subordinated Debentures, due 2005	\$ 60,000	\$ 60,000
Subsidiaries (net of imputed interest)		
5% Convertible Subordinated Debentures, due to 1986	8,966	11,118
5¼% Subordinated Debentures, due to 1988	1,530	1,506
9¼% Subordinated Debentures, due to 1992	8,733	9,819
	79,229	82,443
Less current portion	3,168	3,585
	\$ 76,061	\$ 78,858

Tiger International, Inc. (Parent)

At December 31, 1982, Tiger was not in compliance with certain covenants of the variable rate notes payable to banks. On January 3, 1982, Tiger paid a scheduled quarterly installment in the amount of \$1,253,000 and later in January 1983 repaid the remaining balance. In addition to the notes payable, Tiger had a receivable from the banks resulting from paying interest in excess of the 10% maximum interest rate. The loan was repaid through a combination of cash and settlement of the excess interest receivable.

At December 31, 1982, Tiger's \$40,000,000 unsecured credit agreement with a group of banks expired as there were no borrowings outstanding.

The 11½% Debentures, \$52.5 million in aggregate principal, which were issued in connection with the acquisition of Seaboard World Airlines. As a mandatory sinking fund for the retirement of the debentures, the Company is required to deposit prior to October 1 in each year, commencing in 1986 and ending in 1994, an amount not less than 10% of the aggregate amount of debentures outstanding at October 1, 1986. The Company may deliver previously purchased debentures and apply as a credit debentures which have been redeemed at the election of the Company or optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement.

The \$60 million of 8½% Convertible Subordinated Debentures, due in 2005, are 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 the Company. As a mandatory sinking fund for the retirement of the debentures, the Company 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 \$3,000,000 and not more than \$6,000,000 principal amount of debentures. The Company may deliver previously purchased debentures and apply as a credit debentures which have been redeemed either at the election of the Company or optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement.

In the past Tiger International has received funds from its subsidiaries to meet its cash requirements. In connection with the rescheduling of debt maturities currently in process, Tiger is negotiating provisions with each operating company lender committee to allow funds to be transferred to Tiger to meet its cash requirements. The success of these negotiations is not currently predictable. See note on page 50 concerning other restrictions on transfers of funds to the parent.

Subsidiaries

Tiger subsidiaries have revolving lines of credit with various banks totaling \$234.5 million, all of which was borrowed at December 31, 1982. The terms of these revolving credit lines provide for interest based on the prime rate. Commitment fees ranging from .25% to .50% per annum are paid on the unused portions of these credit lines.

The \$8.9 million of 5% Convertible Subordinated Debentures, due 1986, was assumed in connection with the acquisition of Seaboard and requires annual redemptions of \$2.6 million from 1983 through 1985 and \$1.95 million in 1986. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of the Company's 11½% debentures and 12 shares of the Company's common stock.

At the time of acquisition, Dohrn Transfer was not in compliance with certain technical financial provisions of debt arrangements. The aggregate principal amounts outstanding under these arrangements is approximately \$12,400,000 at

December 31, 1982 which has been classified as current liabilities in the accompanying consolidated balance sheet. The Company is currently renegotiating these loans. The renegotiation is expected to be finalized shortly.

Scheduled Maturities

Principal scheduled maturities under presently existing terms of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in the Commitments note) are as follows (in thousands):

Year	Long-Term Debt	Capital Lease Obligations	Total
1983	\$143,670	\$ 31,687	\$175,357
1984	154,341	27,216	181,557
1985	159,544	21,727	181,271
1986	132,141	19,072	151,213
1987	154,532	19,313	173,845
Later Years	574,910	305,943	880,853
Total	\$1,319,138	\$424,958	\$1,744,096

Restrictions on Cash, Dividend Payments and Assets Secured by Debt

Certain lines of credit are covered by agreements which restrict borrowings and cash payment of dividends. In addition, certain lines require the maintenance of compensating balances or fees to be paid in lieu of maintaining compensating balances. At December 31, 1982 approximately \$13,258,000 of cash, which is not subject to restrictions on withdrawals, was available to meet minimum cash balance requirements. During 1982 \$739,000 was paid to the banks for fees in lieu of maintaining compensating balances. At December 31, 1982, under the most restrictive of the agreements, all retained earnings were restricted and Tiger may not declare or pay cash dividends to stockholders. At December 31, 1982 substantially all long-term assets and \$80,000,000 of trade receivables were encumbered by debt.

COMMITMENTS

Leases

At December 31, 1982 the Company was lessee under long-term leases on aircraft and engines, railcar equipment, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase

34 COMMITMENTS (Continued)

options on 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, the Company 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)

	1982	1981
Equipment used in operations:		
Equipment for lease or under lease	\$137,926	\$168,663
Equipment used in air cargo operations	367,510	367,510
Equipment used in trucking operations	7,589	7,589
Buildings and leasehold improvements	8,601	5,419
	521,626	549,181
Less accumulated amortization	(169,097)	(149,930)
	<u>\$352,529</u>	<u>\$399,251</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, 1982, 1981 and 1980 was \$46,180,000, \$37,938,000 and \$30,620,000.

Scheduled Minimum Future Lease Payments:

At December 31, 1982, 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)	Capital Leases	Operating Leases
1983	\$ 67,202	\$ 37,742
1984	60,403	30,180
1985	52,171	24,285
1986	49,812	19,419
1987	48,334	16,369
Later Years	544,919	189,851
Total minimum lease payments	822,841	<u>\$317,846</u>
Less amount representing interest	(397,883)	
Present value of net minimum future lease payments	424,958	
Less current portion (exclusive of \$6,572 to be paid from finance and long-term operating leases)	(25,115)	
Long-term capital lease obligations	<u>\$399,843</u>	

Purchase Commitments

At December 31, 1982, the Company had long-term commitments to purchase approximately \$8,000,000 of railcar equipment. In addition, the Company is committed to re-engine a portion of its fleet of DC-8 aircraft at a total estimated cost of approximately \$180,000,000 to be incurred from 1983 to 1984.

Guarantees

At December 31, 1982, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations of \$72,670,000 which will be fully amortized during the period 1983 to 2010. The guarantees relate to construction of facilities, equipment sold and leases arranged for others which are financed by third parties. In addition, the Company has agreed to purchase certain residual values of various equipment from the lessors at the lessors' option for \$16,429,000 at December 31, 1982. The Company has also guaranteed to lessors certain future lease obligations of lessees amounting to \$4,178,000 at December 31, 1982.

CAPITAL STOCK

Common Stock

At December 31, 1982 the Company 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	2,390,000
	<u>3,140,000</u>

Stock Option, Stock Purchase and Executive Incentive Plans

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 are exercisable from 1983 to 1991.

A summary of changes in stock options for the two years ended December 31, 1982 is as follows:

	Number of Shares	Option Price Per Share
Outstanding at January 1, 1981	—	\$ —
Granted	445,700	12.375
Exercised	—	—
Cancelled or expired	—	—
Outstanding at December 31, 1981	445,700	12.375
Granted	33,125	14.125
Exercised	—	—
Cancelled or expired	57,100	12.375
Outstanding at December 31, 1982	421,725	\$12.51

The aggregate purchase price of shares subject to outstanding options was \$5,277,000 at December 31, 1982 and \$5,516,000 at December 31, 1981.

Pursuant to action of the Compensation Committee of the Board of Directors, the Company rescinded certain executive stock purchase agreements under which certain executives were obligated and entitled to purchase from the Company shares of its Common Stock.

The Company has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. The amounts awarded (60% in stock and 40% in cash) under the plan were \$1,472,000 in 1980; no amounts were awarded for 1982 and 1981. Shares awarded under the plan cannot be sold, hypothecated, or pledged for a period of five years from date of grant.

Minority Redeemable Preferred Stock

At December 31, 1982, North American Car Corporation had authorized 200,000 shares of \$3 Cumulative Preferred Stock at a \$50 per share stated value. At December 31, 1982, 111,738 shares were outstanding and held by minority interests. Retirement of the outstanding preferred shares is required at a rate of 8,000 shares per year. In addition the shares are redeemable at any time by North American at the stated value per share.

CONTINGENCIES AND LEGAL ACTIONS

Flying Tigers is currently negotiating a new contract with one of its employee unions which expired in April 1982. The negotiations are expected to be

completed in the next several months and there has been no interruption of employee services during this period.

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

RETIREMENT PLANS

The Company maintains retirement plans for substantially all of its union and non-union employees. The total employer cost for all pension plans was \$24,775,000 in 1982, \$25,594,000 in 1981 and \$25,164,000 in 1980. Of these amounts, \$18,877,000 in 1982, \$20,177,000 in 1981 and \$19,842,000 in 1980 was for union employee plans.

The Company's policy is to fund part of the pension costs accrued in the year in which they are accrued and the remainder in the following year. In 1982, however, the Company funded an amount that was \$5,221,000 less than the 1981 accrual. Although the amount funded was less than costs accrued, it was sufficient to meet the minimum funding requirements under ERISA.

In 1982, the Company also changed certain assumptions which decreased the level of pension costs by \$995,000. These changes included an increase in the actuarial rate of interest from 6% to 7.5% for one of its pension plans. The level of pension costs was further reduced by \$600,000 due to the termination of a subsidiary pension plan which had assets in excess of liabilities. The excess assets were used to offset pension costs accrued for this plan in 1982.

The following table summarizes accumulated plan benefit information and plan net assets for the Company's retirement plans as of the date of the most recent valuations. Excluded from the table are amounts related to multi-employer plans for certain of the Company's union employees and, as of January 1, 1982, plan benefit information for pension plans terminated in 1982. Additionally, the 1981 figures have been restated to reflect the value of annuities which are funded through insurance contracts.

36 RETIREMENT PLANS (Continued)

Estimated assumed rates of return used by consulting actuaries were between 4.0% and 10.5% in 1982 and between 4.0% and 9.25% in 1981.

(In thousands)	As of January 1	
	1982	1981
Actuarial present value of accumulated plan benefits		
Vested	\$154,403	\$153,417
Non-vested	28,257	21,796
	\$182,660	\$175,213
Net plan assets including Company balance sheet accruals for benefits	\$184,122	\$178,608

During 1980, legislation was enacted by Congress which substantially increased employer pension liabilities related to multiemployer union plans. During 1981, union pension plan administrators advised companies of the formula to be applied in estimating the effect of vested benefits associated with multiemployer plans. The legislation had the effect of substantially increasing pension plan vested benefits related to Tiger's trucking companies and had specific requirements for funding upon plan termination and company withdrawal.

The increased employer responsibilities under the 1980 Multiemployer Pension Plan Amendment Act are currently being litigated in the courts. In addition, legislation has been introduced to limit the liabilities imposed by the Act. As a result of the litigation in process and legislative amendments currently proposed, no amounts have been accrued for potential vested benefits for such union plans related to Dohrn Transfer for periods prior to the acquisition by the Company. In the event the legislative amendments and pending litigation are unsuccessful, liabilities, net of taxes, will be adjusted for the vested benefits assumed in the Dohrn acquisition with a corresponding increase in goodwill.

Based on the limited information provided, the Company's share of unfunded vested retirement benefits for multiemployer plans for certain Company union employees is believed to approximate \$36,000,000 in 1982 and \$40,000,000 in 1981. Information with respect to the plans' non-vested retirement benefits and the fund assets pertaining to these benefits is not currently available from the plans' administrators.

INCOME TAXES

The provisions (benefit) for income taxes for continuing operations for the years ended December 31, are summarized as follows:

(in thousands):	1982	1981	1980
Current			
United States	\$ —	\$ (5,083)	\$ —
Foreign	71	3,791	1,652
State	130	475	1,269
	201	(817)	2,921
Deferred			
United States	(69,522)	(13,815)	6,174
Foreign	10,149	9,868	7,256
State	72	1,664	3,649
	(59,301)	(2,283)	17,079
Income Tax Provision (Benefit)	\$(59,100)	\$(3,100)	\$20,000

The income tax provision differs from the amount computed using the United States federal income tax rate. A reconciliation between this rate and the income tax provision (benefit) is as follows:

	1982	1981	1980
United States federal income tax rate (benefit)	(46.0)%	(46.0)%	46.0%
Investment tax credits	—	(237.8)	(20.1)
Capital gains rate on sale of real estate investment	—	—	(2.8)
Foreign taxes	2.2	49.3	.5
Permanent differences between book and tax income	2.3	115.2	1.7
Book losses not benefitted	3.5	—	—
State income taxes, net of federal tax benefit, and other	.5	68.1	4.6
Income tax provision (benefit) effective rate	(37.5)%	(51.2)%	29.9%

The tax effect of timing differences resulting from recognition of amounts in different periods for financial reporting purposes and for tax reporting purposes is as follows:

(in thousands)	1981	1980
Excess of tax over book depreciation	\$ 28,472	\$ 30,300
Differences in tax and book basis on disposal of assets	(4,108)	6,438
Excess book gain on sale of tax benefits	8,169	—
Differing tax treatment for leases	1,214	865
Differences in interest capitalized for tax and book purposes	1,793	—
Investment and foreign tax credits	(18,461)	(14,312)
Investment tax credits utilized	236	—
Tax net operating losses	(34,293)	(7,638)
Other, net	14,695	1,426
	\$ (2,283)	\$ 17,079

The principal timing differences in 1982 relate to depreciation, differing treatment for leases and the recognition of various other income and expense items in different financial reporting and tax years.

Substantially all tax benefit associated with operating losses has been recognized for financial reporting purposes as of December 31, 1982 through the reversal of substantially all available domestic deferred income taxes not previously reduced by tax credits.

The Company has approximately \$94,000,000 of investment tax credit carryforwards available to reduce future federal and foreign income taxes of which \$75,600,000 has been applied as a reduction of the deferred income tax account.

At December 31, 1982, the Company has net operating loss carryforwards of \$330,000,000, of which approximately \$68,000,000 has not been recorded for financial reporting purposes including amounts from discontinued operations.

Foreign tax credits available to offset 1982, and future years' federal income taxes aggregate \$6,000,000, which if not utilized will be included in federal income tax provisions in future years.

The net operating loss and tax credits expire for tax reporting purposes as follows (in thousands):

Year of Expiration	Net Operating Loss	Foreign Tax Credits	Investment Tax Credits
1984	\$ —	\$ —	\$ 130
1985	—	1,776	1,209
1986	—	2,969	523
1987	—	1,255	97
1988 through 1992	78	—	23,574
1993 through 1997	329,922	—	68,467
	\$330,000	\$6,000	\$94,000

Included in the tax net operating loss and investment tax credit carryforwards are approximately \$24,000,000 and \$15,000,000 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.

The Company's federal income tax returns for the years 1977 and 1978 have been examined, and certain adjustments have been proposed by the Internal Revenue Service. Federal income tax returns for the years 1979 through 1981 are currently being examined. In the opinion of management, adequate provision has been made for all income tax liabilities.

DETAILS OF CERTAIN ACCOUNTS Supplemental Consolidated Balance Sheet Information

	December 31	
	1982	1981
	(In thousands)	
Receivables		
Trade	\$ 180,026	\$ 245,727
Federal income tax receivable	335	5,083
Other	16,266	26,397
Less allowance for doubtful accounts and revenue adjustments	(19,695)	(23,717)
Receivables, net	\$ 176,932	\$ 253,490
Inventories		
Maintenance parts	\$ 28,821	\$ 31,215
Railcar repair and assembly parts	42,054	48,552
Equipment held for sale	—	45,521
Inventories	\$ 70,875	\$ 125,288
Accounts Payable and Accrued Liabilities		
Accounts payable	\$ 109,339	\$ 147,872
Accrued liabilities		
Payroll	13,783	14,698
Vacations	20,498	21,690
Interest	35,491	34,120
Income taxes	1,356	3,076
Taxes other than payroll and income taxes	11,841	8,943
Pensions	11,172	10,554
Other	57,727	49,379
Accounts Payable and Accrued Liabilities	\$ 261,207	\$ 290,332

Supplemental Consolidated Statement of Operations Information

	For the Years Ended December 31		
	1982	1981	1980
	(In thousands)		
Maintenance and repairs	\$ 128,174	\$ 141,647	\$ 125,374
Taxes other than payroll and income taxes	\$ 15,452	\$ 17,255	\$ 11,365
Amortization of cost in excess of fair value of acquired businesses	\$ 2,563	\$ 2,412	\$ 800

38 REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of TIGER INTERNATIONAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 1982 and 1981, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years ended December 31, 1982, 1981 and 1980. 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 shown in the consolidated financial statements, Tiger International, Inc. and subsidiaries incurred a net loss of \$136,223,000 during the year ended December 31, 1982 and as of that date, the Company's current liabilities exceeded its current assets by \$40,842,000. As discussed in notes to the consolidated financial statements, the Company on February 14, 1983 suspended payment on certain of its non-public debt, is in default thereon, and is negotiating new payment terms and additional financing with lenders. A significant factor that may have an important effect upon the future operations of

the Company is the outcome of these negotiations. Recovery of the Company's investment in non-current assets is dependent upon the success of its future operations and the classification of liabilities is dependent upon the outcome of its negotiations with the lenders.

In our opinion, subject to the effects on the financial statements as of December 31, 1982 and for the year then ended of such adjustments, if any, as might have been required had the outcome of the uncertainties about the recoverability of recorded asset amounts and classification of liabilities 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, 1982 and 1981 and the results of their operations and the changes in their financial position for the years ended December 31, 1982, 1981 and 1980 in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 30, 1983.

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." This statement requires disclosure of historical financial statements adjusted for inflation under two different methods for measuring the effects of changing prices—Constant Dollar and Current Cost. 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 the Company's operations.

Methods of Measuring Effects of Changing Prices

Constant Dollar: The constant dollar approach attempts to measure the effects of general inflation by expressing all revenues and expenses in dollars of equivalent purchasing power (i.e. constant dollars). Specifically, historical costs are restated to the average purchasing power of the dollar for the year 1982. This is accomplished by using the Consumer Price Index for all urban consumers which is a broad-based measure of the general inflation rate.

Current Cost: The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1982. 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 used in the constant dollar approach. 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.

The methods used by the Company to adjust historical financial data in accordance with the constant dollar and current cost approaches are discussed below.

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

In the inflation adjusted financial information appearing on pages 41 and 42 for both the constant dollar and current cost methods, revenues and other operating expenses have not been adjusted because they generally reflect the average price levels for the year. However, depreciation expense and the inventory component of cost of sales have been adjusted in arriving at adjusted net 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 the Company's property, plant and equipment adjusted separately for changes in general purchasing power (constant dollar) and changes in specific prices (current cost). The adjustments to cost of sales are intended to reflect separately the increases in general purchasing power (constant dollar) and specific prices (current cost) that would have resulted if inventories were valued at the 1982 costs when sold.

In the accompanying inflation adjusted statements, current cost of property, plant and equipment and inventories 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 costs 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 costs which would be incurred in replacing such assets. The cumulative upward adjustment of property, plant and equipment has caused an adjustment in depreciation expense which increased consolidated net loss.

Depreciation expense is greater when adjusted for general inflation than when adjusted for changes in specific prices. The difference reflects the Consumer Price Index (general inflation) rising faster than the increase of current costs over the last several years for the type of property, plant and equipment used in the Company's various businesses.

Under current federal and local tax laws increases in expenses due to constant dollar and current cost adjustments are not deductible. Therefore, the income tax benefit was not restated.

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.

The FASB does not permit any gain or loss resulting from a net monetary liability or asset position to be included in adjusted results of operations. Instead it is treated as an unrealized gain or loss and shown separately as "Gain From Decline in Purchasing Power of Net Amounts Owed" in the accompanying adjusted financial statements on page 42.

Conversely, the FASB does require that the effects of inflation on non-monetary assets (i.e. adjustments resulting from the restatement of inventories and property, plant and equipment) be included in the adjusted results of operations.

Tiger has financed substantially all of its fixed assets with long-term debt, in order to hedge against the impact of inflation on depreciation and interest expense. Therefore, Tiger believes that the adjustments for depreciation expense and cost of sales alone do not adequately portray the effects of inflation adjustments prescribed by the FASB, and is therefore presenting two inflation adjusted presentations—one as defined by SFAS No. 33 and the other as defined by the Company. The

Company's inflation adjusted statement of operations includes a \$30.1 million reduction in depreciation and interest expense, net of applicable income taxes, representing that portion of the total unrealized purchasing power gain attributable to capital assets financed by long-term indebtedness.

In the opinion of management the accompanying Statement of Operations Adjusted for Changing Prices on a Current Cost basis is more indicative of the effects of inflation on the Company than is the Statement of Operations Adjusted for General Inflation on the Constant Dollar basis. This again is due to the fact that the Consumer Price Index used in constant dollar computations is a broad-based measure averaging the price changes of various commodities (i.e. Food and Housing) which may not be germane to Tiger's business.

The reader is further cautioned against applying too much meaning to the absolute value of elements shown on the adjusted financial statements for any one year. Restating historically reported financial statement elements in terms of current dollars is similar to the theory behind reporting income adjusted for changing price. Hence, it is highly probable that the adjusted value of an item in one year will be valued differently in a subsequent period. Management believes that the data would be most meaningful to analyze trends.

It should also be noted that implementation of the current cost approach has the effect of increasing historical net loss by the amounts that would be incurred should non-monetary operating assets be replaced at a given point in time. As mentioned above, the amount of this adjustment would be determined by the current replacement cost of the non-monetary asset. These costs are estimated and have no foundation in actual transactions. The effects of specific contract terms such as to the timing and financing of purchases are ignored. It also ignores the possibility of increases in revenues which would offset increases in the cost of fixed assets.

STATEMENT OF OPERATIONS ADJUSTED FOR CHANGING PRICES (Unaudited)

Tiger International, Inc. and Subsidiaries

For the Year Ended December 31, 1982 (In thousands)	Historical Financial Statements	Adjusted for Constant Dollar	Adjusted for Current Cost
Revenues	\$1,446,008	\$1,446,008	\$1,446,008
Cost and Expenses			
Costs of operations	1,095,729	1,096,822	1,095,729
Selling, general and administrative	173,179	173,179	173,179
Depreciation and amortization	150,621	246,877	213,833
Interest, net	183,927	183,927	183,927
Income tax benefit	(59,100)	(59,100)	(59,100)
	<u>1,544,356</u>	<u>1,641,705</u>	<u>1,607,568</u>
Net loss as defined by SFAS No. 33	(98,348)	(195,697)	(161,560)
Decrease in depreciation and interest expense, net of applicable income taxes, from decline in purchasing power of net monetary liabilities		30,095	30,095
Net loss adjusted for decrease in depreciation and interest expense	\$ (98,348)	\$ (165,602)	\$ (131,465)
Other Supplementary Information			
Increase in property, plant and equipment and inventories in 1982 based on constant dollars			\$ 102,000
Decrease in property, plant and equipment and inventories in 1982 based on current costs			<u>(48,000)</u>
Excess in constant dollars over current costs in 1982			<u>\$ 150,000</u>
Current cost of net property, plant and equipment at December 31, 1982			<u>\$2,425,000</u>
Current cost of inventory December 31, 1982			<u>\$ 71,000</u>

**FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA
ADJUSTED FOR EFFECTS OF CHANGING PRICES STATED IN 1982 DOLLARS (Unaudited)**

(In thousands except per share data and index)	For the Years Ended December 31				
	1982	1981	1980	1979	1978
42 Revenues	\$1,446,008	\$1,639,810	\$1,482,900	\$1,009,306	\$948,668
Constant dollar information					
As defined by SFAS No. 33					
Net loss	(195,697)	(92,250)	(8,786)	(8,020)	
Net loss per common share	(11.56)	(5.43)	(.56)	(.56)	
As defined by Tiger					
Net income (loss)	(165,602)	(19,633)	77,429	67,160	
Net income (loss) per common share	(9.78)	(1.15)	4.90	4.66	
Net assets at year end	1,554,000	1,388,000	1,368,000	1,200,000	
Current cost information					
As defined by SFAS No. 33					
Net income (loss)	(161,560)	(59,177)	12,111	2,341	
Net income (loss) per common share	(9.54)	(3.48)	.77	.16	
As defined by Tiger					
Net income (loss)	(131,465)	13,440	98,326	77,520	
Net income (loss) per common share	(7.76)	.79	6.22	5.38	
Excess in constant dollar over current costs	150,000	66,000	108,000	1,400	
Net assets at year end	1,385,000	1,333,000	1,282,000	1,094,000	
Gain from decline in purchasing power of net amounts owed	51,000	151,000	171,000	134,000	
Cash dividends declared per common share	—	.72	.93	1.06	.88
Market price per common share at year end	8.50	14.33	26.01	23.90	34.74
Average consumer price index (base year 1967 = 100)	289.1	272.4	246.8	217.4	195.4

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Tiger International, Inc. and Subsidiaries

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(In thousands except per share data)			
1982				
Revenues	\$336,255	\$357,555	\$366,485	\$385,713
Loss From Continuing Operations	\$ (22,836)	\$ (7,313)	\$ (18,107)	\$ (50,092)
Loss From Discontinued Operations	(1,201)	(2,394)	(2,037)	(32,243)
Net Loss	\$ (24,037)	\$ (9,707)	\$ (20,144)	\$ (82,335)
Loss Per Share—				
Continuing	\$ (1.35)	\$ (.43)	\$ (1.07)	\$ (2.96)
Discontinued	(.07)	(.14)	(.12)	(1.90)
Total	\$ (1.42)	\$ (.57)	\$ (1.19)	\$ (4.86)
1981				
Revenues	\$357,093	\$387,205	\$383,326	\$417,462
Income (Loss) From Continuing Operations	\$ 12,207	\$ 14,858	\$ (16,529)	\$ (13,485)
Loss From Discontinued Operations	(1,454)	(1,625)	(1,971)	(8,614)
Net Income (Loss)	\$ 10,753	\$ 13,233	\$ (18,500)	\$ (22,099)
Earnings (Loss) Per Share—				
Continuing	\$.71	\$.87	\$ (.97)	\$ (.79)
Discontinued	(.08)	(.09)	(.12)	(.51)
Total	\$.63	\$.78	\$ (1.09)	\$ (1.30)
1980				
Revenues	\$252,618	\$297,803	\$309,566	\$405,941
Income From Continuing Operations	\$ 11,011	\$ 3,865	\$ 11,908	\$ 20,080
Loss From Discontinued Operations	(576)	(638)	(678)	(2,597)
Net Income	\$ 10,435	\$ 3,227	\$ 11,230	\$ 17,483
Earnings (Loss) Per Share—				
Continuing	\$.74	\$.25	\$.76	\$ 1.18
Discontinued	(.04)	(.04)	(.04)	(.15)
Total	\$.70	\$.21	\$.72	\$ 1.03

44 The seasonal fluctuations in the transportation business and fluctuations in foreign exchange rates are reflected in the above summary. The fourth quarter of 1980 includes a \$15,000,000 pre-tax gain on the sale of a real estate partnership interest.

The first quarter of 1981 includes a pretax gain of \$5,850,000 from the sale of the insurance operations and a pretax gain of \$12,946,000 from the sale of a Boeing 747-100 freighter. The second quarter of 1981 includes a pretax gain of \$22,436,000 from the sale of two Boeing 747-100 freighters. The third quarter of 1981 includes a pretax gain of \$4,500,000 from the sale of tax and depreciation benefits. The fourth quarter of 1981 includes \$14,200,000 in pretax gain from the sale of tax and depreciation benefits and a pretax loss of \$22,700,000 due to the write down of certain aircraft and leasing assets.

The first quarter of 1982 includes a pretax gain of \$5,300,000 on the sale of tax and depreciation benefits. The second quarter of 1982 includes a pretax gain of \$2,327,000 from the sale of the Company's investment in Purolator, Inc. common stock, a \$14,000,000 translation gain on yen denominated debt and a pretax gain of \$2,950,000

from the sale of tax and depreciation benefits. 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, a \$5,250,000 gain on the sale of tax and depreciation benefits and a pretax loss of \$14,000,000 due to write-down of assets, primarily related to other leasing operations. In addition, the fourth quarter of 1982 includes a \$20,000,000 provision related to discontinued operations.

Fully diluted earnings per share for the quarter ended December 31, 1980 amounted to \$.95 based upon 19,051,000 shares used for the computation. The fully diluted effect for the quarter ended September 30, 1980 was not significant. The fully diluted earnings per share for the quarter ended March 31, 1981 amounted to \$.60 (19,075,000 shares) and for the quarter ended June 30, 1981 amounted to \$.73 (19,136,000 shares).

As a result of additional shares issued during 1980 the addition of quarterly earnings per share amounts for those periods will not equal the earnings per share reported for the annual period.

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 reports on Form 8-K under the Exchange Act reporting a change of or disagreements with accountants have been filed by Tiger with the SEC.

Except as provided under the heading "Executive Officers of the Registrant" following Item 4 of Part I hereof, Items 10, 11 and 12 are incorporated by

reference to Tiger's definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

PART IV.**ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.****(a) Financial Statement Schedules and Exhibits Filed**

<u>Financial Statement Schedules</u>	<u>Page</u>
Report of Independent Public Accountants on Financial Statement Schedules Filed	47
Condensed Parent Company Financial Data	48
Schedule V—Property, plant and equipment	51
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment	52
Schedule VIII—Valuation and qualifying accounts and reserves	53

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.

Separate financial statements of subsidiaries not consolidated and 50% or less owned persons accounted for by the equity method have been omitted because, if considered in the aggregate, they would not constitute a significant subsidiary.

Exhibits

- (3.1) Restated Certificate of Incorporation of Tiger, effective May 20, 1981, filed with the SEC on March 31, 1982 with Tiger's Annual Report on Form 10-K for the fiscal year ended December 31, 1981, is hereby incorporated by reference.
- (3.2) By-Laws of Tiger, as amended on January 18, 1982, filed with the SEC on March 31, 1982 with Tiger's Annual Report on Form 10-K for the fiscal year ended December 31, 1981, are hereby incorporated by reference.
- (4.1) Indenture, dated as of September 1, 1980, between Tiger and Crocker National Bank, as Trustee, filed as Exhibit 2(b) to Tiger's Form S-16 Registration Statement, Regis. No. 2-68885, filed with the SEC on August 28, 1980, is hereby incorporated by reference.
- (4.2) Indenture, dated as of September 1, 1980, between Tiger and Bankers Trust Company, as Trustee, filed as Exhibit 6-2.2 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, filed with the SEC on August 11, 1980, is hereby incorporated by reference.
- (4.3) First Supplemental Indenture, dated as of September 30, 1980 between Tiger, Seaboard and J. Henry Schroeder Bank and Trust Company, as Trustee, filed as Exhibit 6-25 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, with SEC on August 11, 1980 is hereby incorporated by reference.

- 46 (10.1) Supplemental Retirement Income Plan dated December 13, 1977, as amended, between Tiger and Wayne M. Hoffman, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.
- (10.2) Form of Stock Purchase Agreement entered into between Tiger and certain principal executive officers of Tiger, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.
- (10.3) Executive Incentive Plan, filed with the SEC on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980, is hereby incorporated by reference.
- (10.4) 1981 Key Employees Stock Option Plan for Tiger and subsidiaries, filed as Exhibit "A" to Tiger's 1981 Proxy Statement, filed with the SEC on April 30, 1981, is hereby incorporated by reference.
- (22) List of Subsidiaries.
- (25) Powers of Attorney granted by certain of Tiger's directors in favor of certain executive officers of Tiger with respect to Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1982.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger with the SEC during the three months ended December 31, 1982.

STATEMENT OF OPERATIONS
STATEMENT OF CHANGES IN FINANCIAL POSITION

The accompanying notes are an integral part of these financial statements.

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

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

Our examinations of the consolidated financial statements in the Tiger International, Inc. and subsidiaries' annual report to stockholders and filed with this Form 10-K 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 of non-current assets and classification of liabilities as of December 31, 1982. The Financial Statement Schedules listed in the index to Item 13 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 uncertainties 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 30, 1983.

**CONDENSED STATEMENT OF OPERATIONS AND
STATEMENT OF CHANGES IN FINANCIAL POSITION**

Tiger International, Inc.
Condensed Parent Company Financial Data

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For the Years Ended December 31

1982 1981 1980

(In thousands)

CONDENSED STATEMENT OF OPERATIONS

Revenues and dividend income (including equity in distributed earnings of consolidated subsidiaries and in 1980 a gain on the sale of a partnership interest)	\$ 12,667	\$ 20,677	\$ 36,370
Costs and expenses:			
General and administrative	14,712	18,561	10,904
Interest expense—external	14,918	14,057	6,313
intercompany	21,848	30,344	23,346
Deferred income tax benefit, net	(20,769)	(35,858)	(4,197)
	30,709	27,104	36,366
Income (loss) before equity in undistributed earnings of subsidiaries	(18,042)	(6,427)	4
Equity in undistributed earnings (losses) of consolidated subsidiaries	(80,306)	3,478	38,367
Equity in undistributed earnings (losses) of unconsolidated subsidiaries	(37,875)	(13,664)	4,004
Net income (loss)	\$(136,223)	\$ (16,613)	\$ 42,375

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of Funds

Net income (loss)	\$(136,223)	\$ (16,613)	\$ 42,375
Equity in undistributed (earnings) losses of subsidiaries	118,181	10,186	(42,371)
Other, net	(19,235)	(29,847)	4,344
Funds provided (used) by operations	(37,277)	(36,274)	4,348
Proceeds from issuance of stock and debt	—	2,538	166,298
Funds Provided (Used)	(37,277)	(33,736)	170,646

Application of Funds

Payments of long-term debt and notes payable	7,010	7,011	7,011
Cash dividends declared on common stock	—	11,440	13,173
Acquisition of or contribution to subsidiaries' capital	5,300	68,877	97,619
Increase (decrease) in investments, notes, advances and other	(90,246)	(87,448)	39,377
Funds Applied	(77,936)	(120)	157,180
Net increase (decrease) in working capital	\$ 40,659	\$ (33,616)	\$ 13,466

CONDENSED BALANCE SHEET

Tiger International, Inc.
Condensed Parent Company Financial Data
(Continued)

	December 31	
	1982	1981
	(In thousands)	
Assets		
Cash	\$ 25,909	\$ 882
Other current assets	5,106	5,884
	<u>31,015</u>	<u>6,766</u>
Investments in subsidiaries:		
The Flying Tiger Line Inc.	281,346	320,138
Tiger Leasing Group, Inc.	337,981	354,094
Hall's Motor Transit Company	34,667	44,079
Warren Transport, Inc.	25,365	28,605
Other	225	1,767
	<u>679,584</u>	<u>748,683</u>
Property, plant and equipment, net	1,709	1,983
Investments and other	1,282	31,104
	<u>\$713,590</u>	<u>\$788,536</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 16,301	\$ 32,711
Long-term obligations	<u>112,434</u>	<u>116,388</u>
Net payables to subsidiaries:		
The Flying Tiger Line Inc.	75,512	59,560
Tiger Leasing Group, Inc.	233,812	165,008
Hall's Motor Transit Company	(9,613)	1,125
Other	(441)	(7,037)
	<u>299,270</u>	<u>218,656</u>
Deferred credits	1,929	1,141
Stockholders' equity	<u>283,656</u>	<u>419,640</u>
	<u>\$713,590</u>	<u>\$788,536</u>

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

At December 31, 1982, Warren Transport is free from restrictions limiting dividends and advances to Tiger International. In connection with the debt restructuring process, Tiger International has agreed not to transfer funds from The Flying Tiger Line Inc. and the Tiger Leasing Group subsidiaries.

Cash Dividends Paid to Parent From Consolidated Subsidiaries

During the year ended December 31, 1982 Tiger International received total dividends of \$3,400,000, all from Warren Transport Company. During the year ended December 31, 1981 Tiger International received total dividends of \$12,600,000, all from Tiger Leasing Group. During the year ended December 31, 1980 Tiger International received dividends of \$12,700,000 from Tiger Leasing Group and \$1,500,000 from Hall's Motor Transit for a total of \$14,200,000 for the year.

Investments in Subsidiaries:

At December 31, 1982 and 1981, the investment in Tiger Leasing Group Inc. includes approximately \$133,710,000 and \$88,529,000 of deferred tax benefits representing the consolidation offset of deferred income tax credits at North American Car Corporation as a result of filing consolidated tax returns.

In addition, at December 31, 1982, Stockholders' Equity includes treasury shares, at a cost of \$490,000, held by an affiliate.

Parent Company Debt

Included in parent company long-term obligations is \$48.9 million of 11½% debentures issued in connection with the acquisition of Seaboard World Airlines. Tiger International'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 the Long-Term Debt Note to the Consolidated Financial Statements under the caption "Tiger International, Inc.".

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

Tiger International, Inc. and Subsidiaries

For the Three Years Ended December 31, 1982	Balance at Beginning of Period	Additions	Retire- ments, Overhauls or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1980					
Equipment used in operations:					
Equipment for lease or under lease	\$1,209,831	\$243,783	\$ 66,673	\$ 27,251	\$1,414,192
Equipment used in air cargo operations	504,335	248,652	39,207	240,043	953,823
Equipment used in trucking operations	—	2,787	617	32,220	34,390
	1,714,166	495,222	106,497	299,514	2,402,405
Buildings and leasehold improvements	52,319	17,856	874	40,186	109,487
Shop properties, terminal facilities and other	64,633	14,809	714	9,092	87,820
Construction in process	101,041	21,621	1,055	(72,655)	48,952
	\$1,932,159	\$549,508	\$109,140	\$ 276,137	\$2,648,664
Year Ended December 31, 1981					
Equipment used in operations:					
Equipment for lease or under lease	\$1,414,192	\$110,790	\$109,970	\$(146,365)	\$1,268,647
Equipment used in air cargo operations	953,823	31,648	84,624	123,229	1,024,076
Equipment used in trucking operations	34,390	5,579	824	18,775	57,920
	2,402,405	148,017	195,418	(4,361)	2,350,643
Buildings and leasehold improvements	109,487	16,948	3,170	18,980	142,245
Shop properties, terminal facilities and other	87,820	18,254	2,120	3,812	107,766
Construction in process	48,952	3,185	2,860	(10,778)	38,499
	\$2,648,664	\$186,404	\$203,568	\$ 7,653	\$2,639,153
Year Ended December 31, 1982					
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
	2,350,643	72,290	94,054	(67,626)	2,261,253
Buildings and leasehold improvements	142,245	10,602	2,710	(6,300)	143,837
Shop properties, terminal facilities and other	107,766	10,045	6,208	5,024	116,627
Construction in process	38,499	46,129	42,924	—	41,704
	\$2,639,153	\$139,066	\$145,896	\$ (68,902)	\$2,563,421

(1) 1980 includes \$327 million acquired in business combinations accounted for by the purchase method, less approximately \$37 million of aircraft deposits refunded and approximately \$10 million of equipment placed on finance leases. 1981 includes \$40 million acquired in business combinations accounted for by the purchase method. 1982 includes \$78 million related to discontinued operations.

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

Tiger International, Inc. and Subsidiaries

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For the Three Years Ended December 31, 1982	Balance at Beginning of Period	Additions	Retirements, Overhauls or Sales	Transfers, Adjustments and Other	Balance at End of Period
(In thousands)					
Year Ended December 31, 1980					
Equipment used in operations:					
Equipment for lease or under lease	\$352,410	\$ 62,649	\$33,133	\$ (700)	\$381,226
Equipment used in air cargo operations	181,792	39,743	5,237	(3,207)	213,091
Equipment used in trucking operations	—	6,308	104	(1,696)	4,508
	534,202	108,700	38,474	(5,603)	598,825
Buildings and leasehold improvements	14,061	3,905	506	(5)	17,455
Shop properties, terminal facilities and other	23,156	4,927	530	1,637	29,190
	\$571,419	\$117,532	\$39,510	\$ (3,971)	\$645,470
Year Ended December 31, 1981					
Equipment used in operations:					
Equipment for lease or under lease	\$381,226	\$ 69,583	\$48,097	\$(12,657)	\$390,055
Equipment used in air cargo operations	213,091	55,500	31,139	31,812	269,264
Equipment used in trucking operations	4,508	10,253	(93)	(2,031)	12,823
	598,825	135,336	79,143	17,124	672,142
Buildings and leasehold improvements	17,455	6,838	33	433	24,693
Shop properties, terminal facilities and other	29,190	11,002	1,068	922	40,046
	\$645,470	\$153,176	\$80,244	\$ 18,479	\$736,881
Year Ended December 31, 1982					
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
	\$736,881	\$155,237	\$62,639	\$(30,718)	\$798,761

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Tiger International, Inc. and Subsidiaries

For the Three Years Ended December 31, 1982	Allowance for Doubtful Accounts		Inventories Allowance	Aircraft Overhaul Reserves
	Trade Receivables(1)	Finance Lease Receivables		
	(In thousands)			
Balance at December 31, 1979	\$ 12,252	\$ 5,297	\$ 1,877	\$ 27,251
Additions (deductions)—				
Provisions charged to costs and expenses	6,421	1,076	2,657	34,086
Reserves from acquired companies	9,525	50	1,518	12,140
Amounts charged to reserve	(5,403)	(736)	(603)	(33,261)
Balance at December 31, 1980	22,795	5,687	5,449	40,216
Additions (deductions)—				
Provisions charged to costs and expenses	14,440	104	3,098	29,498
Reserves from acquired companies	494	—	30	—
Amounts charged to reserve	(14,012)	(2,719)	(449)	(23,339)
Balance at December 31, 1981	23,717	3,072	8,128	46,375
Additions (deductions)—				
Provisions charged to costs and expenses	24,039	2,209	3,011	23,163
Amounts charged to reserve	(26,863)	(648)	(2,655)	(30,376)
Transfers to discontinued operations	(1,198)	—	(2,694)	(4,885)
Balance at December 31, 1982	\$ 19,695	\$ 4,633(2)	\$ 5,790	\$ 34,277(3)

(1) Includes revenue adjustments.

(2) Includes \$3,519 classified in other assets.

(3) Includes \$19,946 classified in accumulated depreciation and \$14,331 classified as other deferred credits.

Signatures

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

TIGER INTERNATIONAL, INC.
(Registrant)

By DAVID L. AUCHTERLONIE
David L. Auchterlonie
Vice President—Controller

Date: March 30, 1983

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

<u>Name</u>		<u>Title</u>	<u>Date</u>
<u>WAYNE M. HOFFMAN</u> Wayne M. Hoffman		Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 30, 1983
<u>THOMAS F. GROJEAN</u> Thomas F. Grojean		President and Director	March 30, 1983
<u>MARTIN A. LYNCH</u> Martin A. Lynch		Senior Vice President—Finance (Principal Financial Officer)	March 30, 1983
<u>DAVID L. AUCHTERLONIE</u> David L. Auchterlonie		Vice President—Controller (Principal Accounting Officer)	March 30, 1983
<u>J. HOWARD EDGERTON</u> *		Director	March 30, 1983
<u>CHARLES LUCKMAN</u> *		Director	March 30, 1983
<u>CHARLES T. MANATT</u> *		Director	March 30, 1983
<u>WILLIAM E. MCKENNA</u> *		Director	March 30, 1983
<u>B. HOUSTON REHRIG</u> *		Director	March 30, 1983

*By ROBERT J. HARTER, JR.
Robert J. Harter, Jr.
Attorney-in-Fact and Agent

Tiger International, Inc.
1888 Century Park East
Los Angeles, California 90067
(213) 552-6300

The Flying Tiger Line Inc.
7401 World Way West
Los Angeles, California 90009
(213) 646-6161

North American Car Corporation
33 West Monroe St.
Chicago, Illinois 60603
(312) 853-5000

Hall's Motor Transit Company
6060 Carlisle Pike
Mechanicsburg, Pennsylvania 17055
(717) 790-8400

Warren Transport, Inc.
P.O. Box 420
Waterloo, Iowa 50704
(319) 233-6113

Tiger Distribution Services
1888 Century Park East
Los Angeles, California 90067
(213) 552-6400

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911 Wilshire Blvd.
Los Angeles, California 90017

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20 Broad Street
New York, New York 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, California 94104

Midwest Stock Exchange
120 S. LaSalle Street
Chicago, Illinois 60603

Transfer Agents
Manufacturers Hanover Trust Company
450 West 33rd Street
New York, New York 10001

Union Bank
3810 Wilshire Blvd.
Los Angeles, California 90010

Registrars
The Bank of New York
90 Washington Street
New York, New York 10015

Union Bank
3810 Wilshire Blvd.
Los Angeles, California 90010

The Annual Meeting of Stockholders will be held on Friday, May 27, 1983 at 10:00 a.m. at the Beverly Hilton Hotel, 9876 Wilshire Boulevard, Beverly Hills, California 90210.

Notice to Stockholders

The following notice is published in accordance with Section 245.16 of subpart B of Part 245 of the Economic Regulations of the Civil Aeronautics Board (the "Board"); section references in the following notice are to sections of such regulations.

(1) Any person who either owned, at December 31, 1982, or subsequently acquired, beneficially or as a trustee, more than 5 percent, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12 on or before April 1, 1983 as to the capital stock owned at December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing information required in Section 245.15.

Any stockholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

TIGER INTERNATIONAL

**1888 Century Park East
Los Angeles, California 90067**

**TIGER
INTERNATIONAL**

1983

**ANNUAL
REPORT**

FINANCIAL HIGHLIGHTS

For the year ended December 31.

(Amounts in thousands, except
per share data)

	1983	1982
Revenues	\$1,250,276	\$1,161,196
Loss from continuing operations	(95,628)	(73,533)
Loss from discontinued operations	(147,004)	(62,690)
Net loss before extraordinary gain	(242,632)	(136,223)
Extraordinary gain	19,792	—
Net loss	\$ (222,840)	\$ (136,223)
Loss per share		
Continuing operations	\$ (5.30)	\$ (4.34)
Discontinued operations	(8.14)	(3.70)
Extraordinary gain	1.10	—
Total	\$ (12.34)	\$ (8.04)
Assets	\$1,113,766	\$2,440,619
Stockholders' equity	\$ 84,536	\$ 283,166
Book value		
per common share	\$ 4.16	\$ 16.72
Cash dividends paid		
per common share	—	—

**TIGER INTERNATIONAL, INC.
1983 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.

TO OUR STOCKHOLDERS:

The year 1983 was by all odds the most difficult period in the company's history. However, we are confident that the rigorous measures we have taken to return our company to profitable growth will be effective. We feel that the fourth quarter profit on continuing operations was a harbinger of a turnaround.

We have made a strategic decision to concentrate on our freight transportation businesses—airfreight, trucking and intermodal—and to discontinue our leasing and financial service activities. At year end we announced that a subsidiary of General Electric Company had taken over the management and operation of the railcar leasing and repair business of our North American Car subsidiary. In addition, we have decided to sell or liquidate all of Tiger Leasing Group's other operations.

Although these leasing activities have been excellent profit generators for Tiger International in past years, the capital requirements are of such magnitude as to impede our overall efforts to support the growth of our transportation activities, particularly airfreight. The General Electric transaction will help us to solve North American Car's cash stringency and will, we are confident, permit

us to realize a fair price for our assets over the longer term.

In 1983, Flying Tigers was faced with a most difficult set of challenges which required prompt and aggressive action. On the one hand we had to conserve and generate cash, while at the same time we had to develop new airfreight services to meet our customers' needs. Flying Tigers' cash position was strengthened as a result of the restructuring of its debt and through sale of certain non-productive assets. Flying Tigers was able to significantly expand its Asian business and continued to offer new products and services for its domestic United States, South American and Australian markets. Furthermore, by increasing trucking service in Europe, we were able to allocate needed 747 equipment from Europe to Asia, with an overall improvement in profits.

To improve our overall financial condition we took two important steps. The parent company had debt of \$117.4 million, \$60 million of which was convertible subordinated debentures, and \$49.9 million of which was debentures issued in connection with the Seaboard World Airline acquisition in 1980. The annual interest burden on this debt was \$11.5 million. Through a successful debt-equity exchange we were able to reduce this debt to \$57.1 million and to reduce our annual cash interest costs by \$9.4 million. This

very significant benefit assisted us in our negotiations for restructuring the debt of Flying Tiger Line and North American Car.

In February 1984, we initiated a debt-equity exchange for Flying Tigers which will reduce certain of its public debt and could save a significant amount of cash in 1984. This exchange offer was also the device by which stock of Flying Tigers is now in public hands and is trading on the over-the-counter market. The company will continue to own more than 90% of the stock of Flying Tigers.

Flying Tigers has excellent growth opportunities, but its costs must be brought more into line with those of its competitors, particularly in the burgeoning domestic market, if we are to see adequate and sustainable profits.

Flying Tigers, also, is expanding its trucking activities, both in the United States and Europe. This trend is expected to continue, and many more cities will be opened to Flying Tigers' worldwide air cargo service through joint truck-air service.

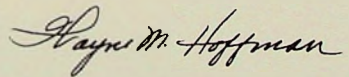
Our trucking operations also returned to overall profitability in the fourth quarter. We expect to continue to develop and expand our trucking and intermodal activities.

Warren Transport, which benefits from low labor costs, has been consistently profitable. It operates without debt and is able to meet its expanding business needs wholly through internally generated cash. Hall's Motor Transit, like all other large less-than-truckload truck companies, has had to adjust to the new demands of deregulated competition. New marketing and operating techniques have begun to show good results, as the fourth quarter profit demonstrates.

For the future, we intend to continue to concentrate on developing the outstanding potential of our airfreight, trucking and intermodal transportation activities. We will complete our transition to the highly competitive, deregulated environment of the future and we expect to achieve the profits necessary to assure our healthy growth.

On behalf of the members of the board of directors, let me express our gratitude to our customers, suppliers, lenders and investors for their support of our efforts during this past, most difficult, year.

Lastly, and most importantly, the Tiger men and women have demonstrated those qualities of toughness, skill and fighting spirit that are required for success in today's environment. We are grateful for their efforts.



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

A**AIR CARGO:**

Flying Tigers provides scheduled air cargo service throughout North and Latin America, Asia, Europe, the Middle East and Australia, as well as global charter service. The world's largest all-cargo carrier offers shippers a full range of transportation services and specialized distribution programs.

Flying Tigers continued to expand its international route structure by launching weekly B-747 southbound scheduled

jetfreighter service to Australia, filling a critical shortage of cargo capacity for United States shippers. Flying Tigers markets its outbound flights by offering charter service for Australian livestock exporters transporting breeding stock to Asian markets, which positions aircraft in Asia for the high yielding return flights to the United

States. No other carrier has the capability or flexibility to offer this unique triangular flight pattern.

Also in 1983, Flying Tigers inaugurated scheduled service to Buenos Aires, Argentina; Jeddah, Saudi Arabia, and to Dubai, in the United Arab Emirates.

In the Fall, Flying Tigers changed its North Atlantic operations in response to low yields in that market. The number of flights were reduced,



hubs were established in London and Frankfurt and trucking was expanded throughout Europe. The new strategy enabled the airline to utilize aircraft previously in service across the North Atlantic in other world markets, notably Asia and Australia, where there was a large increase in demand.

The transpacific market remains strong and profitable. Flights between the United States and Asia increased significantly during 1983, jumping from 32 weekly flights in August to 43 weekly transpacific flights, for an increase of 34 percent.

Flying Tigers' domestic door-to-door program, which features three levels of service and guaranteed on-time delivery to any destination in the United States, reached record volumes in 1983, both in pounds and shipment count.

The United States Air Force's Military Airlift Command awarded Flying Tigers a \$72.2 million contract for cargo and passenger services commencing in October 1983. Flying Tigers' share of the Air Force's basic contract amounts to 31 percent.

Flying Tigers posted a pretax profit in the fourth quarter of \$8.2 million, compared to a pretax loss for

the same period in 1982 of \$15.8 million. Record revenues topped \$299.7 million, more than 25 percent higher than the fourth quarter of 1982 with \$238.6 million.

With an all-freighter fleet of B-747, stretched DC-8 and B-727 aircraft, Flying Tigers is well positioned to take advantage of the global economic recovery as it continues to provide reliable transportation services to the world's shippers.





MULTIMODAL:

Tiger Distribution Services is a multimodal freight management company providing import/export services specializing in the support of overseas construction projects and sea/air intermodal transportation. Tiger Distribution offers a freight management system with single party responsibility

for the movement of goods from origin to destination.

Services include domestic and international transportation, packing, warehousing, consolidation, documentation, purchase order administration and insurance.

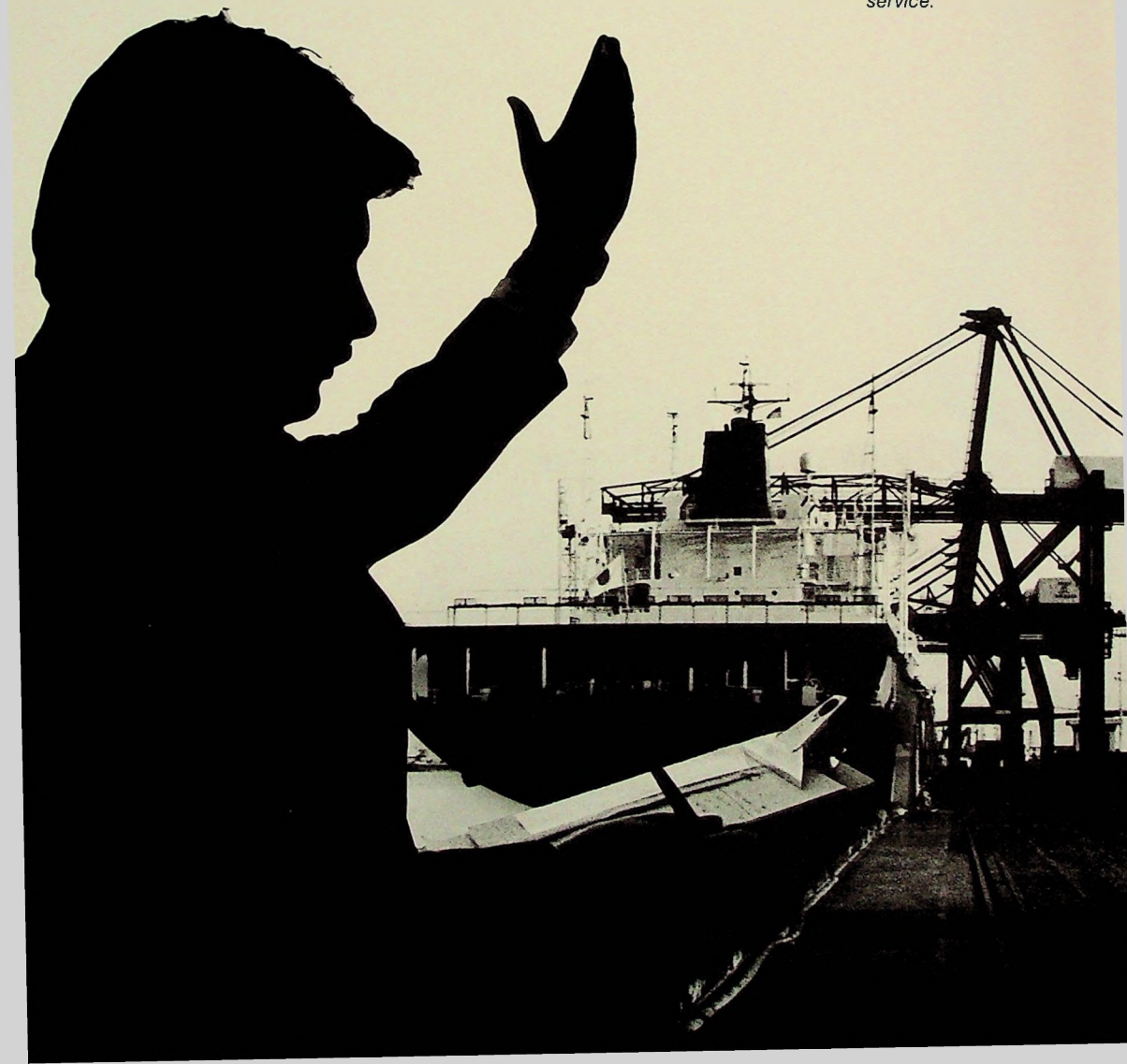
The freight management system is designed to facilitate the movement of freight from point of purchase to consignee in the most controlled and cost-effective manner possible,

utilizing Tiger Distribution's state-of-the-art computer system, called Tiger Tracs.

Tiger Tracs was specially designed to meet the complex transportation and scheduling needs of the construction project business, where time is a critical factor and sequenced delivery requirements a necessity. The system is designed for non-project business as well.

Tiger Distribution, with Hall's Motor Transit, recently introduced Tiger Export Services which provides consolidation services on a through bill of lading from points in the Eastern and Midwestern United States to points in the Far East and Australia.

Tiger InterModal, a Tiger Distribution company, is the world's largest sea/air intermodal operation providing shippers with sea, air and road services. In addition, Tiger InterModal operates a non-vessel operating common carrier service.



T**TRUCKING:**

Tiger International owns two trucking subsidiaries, Hall's Motor Transit, a general freight carrier, and Warren Transport, Inc., a specialized truckload carrier.

Hall's, based in Mechanicsburg, Pennsylvania, specializes in less-than-truckload (LTL) operations. In 1983, to better serve its customers,

Hall's improved its geographic coverage by opening 13 new terminals in key industrial areas. Hall's now has a network of 76 ideally situated locations.

For over 60 years Hall's has been serving customers in the greater Northeast and Central states regions. Hall's now offers ON TRACK intermodal service to California and Florida. This new service provides customers with an optimum combination of transportation modes

and services under single party responsibility, as well as quality LTL truck service at substantial cost savings.

Warren Transport, headquartered in Waterloo, Iowa, is the nation's leading motor carrier of agricultural equipment. Warren also specializes in transporting heavy machinery which requires special equipment or handling. Warren owns more than 1200 trailer units and

has contracts with over 400 independent owner-operators.

Throughout 1983 Warren remained a strong and profitable carrier and continued to expand its customer base. Warren Transport's truckload general commodities van division also reported excellent growth and a profitable year after its first full year of operation. Warren serves customers in 48 states, Canada and Mexico, and works with other Tiger companies to move intermodal traffic.



FIVE-YEAR FINANCIAL SUMMARY*(Amounts in thousands, except per share and ratio data)*

	1983	1982	1981	1980	1979
Revenues from Continuing Operations					
Air Cargo	\$1,019,832	\$ 905,496	\$ 879,104	\$ 708,485	\$ 457,611
Trucking and Intermodal	236,340	262,347	286,950	184,039	—
Other	(5,896)	(6,647)	(4,133)	—	—
Total	\$1,250,276	\$1,161,196	\$1,161,921	\$ 892,524	\$ 457,611
Loss from Continuing Operations					
Before Income Taxes	\$ (95,628)	\$ (127,433)	\$ (62,695)	\$ (9,386)	\$ (7,143)
Income Tax Benefit	—	(53,900)	(41,846)	(13,816)	(7,538)
Income (Loss) from Continuing Operations					
	(95,628)	(73,533)	(20,849)	4,430	395
Income (Loss) from Discontinued Operations					
	(147,004)	(62,690)	4,236	37,945	43,232
Net Income (Loss) Before Extraordinary Gain					
	(242,632)	(136,223)	(16,613)	42,375	43,627
Extraordinary Gain	19,792	—	—	—	—
Net Income (Loss)	\$ (222,840)	\$ (136,223)	\$ (16,613)	\$ 42,375	\$ 43,627
Per Share Data					
Earnings (Loss) per Share					
Continuing Operations	\$ (5.30)	\$ (4.34)	\$ (1.23)	\$.28	\$.03
Discontinued Operations	(8.14)	(3.70)	.25	2.40	3.00
	\$ (13.44)	\$ (8.04)	\$ (.98)	\$ 2.68	\$ 3.03
Extraordinary Gain	1.10	—	—	—	—
Total	\$ (12.34)	\$ (8.04)	\$ (.98)	\$ 2.68	\$ 3.03
Book Value per Share	\$ 4.16	\$ 16.72	\$ 24.76	\$ 26.45	\$ 25.12
Cash Dividends Paid per Share	\$ —	\$ —	\$.88	\$.80	\$.80
Shares Used for Computation of Earnings (Loss) per Share (000)					
	18,050	16,936	17,000	15,810	14,405
Other Data					
Funds from Operations	\$ 114,568	\$ 105,253	\$ 337,650	\$ 301,196	\$ 225,136
Long-term Debt to Equity Ratio	8.18	5.75	4.05	3.70	3.20
Stockholders' Equity	\$ 84,536	\$ 283,166	\$ 419,389	\$ 446,279	\$ 357,846
Total Assets	\$1,113,766	\$2,440,619	\$2,702,397	\$2,758,425	\$1,940,601
Number of Employees	10,800	13,200	13,952	14,769	8,684

FIVE-YEAR SUMMARY OF OPERATING STATISTICS

	1983	1982	1981	1980	1979
Air Cargo					
<i>Scheduled Cargo Service</i>					
Freight revenue ton miles (000)	2,018,563	1,604,964	1,603,217	1,405,117	1,164,382
Mail and Other revenue ton miles (000)	99,630	85,224	86,730	66,291	57,827
<i>Sources of Operating Revenues (percent)</i>					
Scheduled cargo operations	82.9	72.0	71.3	73.1	80.1
Military Airlift Command	8.3	12.7	12.7	12.1	9.9
Charter	6.3	10.3	11.3	11.3	8.5
Other	2.5	5.0	4.7	3.5	1.5
Fuel Cost per Gallon (\$)	.94	1.09	1.13	.99	.58
Trucking					
<i>Hall's Motor Transit^(a)</i>					
<i>Tonnage (000)</i>					
Truckload	605	1,084	1,697	1,707	2,294
Less-than-Truckload	754	776	923	695	705
Total tonnage	1,359	1,860	2,620	2,402	2,999
Operating Ratio (percent)	103.1	104.1	100.7	96.9	95.7
Number of Terminals Operated	76	75	80	58	56
<i>Warren Transport^(b)</i>					
Ton-Miles (000)	430,811	463,307	525,022	484,800	454,714
Intercity miles (000)	31,665	35,067	42,452	42,071	38,400
Operating Ratio (percent)	95.4	95.5	92.0	91.3	90.7
Number of Trailers Owned	1,237	1,315	1,281	1,128	1,107

(a) The operating statistics for Hall's include the results of Dohrn Transfer Company as of January 1981. Hall's was acquired by Tiger International in January 1980.

(b) Warren Transport was acquired in June 1981.

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
Manatt, 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)

EXECUTIVES

Tiger International:

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

Rolf Bodenburt
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

Hall's Motor Transit
Gerald N. Hall
President and
Chief Executive Officer

Buddy G. Cummings
Executive Vice President and
Chief Operating Officer

Warren Transport

Robert J. Molinaro
President and Chief Executive Officer

Tiger Distribution Services

Thomas E. Liesy
President

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, 1983**

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

1-6457**TIGER INTERNATIONAL, INC.****Delaware**

(I.R.S. Employer Identification No.)

95-2623176

(Address of principal executive offices)

**1888 Century Park East,
Los Angeles, California**

(Zip Code)

90067

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

**Listed on the New York Stock
Exchange only

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

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:

**\$105,911,534 as of March 28, 1984 based
upon the average bid and asked price for that date.**

Indicate the number of shares
outstanding of each of the
registrant's classes of common
stock, as of March 28, 1984:

20,826,400 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 1984 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, 1984, pursuant to
Regulation 14A.**

ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1983

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* Certain Portions Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1984 Annual Meeting of Stockholders.

** Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1984 Annual Meeting of Stockholders.

ITEM 1. BUSINESS.

Tiger International, Inc. ("Tiger") is engaged, through subsidiaries, in the air cargo transportation and trucking businesses. The Company, on December 15, 1983, completed the transfer of the management of, and the sale of certain assets of, its railcar services business to a subsidiary of General Electric Credit Corporation. The Company has agreed to sell additional assets of its railcar services business to such subsidiary upon the receipt by the Company of certain required consents and has granted such subsidiary an option to purchase its remaining railcar fleet. The Company has disposed of substantially all of its operations in its aviation services business, which it discontinued effective December 31, 1982. Effective December 31, 1983, the Company discontinued its railcar services business and its other leasing operations. The term, the "Company", when used herein, shall mean Tiger International, Inc., together with its subsidiaries, unless the context otherwise requires.

Tiger was incorporated under Delaware law in 1969 and is a successor to a corporation organized in 1945. Its principal executive offices are located at 1888 Century Park East, Los Angeles, California 90067 and its telephone number is (213) 552-6300.

FINANCIAL RESTRUCTURING

On February 14, 1983, Tiger'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 unilaterally 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 made an exchange offer (the "Tiger Exchange Offer") to holders of its publicly-held debt securities pursuant to which it reduced the principal amount of its debt by approximately \$29 million.

On September 8, 1983, North American and TigerAir executed restructuring agreements with most of their respective bank lenders, pursuant to which 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 which are parties to such agreement.

On December 15, 1983, North American, pursuant to an agreement with General Electric Credit Corporation (which, together with its subsidiaries, is hereinafter referred to as "GECC") entered into on September 7, 1983, sold certain of its assets and management operations to GECC. North American has agreed to sell additional assets to GECC pursuant to such agreement upon receipt by North American of certain required consents. Such additional sale is expected to be completed prior to December 15, 1985.

On December 30, 1983, Flying Tigers and substantially all of its private lenders executed restructuring agreements pursuant to which defaults on approximately \$588 million principal amount of indebtedness were waived or suspended and a new \$45 million credit facility was provided.

The North American and Flying Tigers restructuring agreements provide for the deferral of approximately \$221 million of principal and interest otherwise payable in 1983 through 1985. Negotiations are continuing with lenders of Tiger Leasing Group, Inc., a direct subsidiary of Tiger ("Tiger Leasing Group"), and other subsidiaries at which obligations are in default, and with lenders of TigerAir to amend and cure certain defaults not relating to the payments required under TigerAir's restructuring agreement.

During February, 1984, Flying Tigers commenced exchange offers to holders of its publicly held debt securities pursuant to which, as of March 28, 1984, it reduced the principal amount of its debt by approximately \$2.6 million. As a result of such exchange offers, Flying Tigers is no longer a wholly-owned subsidiary of Tiger.

Tiger

Tiger has continued to make payments on all debt at the parent company level. Pursuant to the Tiger Exchange Offer, Tiger acquired \$37,894,000 principal amount, or 72%, of its outstanding 11½% Sinking Fund Debentures due October 1, 1995 (the "Old 11½% Debentures"), and \$55,563,000 principal amount, or 93%, of its outstanding 8½% Convertible Subordinated Debentures due July 1, 2005 (the "Old 8½% Debentures" and, together with the Old 11½% Debentures, the "Old Debentures").

In exchange, Tiger 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" and, together with the New 11½%

Debentures, the "New Debentures"), 3,156,924 shares of common stock, \$1 par value, of Tiger ("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's option in cash or in Common Stock.

Tiger 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 Exchange Offer.

As a result of the exchange, Tiger's outstanding long-term debt has been reduced by \$29,058,000 principal amount. Furthermore, if Tiger 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's outstanding public debentures will be reduced from \$11,500,000 annually prior to the Tiger Exchange Offer to \$2,100,000 annually. Tiger did so elect with respect to the payment of interest on October 1, 1983, on its New 11½% Debentures and on January 1, 1984, on its New 8¼% Debentures, satisfying its respective \$1.7 million and \$1.6 million interest obligations by delivering 259,989 and 332,691 shares of Common Stock, respectively, and \$4,182 and \$141, respectively, in cash for fractional shares. On March 27, 1984, Tiger announced that it had elected to pay the interest due on April 1, 1984, on its New 11½% Debentures, in Common Stock, and approximately 265,000 shares of Common Stock will be issued in connection with the April 1, 1984 interest payment.

Tiger has executed agreements with the lenders who are parties to the North American and Flying Tigers restructuring agreements described below. Such agreements prohibit the payment by Tiger of dividends (other than dividends payable solely in Common Stock) or other distributions (other than distributions of Common Stock, other equity securities or rights to purchase Common Stock or equity securities) on or with respect to Tiger's outstanding Common Stock, or any other class of its stock outstanding thereafter, until all obligations owing to such lenders have been paid. Amounts are presently scheduled to be paid to such lenders over a period extending through 1990. These agreements also provide for the issuance to such lenders of warrants to purchase Common Stock in connection with advances made by North American and Flying Tigers to Tiger. Each such warrant as well as each warrant issued in connection with deferred interest as described below (each a "Restructuring Warrant") will entitle the holder to purchase one share of Common Stock, subject to adjustment, exercisable for a period expiring September 30, 1993.

The North American and Flying Tigers restructuring agreements provide for one Restructuring Warrant to be issued to the lenders who are parties to such agreements for each \$50 expected to be advanced to Tiger by North American and Flying Tigers in each fiscal quarter during the respective terms of such restructuring agreements. The exercise price of the Restructuring Warrants issued under this provision will be equal to, subject to adjustment, the lesser of (i) \$9.00 and (ii) the average closing price of the Common Stock over a 10-day period ending on or prior to the fifteenth day of the month in which such Restructuring Warrants are to be issued.

In connection with advances to be made by North American and Flying Tigers during the second fiscal quarter of 1984, an aggregate of 50,579 Restructuring Warrants at an exercise price of \$7.3875 were issued as of March 20, 1984 to the North American and Flying Tigers lenders. Because advances are limited under the terms of the North American and Flying Tigers restructuring agreements, no more than 1,400,000 Restructuring Warrants in total over the terms of the restructuring agreements are expected to be granted to the North American and Flying Tigers lenders for advances made to Tiger.

In addition to Restructuring Warrants issued in connection with advances, Restructuring Warrants have been and are to be issued to the North American lenders which are parties to the North American restructuring agreement in connection with specified amounts of interest deferred pursuant to such agreement. Pursuant to this provision, 117,245 Restructuring Warrants were issued as of October 1, 1983 (the "October Restructuring Warrants") and 54,109 Restructuring Warrants were issued as of January 1, 1984 (the "January Restructuring Warrants"). The North American lenders which are parties to the North American restructuring agreement will be entitled to receive an additional 74,850 Restructuring Warrants as of April 1, 1984 (assuming no change in the prime rate). The exercise price of all such Restructuring Warrants issued with respect to deferred interest is or will be, as the case may be, the average closing price of the Common Stock over a 10-day period immediately preceding the date of issuance of such Restructuring Warrants. The exercise prices of the October Restructuring Warrants and the January Restructuring Warrants are \$6.46 and \$5.15, respectively, subject to adjustment.

Tiger has agreed that advances from North American and Flying Tigers to Tiger will be limited to up to a total of \$7,265,000 in 1984 and \$9,350,000 in 1985 (which limit shall increase by \$350,000 per year through 1990) for payment of Tiger's general and administrative expenses through 1990 and for the

amounts required to pay interest due on the Old Debentures through September 30, 1986. Such expenses and interest will be paid from equal advances made to Tiger by North American and Flying Tigers. The advances for payment of interest on the Old Debentures, amounting to approximately \$1 million annually through 1986 from each of Flying Tigers and North American, will become intercompany obligations owing from Tiger to such subsidiaries. Such obligations will bear interest at 7% per annum payable at maturity and will be due and payable in 1991. Notes evidencing such intercompany obligations have been pledged by Flying Tigers and North American to the lenders under their respective restructuring agreements.

Tiger's right to such advances from North American and Flying Tigers is subject to several conditions including but not limited to the following: at the time of any advance, no event of default may exist under the North American or Flying Tigers restructuring agreements, and North American and Flying Tigers each must have remaining balances of cash, cash equivalents or other current assets aggregating at least \$5,000,000 following any such advance. The amount permitted to be advanced will be reduced by the sum of the amount, if any, that Tiger's Cash Balance (as defined) exceeds \$2,000,000 and the amount by which the amount previously advanced exceeded actual general and administrative expenses and interest payments on the Old Debentures. Advances by North American or Flying Tigers to pay Federal income taxes attributable to taxable earnings of North American or Flying Tigers are prohibited unless and until, among other things, Tiger and its affiliates on a consolidated basis become a tax-paying entity, all payments required to be made under the North American and Flying Tigers restructuring agreements are made when due and intercompany tax receivables of approximately \$80,000,000 owed to North American by Tiger and \$80,000,000 owed to Flying Tigers by Tiger have been paid in cash or through an offset of the tax-related amount that would otherwise be owing by North American or Flying Tigers to the Company.

As a result of the limitations in the aforementioned agreements, absent an amendment or change in the terms thereof, Tiger will be prohibited from paying dividends (other than Common Stock dividends) on its Common Stock, and will receive from Flying Tigers and North American only sufficient cash for a limited amount of general and administrative expenses and for payment of interest on the Old Debentures through September 1986. No provision has been made to permit payment by Flying Tigers or North American to Tiger of cash for interest payments on the Old Debentures after September 1986, for sinking fund payments on the Old Debentures, for any payments on the New Debentures, for payments on any additional debt which might be incurred by Tiger, or for payments of any extraordinary expenses. In the event Tiger is unable to satisfy its cash payment obligations under the Old Debentures, such inability could result in the acceleration of the Old Debentures and the acceleration of the \$132 million promissory note described below, which is owing by Tiger to North American and which has been pledged to the lenders who are parties to the North American restructuring agreement.

In addition, although the amount of advances that are permitted to be made by Flying Tigers and North American to Tiger under their respective restructuring agreements are expected to be sufficient to meet Tiger's general and administrative expenses, there can be no assurance that such advances will be sufficient and no provision has been made to allow payment by Flying Tigers or North American to Tiger of cash to pay any expenses in excess of such advances. Furthermore, should Tiger and its subsidiaries become a tax-paying entity on a consolidated basis, it would not receive cash from Flying Tigers or North American to make tax payments until tax credits have been fully allocated to both Flying Tigers and North American.

In order to obtain cash for purposes of making payments on the Old Debentures after September, 1986, any payments under the New Debentures, payments on additional debt, payments for extraordinary expenses or payments for taxes, Tiger would be required to sell additional securities (which would in all probability be equity securities), to sell some of its assets, or to obtain cash from its trucking subsidiaries. Tiger's principal trucking subsidiary, Hall's Motor Transit Company, ("Hall's"), however, is permitted to advance to Tiger only up to \$1 million annually under the terms of Hall's credit agreements. There can be no assurance that Tiger will be able to sell such additional securities or assets, that the proceeds from any such sale will be sufficient to make such payments or that sufficient cash will be available from Tiger's trucking subsidiaries.

In connection with the North American restructuring agreement, Tiger executed a promissory note in the principal amount of \$132 million in favor of North American, representing advances previously made to Tiger by North American, which note was pledged by North American to the lenders under such restructuring agreement to secure its obligations thereunder. Such note bears interest at 7% per annum, payable at maturity, and matures January 1, 1991. The obligations under this note may be accelerated and declared due and payable prior to January 1, 1991 upon the occurrence of certain events, including a default by North American under its restructuring agreement which is not waived within 45 days or the acceleration of Tiger's Old or New Debentures, and will be automatically accelerated in the event of an insolvency proceeding involving North American. In the event of a default under the North American restructuring agreement, there is a risk that the lenders who are parties thereto would institute proceedings

to collect such intercompany receivable or seek to foreclose on such note. An action by such a lender to collect such intercompany receivable or to foreclose on such note could result in the forced sale of assets of Tiger, including the stock of its subsidiaries, to satisfy its obligations thereunder. Further, a representative of the creditors of North American has taken the position that such intercompany obligation owed by Tiger constitutes "Senior Indebtedness" within the meaning of the indentures pursuant to which Tiger's public subordinated and senior subordinated debentures were issued. If such claimed position that these intercompany obligations constitute "Senior Indebtedness" was upheld by the courts, this would substantially increase the amount of "Senior Indebtedness" ranking prior in right of payment to such subordinated and senior subordinated debentures and on a par with Tiger's public senior indebtedness. There can be no assurance that such asserted position would not be upheld by the courts.

Flying Tigers

At Flying Tigers, the restructuring agreements were executed on December 30, 1983 and provide for a new \$45 million credit facility and the deferral of approximately \$48 million of principal and interest otherwise payable in 1983 and 1984. The deferred principal and interest will be payable in 20 quarterly installments of approximately \$2,400,000 each commencing July 2, 1985. The new credit facility will be a revolving loan with amounts outstanding at June 30, 1985 convertible into a five-year term loan with 20 equal quarterly payments of principal plus accrued 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 from 1986 through 1990 supplemental interest contingent upon its earnings. The cumulative amount of such supplemental interest may not exceed \$20 million.

The restructuring agreements contain strict financial covenants and substantially all unencumbered assets, then held or subsequently acquired, of Flying Tigers have been pledged to secure its obligations thereunder. The 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 restructuring agreements be paid to the participating creditors to reduce the outstanding amount of the revolving loan and, if such sale occurs prior to June 30, 1985, to reduce correspondingly the available amount of the revolving credit facility. In addition, 80% of the aggregate net proceeds from sales on or after May 11, 1983 in excess of \$15,000,000 of all other assets pledged under the restructuring agreements must be paid to the participating creditors to reduce the outstanding amounts of deferred principal and the outstanding amount of the revolving loan; and, if such sale occurs prior to June 30, 1985, to reduce correspondingly the available amount of such revolving credit facility. Flying Tigers has the option with respect to required prepayment amounts relating to sales of revolving loan assets from \$15,000,000 to \$20,000,000 to deliver such amounts as cash collateral for its revolving loan obligations for a period of time rather than to prepay such obligations.

Among the assets pledged to the lenders which are parties to the Flying Tigers restructuring is a promissory note issued to Flying Tigers by Tiger in the amount of up to \$5,349,000 for future advances from Flying Tigers to Tiger for payment of interest on the Old Debentures. Such note bears interest at 7% payable at maturity and matures January 1, 1991. The obligation under such note may be accelerated upon the occurrence of certain events, including a default by Flying Tigers under its restructuring agreements, which is not waived within 45 days, or the acceleration of Tiger's Old or New Debentures.

North American

At North American, a restructuring agreement was executed as of September 8, 1983 by North American and certain of its major lenders which hold, in the aggregate, \$283 million of North American's \$778 million principal amount of long-term debt and capitalized lease obligations and have issued letters of credit in the aggregate amount of \$17 million in behalf of North American. Pursuant to such restructuring agreement, as amended on November 15, 1983, and amended and restated on December 6, 1983, North American paid on September 15, 1983, and December 12, 1983, approximately \$15 million and \$18 million, respectively, of interest that was otherwise payable earlier in 1983. On June 1, 1983, in connection with settlement agreements with all certificateholders under three of its equipment trust agreements, North American paid to such certificateholders the installments of principal and interest payments on which it had defaulted, in the aggregate amount of approximately \$6,301,000.

Such restructuring agreement also provides for the deferral until 1986 and beyond of approximately \$173 million of principal and interest otherwise payable in the period from 1983 through 1985. The \$173 million of deferred principal and interest will be payable over a five-year period commencing in March 1986. In the event that asset sales by North American exceed the asset sale projections submitted to the lenders which are parties to such restructuring agreement, \$27 million of interest will not be deferred. Beginning February 1984, North American will be obligated, pursuant to the terms of such restructuring agreement, to make monthly payments of 85% of the stated original contract interest requirements (substantially all of which are

... tied to the prime rate) under the restructured loan and credit agreements accruing after December 31, 1983 and prior to January 1, 1986. Each such monthly payment will be approximately \$2,300,000, and each monthly deferral of interest through December 31, 1985, will be approximately \$625,000 assuming a prime rate of 11% per annum and no change therein. Subject to the condition that assets sales by North American are not in excess of the asset sale projections thereof agreed to by the lenders which are parties to the North American restructuring agreement, North American may reborrow \$23,954,000 of the interest prepaid by it in 1983, if needed by North American in 1984 and 1985, in accordance with the provisions of such restructuring agreement.

The executed restructuring agreement contains strict financial covenants and substantially all unencumbered assets, then held or subsequently acquired, of North American have been pledged to the participating lenders to secure North American's obligations under the agreement. The agreement also requires that substantially all proceeds from asset sales by North American be paid to the lenders to reduce debt owed to them. It is projected that, in addition to cash generated from operations, North American will be required to sell approximately 19,000 railcars over the term of the restructuring in order to satisfy its debt payment obligations under the restructuring agreement. Such railcar sales must include the sale of railcars which are currently encumbered under equipment trust agreements and there can be no assurance that North American will be able to obtain the releases which will be required to consummate such sales.

The releases required to consummate the necessary railcar sales must be obtained from certain institutional and other lenders to North American which were not parties to the restructuring agreement and which are lenders with respect to approximately an additional \$265 million principal amount of North American's debt. Furthermore, certain of these lenders have asserted that the terms of their respective agreements may entitle them to declare defaults, notwithstanding the fact that either there has been no failure to make scheduled payments to such lenders or all payment defaults were subsequently cured. Such lenders have argued that actions taken and proposed to be taken by North American in connection with its restructuring violate provisions in such lenders' respective agreements which limit North American's right to dispose of, or grant security interests with respect to, its properties. North American previously requested waivers of such provisions from such lenders but such waivers were not agreed upon. Such lenders have not, however, served North American with any notice of default. North American is currently seeking waivers and amendments to equipment trust agreements which, if obtained, will permit North American to engage in a long-term plan to sell a substantial portion of its assets without having to obtain additional consents from the holders of trust certificates thereunder.

Among assets pledged to the lenders which are parties to the restructuring agreements are promissory notes issued to North American by Tiger, in the amount of approximately \$132 million, and by Tiger Leasing Group, in the amount of approximately \$81 million, representing advances previously made by North American to such entities, plus a note issued to North American by Tiger in the amount of up to \$10 million for future advances from North American to Tiger for payment of interest on the Old Debentures. Such notes bear interest at 7%, are payable at maturity and mature January 1, 1991. The obligations under such notes may be accelerated and declared due and payable prior to January 1, 1991, under certain conditions. The \$132 million Tiger note may be accelerated in the event of a default by North American under its restructuring agreement which is not waived within 45 days or the acceleration of Tiger's Old or New Debentures, and will be automatically accelerated in the event of an insolvency proceeding involving North American. The \$81 million Tiger Leasing Group note may be accelerated in the event of certain defaults under the agreements pursuant to which Tiger Leasing Group has guaranteed approximately \$170 million of debt of North American and other Tiger Leasing Group subsidiaries and has pledged the stock of North American for the benefit of the North American, Tiger Leasing Group creditors and certain creditors of Tiger Leasing Group's other subsidiaries.

Payment by North American on a guarantee of an affiliate's defaulted obligations aggregating approximately \$9 million has not been made and payment has been demanded by the creditor thereunder. North American's failure to pay under such guarantee, if not cured or waived, would be the basis for a notice of default under the North American restructuring agreement if the lender which is the beneficiary of such guarantee garnishes, executes upon or attaches any property or assets of North American or otherwise receives any payment or collateral from North American under such guarantee.

During 1983, North American defaulted on the payment of three consecutive quarterly dividends on its outstanding \$3.00 cumulative preferred stock, in the aggregate amount of approximately \$250,000, which defaults were cured in March, 1984. In addition, North American failed to satisfy a mandatory sinking fund redemption of 8,000 shares of such preferred stock on September 10, 1983, but North American has committed to purchase the number of shares required to satisfy such redemption requirement. North American is prohibited pursuant to the terms of its restructuring agreements from satisfying the dividend or

sinking fund requirements of the preferred stock after the 1984 annual meeting of stockholders of North American. Absent amendment of the restructuring agreement, this would entitle the holders of the preferred stock to nominate and elect two members to the board of directors of North American, which may, at North American's option, have the effect of increasing the number of board members to seven at the 1985 annual meeting of stockholders of North American.

A stipulated judgment was entered against North American in connection with litigation relating to the default under Credit Suisse's \$25 million loan to North American. Such judgment required North American to satisfy its defaulted interest payment of \$4,380,000 on or before December 7, 1983, under the Credit Suisse loan documents, to pledge 1,159 formerly unencumbered railcars to secure the obligation owed to Credit Suisse, and to pay Credit Suisse in full at scheduled maturity in January 1985. The \$4,380,000 payment was made on December 7, 1983.

In connection with the pledge of 1,159 railcars to Credit Suisse pursuant to the stipulated judgment, North American inadvertently pledged 58 railcars owned by a wholly-owned subsidiary of North American, rather than by North American itself and, consequently, Credit Suisse has alleged that North American is in default under the Credit Suisse loan documents and the stipulated judgment. As a result, Credit Suisse could seek to enforce various available remedies, including foreclosing on the railcars pledged to Credit Suisse. North American is currently negotiating with Credit Suisse to substitute other collateral acceptable to Credit Suisse for such 58 railcars. Although North American has taken the position that such substitution will cure such default, Credit Suisse has not concurred and has not agreed to waive such default upon the completion of such substitution. No assurances can be made that such negotiations will prove successful.

Under the terms of the North American restructuring agreement, to which Credit Suisse is not a party, North American is permitted to satisfy the principal amount of its debt to Credit Suisse at scheduled maturity (other than by conveying to Credit Suisse the railcars pledged to it, which is expected to be insufficient to satisfy such debt in full) only to the extent that the debt due to North American's lenders, which are parties to such restructuring agreement, is paid on a pro rata basis. Therefore, under the terms of the North American restructuring agreement, it will be necessary to renegotiate certain provisions of the North American restructuring agreement to permit North American to satisfy its debt to Credit Suisse or for a party which is not a subsidiary of North American to assume or satisfy the obligations to Credit Suisse in order to avoid a requirement that all the restructured debt be paid in January 1985 or to avoid defaulting under the Credit Suisse stipulated judgment, which default could result in a default under the North American restructuring agreement.

Pursuant to settlement agreements between North American and all certificateholders under three of its equipment trust agreements, such certificateholders parties may declare a default if the North American restructuring was on terms significantly less favorable to North American than terms specified in such settlement agreements, or if North American fails to take appropriate action to amend all of its equipment trust agreements in certain respects. While representatives of such certificateholders have expressed the view that the North American restructuring contains terms that are significantly less favorable than those specified in such settlement agreements, none of such certificateholders has declared a default. North American has taken all steps required on its part to amend such equipment trust agreements as required, but the amendments have not been approved or executed by the other parties to such equipment trust agreements. A default under its equipment trust agreements could constitute a default under the North American restructuring agreement under certain circumstances specified therein.

In the event of a default by North American under its restructuring agreement, or a default under the TLG Guaranty or the TLG Pledge, there is a risk that the lenders which are parties thereto or the beneficiaries of the TLG Guaranty or the TLG Pledge as the case may be would seek to collect the intercompany receivables owing to North American by Tiger and/or Tiger Leasing Group, in the respective amounts of \$132 million and \$81 million as the case may be, or seek to foreclose upon the notes evidencing such receivables which were pledged to the lenders under such restructuring agreement by North American to secure its obligations thereunder. Any action by such a lender or beneficiary could result in the forced sale of the assets of Tiger or Tiger Leasing Group (including the stock of their respective subsidiaries), as the case may be, to satisfy their respective obligations. An action for the attachment of assets of North American brought by Societe Generale de Banque Brussels prior to the execution of the North American restructuring agreement has been dismissed, but there can be no assurance that creditors of the Company's subsidiaries would not bring attachment or foreclosure actions or that any such action could be settled on favorable terms. A number of such creditor actions could prevent such subsidiaries from conducting their respective businesses, thereby making them unable to contribute to the earnings of the Company or to meet their obligations, and may result in the bankruptcy of such subsidiaries. Furthermore, defaults by subsidiaries of Tiger Leasing Group may cause defaults under agreements of other subsidiaries, including North American.

On December 15, 1983 North American contracted with GECC to manage a significant portion of North American's business and transferred certain assets to GECC. North American has also granted to GECC an option to purchase its remaining railcars. See "DISCONTINUED OPERATIONS — RAILCAR SERVICES" below.

TigerAir

At TigerAir, the business of which is being discontinued and the assets of which are being sold, a credit agreement with respect to principal in the amount of \$62 million was executed as of September 8, 1983 by TigerAir, Tiger Leasing Group and with lenders of TigerAir in substitution for an equivalent amount of existing debt, some of which was secured. Although TigerAir has made all scheduled payments under its restructuring agreement, it is currently in default under covenants and similar terms of such restructuring agreement. TigerAir is currently negotiating the amendment of such agreement and the waiver of such default. TigerAir assets have been sold to repay a portion of this debt and, as of December 31, 1983, TigerAir's lenders which participated in the restructuring had received approximately \$24.2 million of principal and interest payments since September 8, 1983. Substantially all of TigerAir's assets have been pledged to its lenders and will be sold over a period of years, with sale proceeds to be paid to the TigerAir lenders. It is expected that these proceeds will be insufficient to fully satisfy the TigerAir debt and that TigerAir will have a shortfall of approximately \$10 to \$15 million. Tiger Leasing Group has agreed to make, beginning in 1986, certain payments on this projected shortfall.

A lender who participated in the TigerAir and North American restructurings has taken the position that TigerAir is in default under the TigerAir restructuring agreement because the pledge of assets by Tiger Leasing Group pursuant to the North American restructuring was prohibited under the TigerAir restructuring agreements.

Tiger Leasing Group

Tiger Leasing Group has guaranteed approximately \$170 million in principal amount of the debt of TigerAir and certain other of its subsidiaries in connection with the restructuring of the debt of such subsidiaries. Under the guarantees in connection with North American's, TigerAir's and certain other subsidiaries' restructuring agreements, Tiger Leasing Group is to make, beginning in 1986, certain minimum payments on the projected \$25 million to \$32 million of its subsidiaries' indebtedness (other than North American) which will be outstanding after application of the proceeds of sales of the assets of such subsidiaries to such indebtedness. Pursuant to such agreements, Tiger Leasing Group has pledged the stock of North American to collateralize its obligation under such guarantees. An intercompany debt obligation of approximately \$81 million owed by Tiger Leasing Group to North American has also been secured by a pledge of North American stock, and the Tiger Leasing Group obligation has been assigned as security to the creditors who participated in the North American restructuring. Tiger Leasing Group is also liable under the terms of guarantees for the benefit of creditors which have not agreed to forbear from proceeding against Tiger Leasing Group. Since Tiger Leasing Group's only assets are the common stock of its subsidiaries and since its principal subsidiary, North American, and all of its other subsidiaries are unable to advance funds to Tiger Leasing Group, Tiger Leasing Group currently is not in a position to pay its obligations under any of its guarantees, if demands for payment are made thereunder (and it is expected that such demands will be made), and is not in a position to pay its intercompany debt obligation. Legal actions by creditors of Tiger Leasing Group could lead to the forced sale of the assets of Tiger Leasing Group, including the sale of the stock of North American and Tiger Leasing Group's other subsidiaries.

Tiger Leasing Group has guaranteed obligations of certain of its subsidiaries and affiliates in the aggregate amount of approximately \$170,000,000. Demand for payment in the aggregate amount of approximately \$2,450,000 has been made by certain lenders under certain of such guarantees and such lenders have obtained judgments in such amount against Tiger Leasing Group. See "ITEM 3. LEGAL PROCEEDINGS."

Other Subsidiaries

Tiger Equipment & Service, Ltd. ("TES") has completed a restructuring of its \$9.8 million principal amount of indebtedness. TES is currently in default under its restructuring agreement as a result of, among other things, its failure to make a principal payment when due under the terms of such agreement. In addition, the lender who participated in the TES and North American restructurings has taken the position that the guarantee by Tiger Leasing Group under the North American restructuring constitutes a default under the terms of the TES restructuring agreement.

Negotiations with creditors of other subsidiaries, including in particular National Equipment Rental, Ltd. ("NER"), are in preliminary discussions. The total amount of such unstructured debt is approximately \$21 million. On December 30, 1983, NER pledged all of its assets to a major bank lender to hold as agent for the benefit of the creditors of NER who have agreed to waive existing defaults under their respective

agreements and to forbear from pursuing claims against NER for a period of 120 days, commencing December 30, 1983. On March 28, 1984, the 120 day period was extended to 180 days. During such period, the parties will be engaged in negotiations with respect to a restructuring agreement. Tiger has agreed, subject to the execution of a definitive NER restructuring agreement and the approval of the Flying Tiger and North American lenders, to transfer 713,000 shares of Tiger common stock (the "Tiger Stock") to NER for the benefit of NER's creditors in exchange for certain assets carried on NER's balance sheet at a value of \$6.4 million. As part of the proposal, Tiger would also agree to use its best efforts to register the Tiger Stock in order to permit its sale for the benefit of NER's creditors. As of March 1, 1984, NER had assets of approximately \$18.3 million, consisting of receivables, equity securities and cash.

Ability to Complete Restructuring

Although Flying Tigers and North American have entered into restructuring agreements with lenders, not all lenders of North American have participated in such restructuring, and certain defaults not relating to payment may still exist with respect to portions of North American's debt. In addition, certain smaller subsidiaries of Tiger, including those which have previously entered into restructuring agreements, continue in many cases to be in default in payment of their obligations or in technical default thereunder. Although it is anticipated that the restructuring of the debt of each of such subsidiaries will be completed, and all defaults will be either cured or waived, there can be no assurance that agreements will be reached with all lenders to achieve such restructurings, that all remaining defaults under North American or other subsidiaries' obligations will be waived or cured, that all conditions and covenants contained in the Flying Tigers or the North American restructuring agreements, or in the restructuring agreements of other subsidiaries, will be met, that agreements will be reached with all lenders of North American or other subsidiaries which are not currently parties to any restructuring, that all lenders will agree to the terms of any restructuring, or that lenders whose obligations continue to be in default will not accelerate such obligations, seize or otherwise exercise creditors' remedies with respect to assets which collateralize such obligations, commence proceedings under Federal bankruptcy laws against Tiger or one or more of its subsidiaries or take any other action available to creditors.

Even if all remaining creditors agree to the current restructuring proposals, there can be no assurance that the Company will be able to meet all of its obligations under the executed Flying Tigers, North American and TigerAir restructuring agreements or any further restructuring plans. Payment schedules under each existing and proposed plan are based upon certain projections with respect to future operating results of the subsidiaries involved and upon the ability to dispose of certain assets at reasonable prices. There can be no assurance that such projections will be achieved or that the Company will be able to sell such assets at projected prices. In particular, North American projects that it must sell approximately 19,000 railcars, some of which are subject to equipment trust agreements, in order to pay all its debt obligations under its restructuring. North American may not be able to obtain releases from such equipment trust agreements to enable it to make such sales.

In addition, it is expected that, commencing in 1986, those creditors of subsidiaries of Tiger Leasing Group which have agreed to defer recovery on their Tiger Leasing Group guarantees will demand certain minimum payments from Tiger Leasing Group on approximately \$25 million to \$32 million of Tiger Leasing Group guarantees. In addition, certain other creditors of Tiger Leasing Group which have not agreed to defer recovery on their guarantees may assert such claims in 1984. Since Tiger Leasing Group has no assets other than the common stock of its subsidiaries and all of such subsidiaries are unable to advance funds to Tiger Leasing Group, Tiger Leasing Group is not in a position to meet its obligations under any of such guarantees.

Furthermore, unless North American is able to renegotiate provisions of its restructuring agreement or a party other than a subsidiary of North American assumes or satisfies North American's obligations to Credit Suisse, due in January 1985, North American will be in default under the Credit Suisse stipulated judgment, which default could result in a default under the North American restructuring agreement, or North American will be required to pay, in addition to the principal due to Credit Suisse, all debt owed to lenders who are parties to the restructuring agreement, which amounts North American would be unable to pay. Since the restructuring plans require the pledge of substantially all remaining unencumbered assets of Tiger's subsidiaries, this will restrict further borrowing to cover any shortfalls, and will affect the willingness of existing creditors to participate in a further restructuring if this becomes necessary. Finally, while the current restructuring plans would permit Flying Tigers and North American to advance funds to Tiger for the purpose of paying interest on Tiger's Old Debentures until 1986, no provision has been made for advancing funds to cover interest payments due thereafter or principal amounts which become due in 1993 and thereafter, or to pay interest or principal on the New Debentures in cash should Tiger decide to do so.

If the Company is unable to complete its current restructuring or to perform in accordance with the terms of the restructuring agreements, holders of the Common Stock are likely to be adversely affected. If the restructuring is unsuccessful, the Company may be required to either renegotiate the terms of the restructuring, to seek court protection through the filing of a reorganization case under Chapter 11 of the United States Code in an effort to rehabilitate the Company or to liquidate. If the Company is compelled to liquidate, there is a likelihood that stockholders will receive little or nothing in respect of their shares of Common Stock. While the Company cannot predict the effect of a Chapter 11 filing on the stockholders of the Company, there is a reasonable probability that such stockholders would be better off if the Company were successfully able to confirm a plan of reorganization than in the event of the Company's liquidation. It is possible, however, that even in the event of a successful Chapter 11 proceeding for the Company, stockholders of the Company would receive little or nothing in respect of their shares of Common Stock.

Information generally concerning the Company's financial resources is included in PART II under the caption "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

Revenue and Operating Results

Information regarding Tiger's revenues, operating results and identifiable assets by business segment and geographic area is included in PART II under the caption "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA."

AIR CARGO

Flying Tigers is a certificated air carrier primarily engaged in the scheduled common carriage of freight and mail over a route system serving major cities in the United States, Mexico, Asia, Europe, Australia, South America and the Middle East. It is the largest air cargo carrier in the free world as measured by cargo revenue ton miles carried in 1983, based on statistics maintained by the International Air Transport Association ("IATA") and is currently the only international all-cargo air carrier which also services the United States domestic market.

On February 16, 1984, Flying Tigers offered (i) to exchange (the "ETC Exchange Offer") 76 shares of its common stock, \$1 par value ("FT Common Stock"), and Warrants to purchase 36 shares of FT Common Stock for \$11 per share, subject to adjustment, exercisable from issuance through March 15, 1989 ("Warrants"), for up to \$6,300,000 of the outstanding \$34,790,000 principal amount of its outstanding 9% Equipment Trust Certificates due October 1, 1991 (the "ETC's") and (ii) to exchange (the "Debtenture Exchange Offer" and, together with the ETC Exchange Offer, the "Flying Tigers Exchange Offers") 80 shares of FT Common Stock and Warrants to purchase 30 shares of FT Common Stock for all of the outstanding \$7,730,000 principal amount of 5% Convertible Subordinated Debentures due April 1, 1986 (the "5% Debentures").

The ETC Exchange Offer will expire at 12:00 midnight, Eastern time, on April 13, 1984, subject to extension by Flying Tigers. As of March 28, 1984, approximately \$2,400,000 principal amount (7%) of the outstanding ETCs had been tendered and accepted and approximately 181,944 shares of FT Common Stock and Warrants to purchase 86,184 shares of FT Common Stock had been or were to be issued therefor. Flying Tigers has reserved the right to accept up to approximately \$16,050,000 ETCs duly tendered.

The Debenture Exchange Offer expired on March 28, 1984, under which \$88,000 of 5% Debentures were duly tendered and accepted and 7,040 shares of FT Common Stock and Warrants to purchase 2,640 shares of FT Common Stock had been or were to be issued therefor.

The purposes of the Flying Tigers Exchange Offers are to convert a portion of the debt represented by the ETCs and 5% Debentures to equity and to conserve cash by reducing the cost to Flying Tigers of interest and sinking fund payments on its outstanding debt. If \$16,050,000 principal amount of ETCs are duly tendered and accepted pursuant to the ETC Exchange Offer, Flying Tigers may apply ETCs so acquired to satisfy all mandatory sinking fund requirements for the ETCs through April 1, 1987 and to satisfy a portion of the sinking fund payment on October 1, 1987. If all such ETCs are duly tendered and accepted, Tiger will own 93% of the FT Common Stock, and if all Warrants issued in connection therewith are also exercised, Tiger will own 91% of the FT Common Stock.

Scheduled Operations.

As of March 1, 1984, Flying Tigers provided domestic scheduled air service for both cargo and mail directly to 31 United States cities and San Juan, Puerto Rico. A portion of such service is provided by leased aircraft. Service is provided to additional United States cities through intermodal trucking operations and pursuant to interline agreements with other carriers. Flying Tigers historically has transported cargo on an airport-to-airport basis, but entered the guaranteed door-to-door delivery market as of January 1, 1982.

In the years ended December 31, 1982 and 1983, the guaranteed door-to-door business produced 23.6% and 48.9%, respectively, of Flying Tigers' domestic scheduled service revenues.

As of March 1, 1984, Flying Tigers provided international scheduled air service for both cargo and mail between points in the United States and points in Japan, the Republic of Korea, Hong Kong, the Republic of China (Taiwan), the Philippines, Malaysia, Singapore, the Federal Republic of Germany, the United Kingdom, the United Arab Emirates, the Kingdom of Saudi Arabia, the Republic of Ireland, Mexico, Belgium, Brazil, Argentina and Australia. Effective October, 1983, Flying Tigers discontinued scheduled flights to the Netherlands, France, Switzerland and Italy and established two European hubs at London and Frankfurt. Service to other European countries is provided by way of international trucking operations to and from the two hubs which are served by air.

Charters.

Flying Tigers provides commercial cargo charters within the United States and throughout the world. Flying Tigers formerly conducted commercial passenger charters and scheduled service under the name Metro International Airways, but in 1983 disposed of its three Boeing 747 passenger aircraft and terminated such operations. Total charter and passenger operations generated revenues of \$98,981,000 in 1981, \$109,513,000 in 1982 and \$66,644,000 in 1983, of which commercial cargo charter operations were \$63,894,000 in 1981, \$53,157,000 in 1982 and \$50,272,000 in 1983.

Military Airlift Command.

Military Airlift Command ("MAC") contracts for both passenger and cargo service are awarded annually on the basis on an airline's participation in the Civilian Reserve Air Fleet ("CRAF"). All of Flying Tigers' aircraft are committed to CRAF. Revenues from MAC charters were \$112,045,000 in 1981, \$114,984,000 in 1982 and \$84,274,000 in 1983. Flying Tigers was awarded a new MAC contract for the 12 months from October 1, 1983 to September 30, 1984, the fixed portion of which is in the amount of \$72,155,000, subject to expansion. MAC contracts contain standard provisions which make them subject to renegotiation and termination at the convenience of the U.S. Government.

Aircraft Operating Fleet.

As of March 1, 1984, Flying Tigers' operating fleet consisted of 11 DC-8-63 aircraft, six DC-8-61 aircraft, seven Boeing 747-100F aircraft, ten Boeing 747-200F aircraft, one Boeing 747-273C aircraft and four Boeing 727-100 aircraft. All of Flying Tigers' operating fleet is encumbered by equipment trust certificates, capital leases or similar obligations. Of the aircraft in Flying Tigers' operating fleet, as of March 1, 1984, 12 are subject to operating leases, 12 are subject to capital leases and 14 are owned by Flying Tigers. In addition to its operating fleet, as of March 1, 1984, Flying Tigers owned one DC-8-63 aircraft, and leased one DC-8-63 aircraft and one DC-8-61 aircraft, which were leased to other carriers. In 1982, Flying Tigers sold its interests in three re-engined DC-8-63 aircraft and related equipment for approximately \$55,500,000. In 1983, Flying Tigers sold its interest in one re-engined DC-8-63 aircraft and related equipment for approximately \$21,600,000, exchanged three Boeing 747-200 passenger airframes and related equipment for four Boeing 747-100 freighter airframes, four engines and related equipment and sold its interest in two DC-8-63 aircraft for \$6,800,000. In addition, in 1983, Flying Tigers sold its rights in three DC-8-63 aircraft and entered into agreements to sell its rights in four DC-8-63 aircraft. As of March 1, 1984, Flying Tigers had sold or was in the process of selling its rights in six remaining DC-8-63 aircraft. During 1983, Flying Tigers decided to eliminate all DC-8 aircraft from its fleet. (See "Environmental Regulations" below)

Fuel.

The availability of fuel is critical to Flying Tigers' operations. Aviation jet fuel prices and supplies are not controlled and suppliers of aviation fuel have, in previous years, allocated the available fuel when required to do so. In 1982 and 1983, Flying Tigers was able to obtain adequate fuel supplies to meet its operational requirements. The average price per gallon of fuel paid by Flying Tigers decreased from \$1.13 in December, 1981 to \$1.05 in December, 1982, and to \$.91 in December, 1983.

Revenues and Revenue Ton Miles.

The following table presents a percentage breakdown of Flying Tigers' sources of operating revenue for each of the past three fiscal years. Flying Tigers' revenues are seasonal, with more cargo carried in the third and fourth quarters of each year.

	Year Ended December 31,		
	1981	1982	1983
Scheduled cargo operations	71.3%	72.0%	82.9%
Military Airlift Command	12.7	12.7	8.3
Charter	11.3	10.3	6.3
Other	4.7	5.0	2.5
	100.0%	100.0%	100.0%

The following table presents certain statistics relating to Flying Tigers' scheduled and nonscheduled cargo operations for the same periods. 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.

	Year Ended December 31,		
	1981	1982	1983
Scheduled Cargo			
Revenue ton miles (thousands)			
Freight	1,603,217	1,604,964	2,018,563
Mail and Other	86,730	85,224	99,630
Load Factor (percent)	70.0	69.6	70.8
Revenue per ton mile (cents)	37.1	38.6	39.9
Nonscheduled Cargo			
Revenue ton miles (thousands)			
Military Airlift Command	236,681	232,210	158,453
Charter	272,276	238,398	152,581

Customers.

Approximately 16% of Flying Tigers' business in 1981, 17% in 1982 and 12% in 1983 was performed for two agencies of the United States Government: MAC and the United States Postal Service. MAC charter rates are determined by MAC based upon average costs for participating carriers. International and domestic service mail rates are established by the Civil Aeronautics Board ("CAB") through a procedure whereby those rates are revised on a semiannual basis to reflect cost changes.

Flying Tigers' domestic and international cargo customers are freight forwarders, brokers, direct shippers and cargo agents. During 1982, Flying Tigers lost a significant amount of freight forwarding business as customers purchased or leased aircraft for use in their operations.

In early 1982, Flying Tigers introduced door-to-door service directly to retail customers, with guaranteed on-time delivery to most cities in the continental United States.

Regulation of Air Transport Industry.

Flying Tigers is subject to the Federal Aviation Act under which the CAB, the Federal Aviation Administration ("FAA") and, in certain cases, the President of the United States, exercise jurisdiction over various phases of its business. Generally, 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. Although the domestic portion of Flying Tigers' business has been substantially deregulated, the CAB regulates international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of American air carriers abroad. The CAB's jurisdiction also 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. The CAB is subject to a sunset provision effective at the end of 1984, at which time its authority may be transferred to other governmental entities.

International Route Authorizations and Rates.

Flying Tigers serves its transpacific routes pursuant to a temporary Certificate of Public Convenience and Necessity which remains effective until October 1984, its transatlantic routes pursuant to permanent Certificate of Public Convenience and Necessity and its South American and Australian routes through temporary exemption authority from the CAB. 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 IATA as are most major United States and foreign international air carriers. Rates for services over international routes are usually established by member agreement at periodic IATA

Traffic Conferences. Such agreements are subject to approval of the CAB (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.

To comply with a regulation issued by the FAA under the Noise Control Act of 1972 (the "FAA Noise Rule"), Flying Tigers entered into contracts on favorable terms, to replace the existing engines on its DC-8 fleet with newer, quieter engines ("re-engining"). Flying Tigers subsequently decided to eliminate the DC-8 aircraft from its fleet. Between January 1, 1982 and December 31, 1983, Flying Tigers sold its interests in nine DC-8 aircraft, together with the re-engining contracts relating thereto, and had entered into agreements to sell its interests in four DC-8 aircraft, together with the re-engining contracts relating thereto. As of March 1, 1984, Flying Tigers had sold or was in the process of selling its interests in an additional six DC-8 aircraft which are owned or leased by Flying Tigers, together with the re-engining contracts relating thereto, prior to the date that any re-engining with respect to such aircraft is required to be performed. Flying Tigers intends to sell the remaining two DC-8 aircraft in its fleet, for which re-engining contracts were not obtained, without re-engining such aircraft.

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.

Competition.

The air cargo industry is highly competitive. As a result of deregulation, the number of Flying Tigers' domestic competitors has increased and may continue to increase. Further, current international aviation policies of the United States government are increasing significantly the number of foreign competitors in the domestic market and expanding the number of points in the interior of the United States served by foreign competitors. Some air freight forwarders, such as Emery Air Freight Corp. and Airborne Freight Corp., are customers of Flying Tigers' airport-to-airport service, but are becoming increasingly independent because they have a direct relationship with the original shipper and are buying or chartering aircraft for their own use. Such corporations are Flying Tigers' principal competitors in the domestic door-to-door delivery market.

In its domestic operation, Flying Tigers also competes with cargo services provided by most of the major passenger air carriers. In international service, Japan Air Lines, Northwest Orient Airlines, China Airlines and Korean Airlines are Flying Tigers' major transpacific competitors; Air France, Alitalia, British Airways, KLM, Lufthansa, Pan American, 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.

International rates in the air cargo industry are subject to the approval of the CAB as well as of various foreign governments. Competition in air cargo markets is based on both price and service. Flying Tigers' market research indicates that the following factors are most important in the shipper's decision as to which carrier or forwarder to use: door-to-door time, pickup and delivery service, tracing ability, claims processing, customer service and price.

TRUCKING

Each of Tiger's two trucking companies, Hall's and Warren Transport, Inc. ("Warren"), is separately managed and specializes in different types of motor carrier service. Hall's was acquired in 1980 and Warren was acquired in 1981.

Hall's is a common carrier of general commodities by motor vehicle. In 1982, Hall's received from the ICC a grant of nationwide, general commodities authority. Previously, Hall's ICC authority to operate in interstate or foreign commerce was limited in 38 states and the District of Columbia. 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.

Warren is primarily a specialized truckload hauler of heavy machinery and other commodities that require special equipment. Warren is authorized by 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.

Hall's operating revenues were \$253,352,000 in 1981, \$215,335,000 in 1982 and \$193,408,000 in 1983. For these same three fiscal years, Hall's handled 1.2 billion ton-miles in 1981, 778 million ton-miles in 1982 and 649 million ton-miles in 1983. Hall's operating ratio was 100.7% in 1981, 104.1% in 1982 and 103.1% in 1983.

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. Only two of Hall's customers accounted for more than 1% of Hall's revenues in 1983. As of Hall's 1983 fiscal year-end, Hall's owned 1,675 truck tractors, 3,284 van semi-trailers and 60 trucks, substantially all of which are encumbered by debt.

Warren is the leading specialized hauler of agricultural machinery in the United States. Warren's operating revenues were \$51,692,000 in 1981, \$39,745,000 in 1982 and \$36,031,000 in 1983. For these same three fiscal years, Warren handled 525 million ton-miles in 1981, 463 million ton-miles in 1982 and 431 million ton-miles in 1983. Warren's operating ratio was 92% in 1981, 95.5% in 1982 and 95.4% in 1983. A significant portion of Warren's business in 1981 through 1983 was performed for Deere and Company. As of December 31, 1983 Warren owned 17 tractors (switch only) and 1,236 semi-trailers. Warren leases truck tractors with drivers from owner-operators.

Regulation of the Motor Carrier Industry.

Hall's and Warren are subject to the Interstate Commerce Act, under which the ICC and the Department of Transportation'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 qualification and the maximum hours of service of Hall's and Warren drivers.

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

Competition.

The motor carrier industry is highly competitive. Hall's and Warren compete with other motor common carriers, motor contract carriers, private carriers and railroads. The operating authorities granted to Hall's and Warren do not give them exclusive rights in any of the areas in which they do business. A substantial number of motor carriers operate within the same areas served by Hall's and 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 Hall's and 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 Hall's and Warren for regulated interstate transportation are on file with the ICC. Regional tariff bureaus, on behalf of their members, including Hall's and 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 Hall's, are now issuing and filing individual carrier tariffs with the ICC outside of the regional tariff bureau procedure.

While rate increases have generally been granted to cover increased costs incurred by members of regional tariff bureaus 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.

Hall's has been and continues to be able to obtain diesel fuel in the quantities, at the times, and in the locations needed, without interruption or other adverse effect upon its ability to provide freight hauling services. During 1983, Hall's average cost of fuel was \$.84 per gallon which was a significant decrease from the \$.95 per gallon in 1982.

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

OTHER ACTIVITIES

Tiger Distribution Services.

Tiger Distribution Services ("TDS") was established to develop customized products which incorporate the capabilities of Tiger's existing businesses and to introduce innovative services in attractive transportation segments. In 1983, TDS developed a freight management system which permits TDS to efficiently manage the movement of freight through any mode or combination of modes. TDS does more than simply provide transportation; it also offers all other services required to move freight dependably and cost-effectively including packing, warehousing, and import and export documentation. The key to the TDS freight management system is a state-of-the-art, interactive database computer system called Tiger Tracs. Through Tiger InterModal, Inc. ("TIM"), TDS provides arrangements for sea-air and sea-surface transportation services. Because TIM holds broad regulatory authority permitting it to provide ocean, air and surface support services, it can offer shippers a wide range of customized arrangements for transportation services, including intermodal and international. In 1982 and 1983, TIM had revenues of approximately \$7,267,000 and \$6,890,000, respectively.

Computer Leasing.

Through its Tiger Computer division in the United States and its Tiger Leasing Division in Europe, NER provides administrative and remarketing services in connection with a portfolio of IBM System 370 and 3000 Series computer equipment.

DISCONTINUED OPERATIONS — RAILCAR SERVICES.

Discontinued Operation. *The railcar services division of the Company provided a major portion of the earnings of the Company through 1981, but earnings declined in 1982 and railcar services incurred a loss of \$69.4 million in 1983. Accordingly, Tiger has determined to dispose of its railcar services business, through the GECC transaction and option described below or otherwise, and is treating its railcar services business as a discontinued operation effective December 31, 1983.*

General Electric Credit Corporation Transaction

On December 15, 1983, GECC undertook most of North American's obligations to manage, lease and remarket railcars owned by third parties and obtained North American's right to the income derived therefrom and additionally purchased most of North American's office furniture and equipment, office leasehold interests, proprietary information and other miscellaneous assets, including stock of three of its subsidiaries, for an aggregate purchase price of approximately \$5.8 million, evidenced by promissory notes from GECC. On the same date, North American also contracted with GECC to manage on a long-term basis its railcar fleet and most of its railcar repair facilities. As a result of these transactions, the majority of North American's management personnel, including virtually all of its executive officers and three members of its board of directors, became employed by GECC as of December 15, 1983. These transactions were completed pursuant to a Purchase and Loan Agreement entered into with GECC on September 7, 1983, as subsequently amended (the "Purchase and Loan Agreement"). The total purchase price for the assets and rights to be acquired by GECC pursuant to the Purchase and Loan Agreement will be approximately \$156,500,000, subject to adjustments, of which \$100,000,000 will be in cash (\$40,000,000 of which was received on December 15, 1983 — see below) and the balance in notes and the assumption of certain debt of North American. The terms of GECC's management of North American's railcar fleet are governed by a Management and Service Agreement, and the terms of the management by GECC of most of North American's railcar repair facilities are governed by a Repair Business Management Agreement.

Pursuant to the Purchase and Loan Agreement, GECC committed to make a secured revolving loan to North American in an amount of up to \$55 million, which loan will be due on the earlier of the second closing under the Purchase and Loan Agreement (the "Second Closing") or December 31, 1985. Repayment of all or a portion of the principal amount of the loan may be extended beyond these dates under certain circumstances. On December 15, 1983, the date on which the first closing under the Purchase and Loan Agreement was completed, GECC funded approximately \$31 million of the loan, which was paid by North American to the trustees under certain equipment trusts in order to obtain the release of 5,022 railcars subject to those trusts. Upon the release of such railcars from such equipment trusts, a first lien, superior to liens held by North American's bank creditors on such railcars, in favor of GECC was granted thereon to secure North American's obligations under such loan. The balance of the loan, when drawn down by North American, will be used primarily for working capital.

In addition, on December 15, 1983, North American sold to GECC 1,405 railcars for a cash purchase price of \$40 million pursuant to the Purchase and Loan Agreement. Under the Purchase and Loan Agreement, North American is committed to sell, at the Second Closing, an additional number of railcars

for \$60 million in cash and most of the assets of its railcar repair division for approximately \$51 million, (subject to adjustment), represented by a promissory note and an assumption by GECC of certain debt of North American. GECC may pay all or a portion of the cash purchase price payable to North American at the Second Closing by cancellation of a portion of the outstanding balance due and payable as of the Second Closing on the revolving loan.

Under the Purchase and Loan Agreement, GECC also has an option, exercisable after the Second Closing, to purchase all remaining railcars owned or acquired by North American after the date of the Purchase and Loan Agreement at a price equal to the outstanding debt on the railcars plus the deferred income taxes applicable to the railcars (from depreciation and investment tax credits) and one-half of the difference between the fair market value of the railcars and such taxes and debt.

The Second Closing is conditioned upon, among other things, North American obtaining certain consents and releases from certain creditors and holders of certain equipment trust certificates relating to the railcars to be sold. In the event that the Second Closing has not occurred on or before December 15, 1985, or if at any time a scheduled number of railcars are not subject to the Management and Service Agreement with GECC referred to above, GECC may cancel the various agreements and reconvey to North American all assets purchased by GECC (other than the railcars) and all options to purchase assets in favor of GECC will likewise terminate. At the Second Closing, the Repair Business Management Agreement with GECC referred to above will be terminated as it relates to car repair facilities sold to GECC at the Second Closing but will remain in effect for any car repair facilities retained by North American after the Second Closing. After the Second Closing, and assuming that a scheduled number of railcars are subject to the management of GECC, GECC will continue to manage North American's remaining railcar fleet pursuant to the terms of the Management and Service Agreement.

As a result of the employment of GECC by North American to fulfill certain management functions, North American's financial performance will be dependent upon the management of North American's railcar fleet by GECC. GECC will manage North American's remaining fleet for a term of 20 years, for a management fee equal to 10% of revenues generated by full service leases and net leases of the managed railcars. GECC will provide railcar maintenance and repair services to North American for charges which are not higher than those generally charged to others. GECC will also provide certain accounting functions and financial managerial reports with respect to North American and certain subsidiaries and properties retained by North American. In addition, it will be the obligation of GECC to perform all commitments, rights and obligations of North American which relate to railcars managed for others or railcars owned by North American. North American continues to be responsible for the repayment of its debt obligations. GECC also will receive a 5% commission of all sales of railcars. Because of this and GECC's option to purchase all remaining railcars of North American, North American's potential for earnings will be limited. Since GECC will be managing North American's operations, it is unlikely that the management agreement will be terminated by North American. Nevertheless, if the management agreement were to be terminated, North American would not have sufficient employees to manage and operate its business and would be required to employ another manager.

GECC is an owner-lessor and North American is a lessee under two leveraged lease agreements which expire in 1994 and 1995, respectively. As of December 31, 1983, the present value of the future minimum lease payments due to GECC and certain other debt holders under such lease agreements is approximately \$29.7 million. In addition to its involvement with North American, GECC is a major creditor of Flying Tigers, holding as of December 30, 1983 approximately \$238.7 million of Flying Tigers' capital lease obligations. The consummation of the first closing with GECC was a condition precedent to the effectiveness of the restructuring agreements at Flying Tigers.

North American and its subsidiaries are primarily engaged in furnishing specialized types of railcars to industrial shippers in the grain, chemical, petroleum, food processing, fertilizer, lumber, and other industries. The shippers supply these railcars to the railroads which transport the shippers' products in the United States, Canada and Mexico. Railcars are also provided directly to the railroads.

Most railcars have been furnished pursuant to full-service leases under which North American's agent, GECC, provides and maintains railcars, collects mileage compensation from railroads, pays certain related taxes, and performs various other administrative functions. GECC, as North American's agent, also sells new and used railcars to customers and others.

Railcar Fleet.

North American's fleet, as of December 31, 1981, 1982 and 1983 consisted of approximately 63,000, 63,000 and 46,000 cars, respectively. As of December 31, 1981 and 1982, North American's fleet included railcars operated by North American for others under North American's investor management program and serviced by North American for others under administrative services and other contracts. Railcars managed by North American under such investor management programs or administrative services contracts were

not reflected in North American's consolidated balance sheet as of such dates and represented approximately 20% of the railcars in the above-described fleet as of such dates. Such railcars are now managed by GECC and consequently, are not included in North American's railcar fleet as of December 31, 1983. As of December 31, 1983, approximately 54% of the railcars in the fleet were covered hopper cars, 32% were tank cars and 14% were other types of railcars. The fleet, as of December 31, 1983, is comprised of railcars owned by North American or held by North American under capitalized leases or similar obligations. On December 15, 1983, North American sold 1,405 railcars to GECC. North American has agreed to sell an additional number of railcars to GECC for \$60,000,000 in cash upon the receipt by North American of certain required consents. During 1983, in addition to sales in the ordinary course of business and sales in connection with the GECC transaction, North American concluded sales of several large groups of railcars, aggregating approximately 3,000 railcars, with an aggregate sale price of approximately \$20,000,000. All of the railcars in North American's fleet are encumbered under security agreements.

Leases.

Leases for railcars are generally at fixed rentals not subject to escalation during the term of the lease. Leases for railcars in the fleet are for terms ranging from specific trips to over 15 years. Average fleet utilization of railcars was approximately 91% during 1981, 81% during 1982 and 75% during 1983.

Calculations of railcar utilization include railcars leased for specific trips with rentals based on utilization.

In response to reduced demand for railcars during 1982 and 1983, North American leased certain covered hopper railcars with rentals based on usage. As of December 31, 1982 and 1983, 4,500 and 7,500 railcars were so leased.

North American's railcars are leased to approximately 815 shippers and railroads. No single customer leases more than 5% of North American's fleet, and less than 35% of the fleet is leased to North American's 20 largest customers.

Supply.

Railcars and components are available from a number of different manufacturers and assemblers in the United States, Canada, Mexico and Europe. During the last three years, the demand for railcars has decreased and North American currently has railcars for which it has no sale or lease commitments. In January 1981, North American purchased the manufacturing business of its exclusive supplier of P.D.TM railcars for transporting dry bulk commodities.

Maintenance.

The railcars under full-service leases are repaired and maintained by GECC as of December 15, 1983 at North American's shops and at various facilities owned by railroads and others. Running repairs, which accounted for approximately 50% of North American's total maintenance expense in 1983, are normally made by railroads and billed to North American in accordance with rates established by the Association of American Railroads. North American has agreed to sell most of its repair facilities to GECC upon the receipt by North American of certain required consents.

Competition.

The business in which North American is engaged is highly competitive, and there are a number of well established companies which actively compete with North American in the business of leasing and servicing railcars, including three concerns with larger fleets. Price and service are important considerations in dealings with customers and the availability of specialized equipment for lease historically has been a major factor in the leasing of railcars. For the past two years there has been, and there is currently, a surplus of grain covered hopper railcars available for lease in relation to demand.

Railroads supply covered hopper cars for grain and fertilizer service and such cars compete directly with privately-owned covered hopper cars suitable for such service. However, railroads do not generally offer large covered hopper cars (those in excess of 5,000 cubic feet) for light density commodity service such as pelletized plastic resin or P.D.TM covered hopper cars and hence do not generally compete with respect to such cars. Railroads do not supply tank cars and hence do not compete with North American in offering tank cars to shippers. North American currently has approximately 4,800 plastic pellet and P.D.TM type railcars in its fleet, but is currently negotiating the sale of its P.D.TM cars.

The competition with railroad-supplied grain covered hopper cars arises in part because of railroad restrictions on the use of this type equipment when supplied by shippers. Railroads in the United States are required to establish reasonable rules for the use of privately-supplied railcars under the Interstate Commerce Act and other applicable laws. In periods of railcar shortages, railroad approval of shipper-supplied cars is obtained fairly easily. However, in periods of oversupply, as in the case currently with respect to grain covered hopper railcars, railroads may decline to grant new approvals or otherwise impede shippers from being able to utilize privately-supplied railcars in order to keep railroad-owned cars

moving in preference to private cars. As a result, competition of privately-supplied grain covered hopper cars with railroad-supplied grain covered hopper cars is particularly intense for cars originating on most Class I railroads.

Regulation.

North American is not a common carrier and is not subject to regulation or supervision by the ICC. North American is subject to and affected by various industry requirements and government laws, rules and regulations concerning construction condition and operation of its fleet of railcars. Changes in these laws, rules and regulations have required North American to make modifications to its railcars from time to time.

International Activities.

North American's activities outside the United States include the leasing and sale of railcars, principally in Canada and Mexico. In 1983, North American sold one of its two railcar leasing subsidiaries in Europe and a substantial portion of its interest in the other for approximately \$11,000,000. Information as to North American's revenues, income and identifiable assets is included in the Notes to the Consolidated Financial Statements, "Note 2 — Discontinued Operations."

Other Activities.

North American's Terminal Services and Chemical Divisions were sold in 1983 for approximately \$10,500,000.

Tiger Financial Services, Inc. ("Tiger Financial"), a wholly owned subsidiary of North American, has been involved in lease brokerage transactions of various types of capital equipment, primarily transportation and energy-related equipment. On November 17, 1983, certain contract rights with respect to future brokerage commissions and all furniture and fixtures of Tiger Financial were sold and most of its personnel became employees of the purchaser thereof. Tiger Financial currently is a non-operating entity, holding a portfolio of contract rights and remarketing rights.

The Bi-Modal Corporation ("Bi-Modal"), a subsidiary of North American, is involved in the development, production and marketing of the RoadRailer®. The RoadRailer® is an intermodal vehicle equipped to operate on both highways and railroad tracks. Commercial operations for the RoadRailer® began in 1981. North American has announced its intention to sell Bi-Modal, and currently is engaged in discussion with parties concerning such sale.

Tiger Leasing Group, through certain directly and indirectly minority-owned subsidiaries, including Tiger Arrendadora S.A. de C.V. and Endasa S.A. de C.V., operates and leases railcars and other equipment in Mexico.

DISCONTINUED OPERATIONS — AVIATION SERVICES

The Company's management decided to discontinue TigerAir's aviation and supply and manufacturing operations effective December 31, 1982. As of December 31, 1983, the Company had sold the Salt Lake City, Utah, Denver, Colorado and White Plains, New York fixed base operations ("FBOs") for an aggregate amount of approximately \$14,100,000 in cash and the assumption of an aggregate amount of approximately \$4,100,000 of debt. In addition, the Company sold the Aviquipo and Aircraft Tank Services subsidiaries of TigerAir in 1983 and substantially all of the assets of TigerAir's spare parts division in 1984 for an aggregate amount of approximately \$7,800,000 in cash and the assumption of an aggregate amount of approximately \$3,500,000 of debt. The aggregate cash proceeds from such sales were applied to reduce TigerAir's indebtedness under its \$62 million credit agreement dated as of September 8, 1983. In March, 1984, the Company entered into an agreement for the sale of substantially all of the assets of its Burbank, California FBO.

At December 31, 1983, TigerAir's fleet included four Boeing 727-200 aircraft leased under capital leases and two owned DC-10 aircraft with an aggregate net book value of approximately \$54,000,000. During 1983, TigerAir sold seven aircraft for approximately \$10,540,000. The four Boeing 727-200 aircraft are leased to a carrier for terms equal to the terms of the respective capital leases relating thereto. The two DC-10 aircraft are encumbered by debt. In early 1984, TigerAir entered into an agreement for the sale of one of its DC-10 aircraft.

TIGER EMPLOYEES

As of December 31, 1983 Tiger and its subsidiaries had approximately 10,310 employees.

ITEM 2. PROPERTIES.

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

Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30-acre tract leased at Los Angeles International Airport. A hangar, a general office building and a flight training center have been constructed on this property by Flying Tigers. Flying Tigers also has entered into long-term leases at airport facilities in several of the cities it serves.

Hall's owns a 36-acre tract in Mechanicsburg, Pennsylvania where it maintains its executive and general offices, breakbulk terminal, and principal garage facility. Of the 73 terminal facilities operated and owned or leased by Hall's as of March 5, 1984, Hall's owns 45 and leases 28. Of the 15 terminals not used by Hall's, seven are leased to unrelated parties and eight are vacant.

Warren leases its executive and general offices and principal garage facilities in Waterloo, Iowa. Of the 17 terminal facilities operated by Warren, Warren owns 10 and leases seven. In July, 1983, Hall's closed ten terminals which had been consistently unprofitable and did not conform to Hall's long-term plan to become a dominant regional carrier.

North American leases its executive offices in Chicago, Illinois. On December 15, 1983, North American assigned or sublet to GECC most of its offices in Chicago, Illinois and all of its sales offices in cities throughout the United States and Canada. North American owns or leases 15 repair shops throughout the United States and Canada. Upon the receipt by North American of certain required consents, North American will sell 10 repair shops to GECC. GECC has the option to purchase one additional repair shop.

ITEM 3. LEGAL PROCEEDINGS.

On February 15, 1983, the Bank of Montreal (the "Bank") brought an action against Tiger Leasing Group in the United States District Court for the Central District of California. The complaint alleges that Tiger Leasing Group breached its obligations under a guarantee effective February 2, 1980, whereby Tiger Leasing Group guaranteed the payment of the obligations of Tiger Arrendadora S.A. de C.V. ("Arrendadora") under a promissory note dated February 2, 1980 executed by Arrendadora in favor of the Bank and sought relief in the form of money damages. The complaint alleged that (i) Arrendadora did not make the February 1983 installment under such note; (ii) the Bank notified Tiger Leasing Group of the Arrendadora default under such note and made demand upon Tiger Leasing Group for payment of the outstanding principal amount of the note, \$1,250,000, plus accrued interest under the guarantee; and (iii) Tiger Leasing Group failed and refused to make such payment. Following a hearing, the court entered judgment in favor of the Bank. To date, the Bank has not taken any steps to enforce such judgment.

Manubank Leasing Corporation ("Manubank") brought an action in the United States District Court for the Eastern District of Michigan alleging that Tiger Leasing Group had defaulted under an obligation owed to Manubank in the amount of \$1,200,000 and seeking payment of such amount. On January 9, 1984, the court entered summary judgment against Tiger Leasing Group and in favor of Manubank in the amount of approximately \$1,200,000. To date, Manubank has not taken any steps to enforce such judgment.

On June 9, 1983, Hunter-Keith Incorporated ("Hunter-Keith") brought an action against North American in the United States District Court for the District of Minnesota. The complaint alleges that North American entered into a contract with Hunter-Keith's assignor, Hunter-Keith, Marshall & Co. Incorporated, for the sale to Hunter-Keith of between 950 and 1350 P.D.TM railcars and for the option to purchase additional railcars, North American's patents and North American's railcar manufacturing facility. The complaint alleges further that North American breached its obligations under the alleged agreement and requests specific performance. In an amendment complaint dated August 17, 1983, Hunter-Keith further alleges that 106 of the P.D.TM railcars that had been the subject of the alleged agreement were sold to a third party on or about July 6, 1983. Hunter-Keith also requests a total of \$6,700,000 in money damages in the amended complaint. On August 15, 1983, the court issued a temporary restraining order enjoining North American from taking any action that would impair the alleged obligations, including selling or negotiating to sell the assets subject to the alleged agreement. The parties stipulated to the extension to March 31, 1984 of the temporary restraining order in a modified form. The modified temporary restraining order permits North American to grant to GECC the right to manage on an interim basis the P.D.TM railcars. The modified temporary restraining order also postpones all proceedings including, but not limited to, discovery until 5:00 p.m. on March 31, 1984 and provides for an additional 30 days thereafter to complete discovery. The parties are currently involved in negotiations for settlement of such litigation.

North American settled litigation with Societe Generale de Banque Brussels and agreed to a stipulated judgment in an action brought by Credit Suisse pursuant to which the plaintiffs sought to attach assets of North American. See "ITEM 1. BUSINESS — FINANCIAL RESTRUCTURING — North American."

In the ordinary course of business, the Company became involved as defendants in various legal proceedings. It is the opinion of the Company's management, based upon the advice of its counsel, that the ultimate disposition of pending litigation other than that set forth above will not be material in relation to the Company's consolidated financial position.

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

There was no matter submitted during the fourth quarter of the fiscal year ended December 31, 1983 to a vote of security holders of Tiger, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

Each officer is appointed by the Board of Directors of Tiger and serves at its pleasure.

Pursuant to the retirement agreement between Tiger and Mr. Hoffman, he is to serve in an executive capacity until the normal retirement age of 65.

The following table lists those persons who act as executive officers of Tiger at March 1, 1984:

Name	Title	Age
Wayne M. Hoffman	Chairman of the Board, Chief Executive Officer, President and Director(1)	61
Rolf Bodenburg	Vice President — Taxes(2)	55
Robert J. Harter, Jr.	Vice President, General Counsel and Secretary(3)	39
Joseph K. McDonnell	Vice President — Controllor(4)	40
James A. Cronin III	Vice President — Assistant to the Chairman(5)	29

- (1) Before becoming Chairman of the Board, President and Chief Executive Officer of Tiger in July, 1983, Mr. Hoffman had been Chairman of the Board and Chief Executive Officer of Tiger since March, 1978. Prior to March 1978, Mr. Hoffman had been President and Chief Executive Officer of Tiger since August, 1973.
- (2) Before becoming Vice President — Taxes in July, 1979, Mr. Bodenburg had been Assistant Treasurer — Taxes since April, 1976.
- (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 — Controllor, in February, 1984, Mr. McDonnell had been Controllor since June, 1983, Assistant Controllor since October, 1980 and Director of Accounting from 1977 to October, 1980.
- (5) Before becoming Vice President — Assistant to the Chairman 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, 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.

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

The Common Stock is traded on the New York, Midwest and Pacific Stock Exchanges, and was held as of March 28, 1984 by approximately 22,471 stockholders. 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
1982		
First Quarter	14¼	7½
Second Quarter	10¾	6⅞
Third Quarter	9¾	4⅞
Fourth Quarter	10¼	7½
1983		
First Quarter	9	5⅞
Second Quarter	11¾	5¾
Third Quarter	11¾	5½
Fourth Quarter	6¼	4¼

In the first quarter of 1984 (through March 28, 1984), the high and low sales prices of the Common Stock on the consolidated transaction reporting system were \$8.13 and \$5.63, respectively.

Tiger has not paid a cash dividend since December, 1981. Due to recent losses incurred by subsidiaries, provisions in certain subsidiaries' bank credit agreements and indentures and the restructuring agreements restricting or prohibiting payment by subsidiaries of dividends to Tiger, and the limitation on advances under the restructuring agreements (see "ITEM 1. BUSINESS — FINANCIAL RESTRUCTURING — Tiger" and "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION"), dividends on the Common Stock are not currently being paid. In addition, agreements entered into by Tiger in connection with the North American restructuring and the Flying Tigers restructuring prohibit the payment by Tiger 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.

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for Tiger and its subsidiaries for each of the five years ended December 31, 1983 (in thousands, except per share and ratio data):

	1983	1982	1981	1980	1979
Results of Operations					
Revenues from Continuing Operations	\$1,250,276	\$1,161,196	\$1,161,921	\$ 892,524	\$ 457,611
Income (Loss) from Continuing Operations(1)	\$ (75,836)	\$ (73,533)	\$ (20,849)	\$ 4,430	\$ 395
Net Income (Loss)	\$ (222,840)	\$ (136,223)	\$ (16,613)	\$ 42,375	\$ 43,627
Earnings (Loss) Per Common Share From Continuing Operations(1)	\$ (4.20)	\$ (4.34)	\$ (1.23)	\$.28	\$.03
Earnings (Loss) Per Share	\$ (12.34)	\$ (8.04)	\$ (.98)	\$ 2.68	\$ 3.03
Cash Dividends Declared Per Common Share	\$ —	\$ —	\$.675	\$.80	\$.80
Total Funds Provided by Operations(2)	\$ 114,568	\$ 105,253	\$ 337,650	\$ 301,196	\$ 225,136
Financial Position					
Total Assets(3)	\$1,113,766	\$2,440,619	\$2,702,397	\$2,758,425	\$1,940,601
Long-Term Obligations and Minority Preferred Stock Subject to Mandatory Redemption(3)	\$ 691,892	\$1,632,849	\$1,703,399	\$1,655,575	\$1,151,851
Stockholders Equity	\$ 84,536	\$ 283,166	\$ 419,389	\$ 446,279	\$ 257,846
Long-Term Debt to Equity Ratio	8.18	5.75	4.05	3.70	3.20
Book Value Per Common Share	\$ 4.16	\$ 16.72	\$ 24.76	\$ 26.45	\$ 25.12

(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 finance lease, 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 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 transportation and related services throughout the world.

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 to complement the trucking business and two smaller acquisitions were also completed. Operating losses during 1981, 1982 and 1983, combined with funds required for such acquisitions and equipment additions, have had the effect of adversely affecting liquidity while increasing Tiger's debt to equity ratio from 4.05 to 1 in 1981 to 8.18 to 1 in 1983.

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 \$222.8 million in 1983 compared to a net loss of \$136.2 million in 1982 and a net loss of \$16.6 million in 1981. Continued adverse operating results have caused management to dispose of activities not essential to the Company's core business of transportation of cargo while seeking additional financial resources.

In December 1983, Tiger completed a transaction under which a subsidiary of 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 1405 railcars and was given an option to purchase the remainder of North American's railcar fleet. See below for a further description. 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 debt restructuring agreements finalized in 1983, Tiger is accounting for these activities as a discontinued operation in the accompanying consolidated financial statements. In addition, Tiger

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 in the accompanying consolidated financial statements.

In September 1983, Tiger completed an exchange offer whereby debt was exchanged for new securities consisting of debentures, Common Stock and warrants.

In the months of September through December, 1983 various subsidiaries of Tiger entered into restructuring agreements with certain of their respective lenders pursuant to which the debt of such subsidiaries was restructured and defaults thereunder were waived or suspended. Such defaults included payment defaults commencing February 14, 1983 when the Company declared a moratorium on certain bank and institutional debt as a cash conservation measure. The deferral of debt payments did not include any of the Company's public debt and did not affect trade creditors and suppliers. Certain subsidiaries of Tiger continue to be in default with respect to substantial portions of their debt. See ITEM 1. BUSINESS — FINANCIAL RESTRUCTURING.

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

Tiger has not paid dividends on its 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 \$114.6 million in 1983 compared to \$105.3 million for 1982 and \$337.7 million for 1981. Because the Company had no availability under its lines of credit at the beginning of 1983, the Company declared a moratorium on payment of a substantial portion of its debt.

On February 14, 1983, Tiger announced that it was seeking the agreement of the Company's banks and institutional lenders to reschedule certain debt obligations at Tiger's principal subsidiaries. In addition, the Company announced that it was deferring payments of principal and interest on certain bank and institutional debt as a cash conservation measure. By December 1983, the Company had finalized restructuring agreements with the creditors of Flying Tigers, North American and TigerAir. The agreements provide for the deferral of approximately \$221 million of principal and interest otherwise payable in 1983 through 1985. In addition, the restructuring agreements contain strict financial covenants and substantially all previously unencumbered assets of Flying Tigers, North American and TigerAir have been pledged to secure the obligations thereunder.

At Flying Tigers, the restructuring agreements provide for a new \$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 \$2,398,000 commencing July 2, 1985. The new credit facility will be a revolving loan with amounts outstanding at June 30, 1985 convertible into a five-year term loan with 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 1985 through 1989 supplemental interest contingent upon its earnings. The cumulative amount of such supplemental interest may not exceed \$20 million. The 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 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. Flying Tigers continues to have high debt service requirements in comparison with current operating cash flows and projected earnings.

In 1983, Flying Tiger's cash needs were approximately \$1.024 billion compared to actual cash generation of approximately \$1.020 billion. Management has estimated that if revenues are to remain at 1983 levels in 1984 and 1985, the cash required to meet the rescheduled debt service and provide for Flying Tigers' operational and fixed asset needs would be approximately \$1 billion in 1984 and approximately \$1.1 billion in 1985. However, management expects revenue and cash generation to grow based on current projections, and, together with the availability of a \$45 million revolving credit line, all of which remains fully available as of March 29, 1984, management foresees no liquidity problems in 1984 and 1985. In addition as of March, 1984, a one billion yen (equivalent to approximately \$4.5 million) one year line of credit with a Japanese bank, secured by Japanese trade accounts receivable of Flying Tigers, had been approved by such bank. This line of credit is dependent upon approval of Flying Tigers' Board of Directors' and completion of collateral documentation with respect to the receivables.

At North American, a restructuring agreement was executed by North American and certain of its major lenders who hold in the aggregate \$283 million of North American's \$778 million principal amount of long-

term debt and capitalized lease obligations. Pursuant to such agreement, North American paid prior to December 31, 1983 approximately \$33 million of interest that was otherwise payable earlier in 1983. Such agreement also provides for the deferral until 1986 and beyond of approximately \$173 million of principal and interest otherwise payable in the period from 1983 through 1985. The \$173 million of deferred principal and interest will be payable over a five-year period commencing in March 1986. The agreement also requires that substantially all proceeds from asset sales by North American be paid to the creditors to reduce debt owed to them. In addition to cash generated from operations, North American projects that payment of all debt obligations under its restructuring will require the sale of approximately 19,000 railcars over the term of its restructuring.

A stipulated judgment was entered against North American in connection with litigation relating to a default under a \$25 million loan from Credit Suisse to North American. Such judgment required North American to, among other things, pledge 1,159 formerly unencumbered railcars to secure the obligation owed to Credit Suisse, and to pay Credit Suisse in full at scheduled maturity in January 1985. Under the terms of the North American restructuring agreement, to which Credit Suisse is not a party, North American is permitted to satisfy the principal amount of its debt to Credit Suisse (other than by conveying to Credit Suisse the railcars pledged to it, which is expected to be insufficient to satisfy such debt in full) only to the extent that the debt due to North American's creditors, who are parties to such restructuring agreement, is paid on a pro rata basis. Therefore, under the terms of the North American restructuring agreement, it will be necessary to renegotiate certain provisions of the North American restructuring agreement to permit North American to satisfy its debt to Credit Suisse. Under the North American Restructuring Agreement, any party which is not a subsidiary of North American is permitted to assume or satisfy the obligations to Credit Suisse in order to avoid a requirement that all other debt be paid in January 1985 or to avoid defaulting under the Credit Suisse settlement agreement.

North American is currently negotiating or has taken steps to amend agreements relating to debt held by certain institutional and other lenders who did not participate in the North American restructuring. In addition, North American is attempting to amend certain equipment trust agreements. See "ITEM 1, BUSINESS — FINANCIAL RESTRUCTURING — North American" for a detailed description of and the uncertainties concerning these items.

In September, 1983, TigerAir entered into a restructuring agreement with its creditors with respect to \$62 million of its debt. TigerAir is in default under its restructuring agreement but is negotiating with lenders to amend such agreements and to cure and have such defaults waived. However, TigerAir has made all principal and interest payments required under the restructuring agreement.

Tiger has continued to make payments on all debt at the parent company level. In addition, as noted above, Tiger's subsidiaries have continued to make scheduled payments to certain creditors, including generally holders of public debt, suppliers and trade creditors. Tiger expects that all such creditors will continue to be paid on a current basis. Nevertheless, as a result of certain cross-default and other provisions, certain subsidiaries of Tiger are in technical default on certain of their debt, and such debt is subject to acceleration.

It is expected that, commencing in 1986, Tiger Leasing Group will be obligated, pursuant to certain guarantees entered into by Tiger Leasing Group, to make certain minimum payments on the projected \$25 million to \$32 million of its subsidiaries' indebtedness (other than North American) which will be outstanding after application of the proceeds of sales of the assets of such subsidiaries to such indebtedness. Since Tiger Leasing Group has no assets other than the common stock of its subsidiaries and many of such subsidiaries are precluded from paying dividends pursuant to their respective restructuring agreements, Tiger Leasing Group is not currently in a position to meet its obligations under such guarantees. Legal actions by creditors of Tiger Leasing Group could lead to the bankruptcy of Tiger Leasing Group, or the forced sale of the assets of Tiger Leasing Group, including the forced sale of the stock of North American and Tiger Leasing Group's other subsidiaries.

Tiger and Tiger's direct subsidiary, Tiger Leasing Group, owe \$132 million and \$81 million, respectively, to North American at December 31, 1983, and North American has pledged notes evidencing such obligations to the lenders who are a party to the restructuring agreement to secure debt of North American. In the event of a default under the North American restructuring agreement, there is a risk that these creditors could collect such receivables or seek to foreclose on such notes. An action by a creditor to collect an intercompany receivable could result in the forced sale of assets of Tiger or Tiger Leasing Group (including the stock of their respective subsidiaries) to satisfy such intercompany obligations.

Negotiations with creditors of other subsidiaries are in preliminary discussions. See "ITEM 1. BUSINESS — FINANCIAL RESTRUCTURING" for a detailed description of all the debt restructuring agreements and the status of debt still subject to renegotiation and the uncertainties concerning the completion of the restructuring.

On September 7, 1983, North American signed the Purchase and Loan Agreement with GECC providing for the sale and transfer to GECC of railcars and certain assets of North American's railcar repair division and railcar management division and other assets for approximately \$156.5 million, of which \$100 million will be in cash and the balance will be in notes and the assumption of certain debt of North American. GECC was also granted an option to purchase all remaining railcars owned by North American.

On December 15, 1983, North American sold to GECC 1,405 of the railcars committed to be sold to GECC for \$40 million in cash, transferred to GECC the management and operation of North American's railcar leasing, remarketing and repair business and sold to GECC three of its subsidiaries. In payment of the purchase price of the management of the railcar business, GECC delivered to North American two promissory notes in the aggregate amount of approximately \$5.3 million. At the Second Closing, North American is committed to sell to GECC an additional number of railcars for \$60 million in cash. Under the Purchase and Loan Agreement, GECC committed to make a secured revolving loan to North American in an amount not to exceed \$55 million. At the December 15, 1983 closing, GECC funded \$31 million of such loan to North American which was used to obtain the release of certain railcars from five equipment trusts. The balance of the proceeds of the loan, when drawn down by North American, will be used primarily for working capital. The \$31 million loan is evidenced by a promissory note of North American and is secured by a first lien on the railcars released from the five equipment trusts. GECC may pay all or a portion of the cash purchase price payable to North American for the additional railcars and the repair facilities by cancellation of the outstanding balance due and payable on the \$55 million loan. The transfer of these assets between North American and GECC was completed on an arms length basis even though GECC holds approximately \$239 million of Flying Tigers capital lease obligations.

In August 1983, Tiger completed an exchange offer whereby \$37.9 million principal amount of 11½% Sinking Fund Debentures due October 1, 1995 and \$55.6 million principal amount of 8½% Convertible Subordinated Debentures due July 1, 2005 were exchanged for new securities consisting of 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 the option to make interest payments and satisfy sinking fund requirements with shares of its Common Stock. If Tiger elects to pay interest on the new debt 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 did so elect with respect to the interest payments due October 1, 1983 and January 1, 1984, satisfying its \$3.3 million interest obligation by delivering 592,680 shares of Common Stock.

Tiger has agreed that advances from North American and separately from Flying Tigers to Tiger will be limited, in each case, to up to approximately \$3.6 million in 1984 and approximately \$4.7 million in 1985 (which limit shall increase, in each case, by \$175,000 per year through 1990) for payment of Tiger's general and administrative expenses through 1990 and for the amounts required to pay interest due on the 11½% Sinking Fund Debentures due October 1, 1995 and 8½% Convertible Subordinated Debentures due July 1, 2005 through September 30, 1986. The advances for payment of interest on the above mentioned Debentures, amounting to approximately \$1 million annually through 1986 from each of Flying Tigers and North American, will become intercompany obligations owing from Tiger to such subsidiaries. As a result of these limitations, Tiger will either obtain funds from its other operating companies to meet the debt service requirement for periods subsequent to September 1986 on the above mentioned Debentures or initiate another exchange offer or a new Common Stock offering.

As a result of the limitations in the aforementioned agreements, absent an amendment or change in the terms thereof, Tiger will be prohibited from paying dividends (other than stock dividends) on its Common Stock.

In April, 1983, Hall's renegotiated debt agreements with its major lenders to refinance approximately \$12.4 million of debt. The revised agreements provide for up to \$8 million in additional financing, if needed. Through December 31, 1983 none of these available funds had been used.

During 1983, Flying Tigers sold its interests in five DC-8 aircraft and related re-engining contracts for approximately \$31.6 million. In addition, during the fourth quarter of 1983, Flying Tigers entered into an agreement to sell five DC-8 aircraft and the re-engining contracts related thereto. As of March 1, 1984 Flying Tigers had sold or was in the process of selling its remaining DC-8 aircraft which are owned or leased by Flying Tigers together with the re-engining contracts related thereto.

CAPITAL RESOURCES

Capital expenditures of \$55.1 million in 1983 reflect a planned reduction compared to 1982 expenditures of \$139.1 million and 1981 expenditures of \$186.4 million. Capital expenditures for 1984 are expected to be further curtailed until operating performance improves. In 1979, Flying Tigers contracted to re-engine a

portion of its DC-8 aircraft fleet to meet 1985 Federal noise requirements. At December 31, 1983 the Company had no significant future purchase commitments after giving effect to letters of intent signed in December, 1983 and January, 1984 for the sale of DC-8 aircraft and their related re-engining contracts.

RESULTS OF OPERATIONS — OVERVIEW

Continuing Operations

Revenues from continuing operations increased from \$1.2 billion in 1982 to \$1.3 billion in 1983, approximately an 8% increase. Revenues remained substantially unchanged in 1982 compared to 1981.

The net loss from continuing operations (after giving effect to the extraordinary gain from Tiger's exchange of debt) of approximately \$75.8 million in 1983 compares to a net loss in 1982 of \$73.5 million and a net loss in 1981 of \$20.8 million. An extraordinary gain in 1983 of \$19.8 million resulted from an Exchange Offer whereby new securities consisting of debentures, Common Stock and warrants to purchase Common Stock were exchanged for Tiger debt. Also included in the current year's results is a \$4.2 million gain on the sale of equipment. Flying Tigers also recorded a \$6.1 million reserve relating to a reduction of the number of employees and facilities in Europe. Hall's recorded reserves of \$3.8 million, most of which related to the closing of unneeded facilities and terminals in the southwest.

The net loss in 1982 and 1981 included tax benefits of \$53.9 million and \$41.8 million respectively. No tax benefit was recorded in 1983. The 1982 results include a pretax assets writedown of approximately \$2.5 million relating to the trucking operations, \$19.8 million of foreign exchange translation gains and \$5.6 million of pretax gains from the sale of equipment. The 1981 results were favorably affected by the sale of equipment for a pretax gain of approximately \$36.9 million and were also improved by the sale of the Mortgage Insurance Group for a pretax gain of approximately \$5.9 million.

Air Cargo

Flying Tigers' 1983 revenues of \$1019.8 million increased by 13% over 1982 revenues of \$905.5 million. The 1982 revenues increased 3% from 1981 revenues. Flying Tigers sustained a pretax loss of \$67.5 million in 1983 compared to a pretax loss of \$72.6 million in 1982 and \$22.9 million of pretax losses in 1981. 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 six DC-8 aircraft.

Included in the 1982 results is 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. Included in the 1981 results is a pretax gain of \$35.4 million on the sale of three B-747-100's.

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 1983 with revenues increasing by 45% due primarily to higher volumes. The transatlantic market had an 8% 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, Switzerland 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. Additionally, in September, 1983, Flying Tigers began scheduled service to Australia. The domestic route system experienced intense competition during 1983 as revenues increased 31% from 1982 levels while volumes increased 11%. The domestic route system has been unfavorably affected by competition from freight forwarders arranging for their own aircraft. In early 1982, Flying Tigers introduced door-to-door service with guaranteed delivery time directly to retail customers. The volumes, measured by revenue pounds received, have increased from 1.5 million pounds in the first quarter of 1982 to 33.9 million pounds in the fourth quarter of 1983. As a result of door-to-door service increasing its share of the domestic volumes over airport-to-airport service, average domestic yields increased significantly.

MAC revenues decreased 27% in 1983 from 1982 levels. However in 1982 revenues were 3% higher than 1981 levels. The lower MAC revenues are a result of the military shifting its traffic to its own fleet.

Commercial charters revenues were \$63.9 million in 1983, a decline of 31% from 1982 while 1982 revenues declined 6% from 1981 levels. The decrease in 1983 was primarily a result of the termination of Metro International Airways (Metro) passenger charter flights. 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.

Total operating expenses increased \$66.0 million (7%) in 1983 compared to 1982. Sales, advertising and publicity expenses (included in Selling, General and Administrative expense in the Consolidated Statement of Operations) increased \$32.5 million (39%) primarily as a result of promoting the guaranteed door-to-door delivery service, notwithstanding cost cutting measures in other areas. Ground operations expenses increased \$36.4 million (16%) as a result of the expansion of operations associated with the door-to-door delivery service and additional international volume over 1982. Maintenance expenses increased \$17.6 million (24%) primarily as a result of increased use of Boeing 747 aircraft in the Asian markets and increased overhaul provision rates due to rising costs. The decline in fuel costs of \$16.4 million (5.5%) from 1982 was a result of a world wide fuel price decline. The average price per gallon of fuel paid by Flying Tigers decreased from \$1.13 in December, 1981, to \$1.05 in December, 1982 to \$.91 in December, 1983.

Trucking

Combined trucking and intermodal operations for 1983 reported a pretax loss of \$9.6 million on revenues of \$236.3 million, as compared to 1982 when the pretax loss was \$13.1 million on revenues of \$262.3 million. The 1981 pretax loss was \$3 million on revenues of \$287 million. Tiger owns two trucking companies: Hall's and Warren. Hall's is a general commodities carrier, primarily operating in the Central, Mid-Atlantic and Northeastern portion of the United States, providing less than truckload (LTL) and truckload services to those areas of the United States. Hall's operating revenues declined approximately 10% in 1983 from \$215.3 million in 1982 to \$193.4 in 1983. The economic recession has severely impacted Hall's revenue base and although the economy has recovered to some extent in the latter half of 1983, there has been no corresponding increase in volumes compared to 1982. The ten terminals closed in July by Hall's represented about 8% of its total tonnage and revenue (see below). Also adversely impacting Hall's revenues is the impact of deregulation, as competition has intensified during 1983 as evidenced by competitive bidding and rate discounting.

Hall's has taken significant steps to lower the operating ratio in 1983 through controlling wages, benefits and operating costs and has realized significant improvement. Among such steps, Hall's has closed the special commodities division (Bengal Transport) in February 1983 after determining that it was not feasible to operate this division profitably.

Additionally, in July 1983 Hall's closed ten consistently unprofitable terminals which did not conform to Hall's long-term plan to become a dominant regional carrier. Hall's 1983 results include reserves of \$3.8 million, most of which relate to the closing of these terminals. The operating ratio has declined from 104.1% in 1982 to 103.1% in 1983. It is expected that this trend will continue into 1984. In May 1983, Hall's began service to the west coast utilizing piggyback movements via Chicago. At year-end this business represented approximately 3% of total revenue. Hall's expects to place 600 twin trailers in service in 1984. They should provide additional flexibility for freight handling and reduce operating costs. Intermodal service to Florida was implemented in March, 1984.

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, packing materials and textiles. Warren was acquired on June 1, 1981 and reported operating revenues of \$29.4 million and pretax income of \$3.7 million during the last seven months of 1981. During the full year of 1982, Warren reported operating revenues of \$39.7 million and pretax income of \$3.5 million. In 1983 Warren's revenues were \$36.0 million and pretax income was \$2.3 million. The decline is primarily a result of the severe economic problems of the farming and construction industries during 1983 as Warren is dependent upon those industries for a majority of its revenue. Warren has been able to maintain profitability as a result of controlling its variable expenses in relationship to its lower revenues during 1983.

DISCONTINUED OPERATIONS

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, 1983. North American also conducts ancillary businesses to its leasing operations, such as car repair services and remarketing services. Additionally, North American has a car manufacturing division which produces

specialized covered hoppers and is involved in development, promotion and marketing of a railcar (RoadRailer) which is capable of running on railroads or being moved on highways by truck.

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. Upon the receipt of certain required consents by North American, North American will sell some additional assets of its railcar services business and the majority of its railcar repair division facilities to GECC.

North American revenues were \$188.5 million in 1983, a decrease of approximately 26% from \$254.5 million in 1982. Revenues in 1982 declined approximately 17% from 1981. Revenues for leasing and car sales activities have declined significantly during 1983 as a result of lower fleet utilization and the continuing soft railcar market. Fleet utilization has declined from approximately 91% at the end of 1981 to approximately 81% at the end of 1982 to approximately 75% at the end of 1983. Fleet utilization includes railcars which are leased for specific trips with rentals based on mileage.

Car sales have also been adversely affected as a result of the current excess supply of railcars as well as high interest rates during most of 1983. Also contributing to the revenue decline during 1983 were lower car repair revenues as car repair volumes have declined due to the excess supply of railcars.

Pretax results have significantly declined during 1983 from income of \$1.7 million in 1982 to a loss of \$61.4 million in 1983. The decline in profitability is attributable to the lower fleet productivity noted above, increased interest costs as a result of higher borrowing due to purchases of railcars in 1981 and 1982 and higher working capital needs. During 1981, North American realized pretax income of approximately \$17.7 million from sales of tax benefits, while in 1982 \$13.5 million was realized on tax benefit sales. No tax benefit sales were made during 1983. The decrease in the sale of tax benefits is largely the result of tax legislation passed during 1982, which significantly decreased the market for the sale of tax benefits.

In addition, the Chemical and Terminal Divisions at North American were sold for approximately \$10.5 million and portions of the European operations of North American were sold for approximately \$11 million. The 1983 results include a \$9.5 million cumulative translation loss on the sale of portions of the European operations.

Aviation Services

Effective December 31, 1982 Tiger announced its plan for the sale and disposition of its 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. In 1983 and 1984, Tiger completed the sale of its Aviquito subsidiary, its Aircraft Tank Services subsidiary, its Spare Part division and its fixed base operations at Salt Lake City, Utah, Denver, Colorado and White Plains, New York. Negotiations continue for the sale of the remaining assets of TigerAir.

IMPACT OF INFLATION

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

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

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Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Tiger International, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to conform prior period information with the 1983 presentation.

Effective December 31, 1983 the Railcar Services segment (North American) and other leasing businesses have been accounted for as discontinued operations in the accompanying financial statements. 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 for all years presented. In addition, footnote information for 1983 does not include the accounts of these businesses except as specifically indicated. The net assets of the Railcar Services operations and other leasing operations discontinued at December 31, 1983 are segregated on the 1983 Consolidated Balance Sheet, but have been consolidated for purposes of presenting 1982 balance sheet information. At December 31, 1982, the net assets of TigerAir, except for debt guaranteed by other Tiger subsidiaries, are also segregated on the 1982 Consolidated Balance Sheet.

Leases. North American and the other leasing operations (see above), are engaged in the business of leasing railcars, computers and other equipment. Most of these leases are classified as operating leases. Rentals from these leases are reported as revenues over the life of the lease and expenses are charged against such revenues as incurred. Future rentals under existing operating leases are not recorded as assets.

Some leases are classified as direct financing leases. Aggregate rentals and estimated residual values from these leases, net of the related unearned income, are recorded as an asset. Revenue is recognized over the lease term to reflect an approximate constant rate of return on the net investment in these leases.

In addition to operating leases and direct financing leases, the Company also recorded income related to certain leases (other than computer leases) in which it acts as a lease broker. Such income is based on the Company's share of the estimated residual value of the equipment under lease. During the lease term, the residual value recorded at its present value is accreted so that the estimated residual value at the end of the lease term reflects the estimated realizable proceeds to be received from the transaction.

Translation of Foreign Currencies. Effective January 1, 1983, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 52 "Foreign Currency Translation" which changes the method of accounting for the translation of foreign currency accounts. The most significant aspect of this change is to translate balance sheet accounts of certain foreign entities at current exchange rates rather than a combination of current and historical exchange rates as was the method under SFAS No. 8. 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. The effect on 1981 would be immaterial.

Inventories. At December 31, 1983, inventories consist of maintenance and assembly parts for aircraft and trucks. At December 31, 1982, inventories also included maintenance parts for leased equipment. Inventories are carried at the lower of cost or market, whereby cost is determined by the average-cost method for air cargo operations and the first-in, first-out method for leasing operations.

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.

The Company 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: aircraft — 5 to 20 years (15% maximum salvage value); trucks — 5 to 8 years; other — 2 to 40 years (average 15 years). Assets related to discontinued operations are also depreciated on a straight-line basis over the following estimated useful lives: railcars — 25 to 30 years; others — 2 to 40 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. Intangibles related to

the acquisition of North American are included in the Company's net equity investment in North American which was written off at December 31, 1983. See Note 2 — Discontinued Operations.

Current Portion of Long-Term Obligations. At December 31, 1982 the current portion of long-term obligations excludes the current portion of long-term debt and capital lease obligations related to leasing operations to the extent that such amounts will be paid from the net rentals to be received during the next year from finance leases and long-term operating leases.

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 the Company 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, 1983, 1982 and 1981.

CONSOLIDATED STATEMENT OF OPERATIONS

Tiger International, Inc. and Subsidiaries

(In thousands, except per share data)	For the Years Ended December 31		
	1983	1982	1981
Revenues			
Operating Revenues	\$1,250,276	\$1,161,196	\$1,161,921
Costs and Expenses			
Costs of Operations	995,404	987,777	995,200
Selling, General and Administrative	171,390	139,577	105,146
Depreciation and Amortization	84,003	88,574	79,442
	1,250,797	1,215,928	1,179,788
Loss from Operations	(521)	(54,732)	(17,867)
Other Income (Expense)			
Gain on Sale of Equipment	4,221	5,634	36,963
Interest Expense	(90,655)	(108,738)	(105,689)
Interest Capitalized	2,095	5,168	4,494
Other	(10,768)	25,235	19,404
	(95,107)	(72,701)	(44,828)
Loss From Continuing Operations Before Income Taxes	(95,628)	(127,433)	(62,695)
Income tax benefit	—	(53,900)	(41,846)
Net Loss From Continuing Operations	(95,628)	(73,533)	(20,849)
Discontinued operations			
Income (loss) from operations of discontinued businesses, less applicable tax provision (benefit) of \$-0-, \$(8,300) and \$28,146	(88,808)	(42,690)	4,236
Provision for loss on disposal of discontinued operations	(58,196)	(20,000)	—
	(147,004)	(62,690)	4,236
Net Loss Before Extraordinary Gain	(242,632)	(136,223)	(16,613)
Extraordinary Gain	19,792	—	—
Net Loss	\$ (222,840)	\$ (136,223)	\$ (16,613)
Earnings (loss) per share			
— Continuing operations	\$ (5.30)	\$ (4.34)	\$ (1.23)
— Discontinued operations	(8.14)	(3.70)	.25
	(13.44)	(8.04)	(.98)
— Extraordinary Gain	1.10	—	—
Loss Per Share	\$ (12.34)	\$ (8.04)	\$ (.98)
Shares used in computation of earnings (loss) per share	18,050	16,936	17,000

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

CONSOLIDATED BALANCE SHEET

Tiger International, Inc. and Subsidiaries

(In thousands)	December 31	
	1983	1982
Assets		
Current Assets		
Cash and short-term investments	\$ 42,604	\$ 64,904
Receivables, net	188,096	176,932
Inventories	24,526	70,875
Prepaid expenses and other	9,430	44,488
Total Current Assets	264,656	357,199
Investment in Finance Leases		
	—	76,278
Property, Plant and Equipment		
Equipment used in operations	970,943	2,261,253
Buildings and leasehold improvements	88,690	143,837
Shop and terminal facilities and other	81,715	116,627
Construction in process	28,884	41,704
	1,170,232	2,563,421
<i>Less accumulated depreciation and amortization</i>	401,327	798,761
	768,905	1,764,660
Other Assets		
Investments, other receivables and deposits	20,951	88,117
Net assets, exclusive of certain obligations, of discontinued operations	—	70,545
Cost in excess of fair value of acquired businesses, net	59,254	83,820
	80,205	242,482
Total Assets	\$1,113,766	\$2,440,619

CONSOLIDATED BALANCE SHEET

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Tiger International, Inc. and Subsidiaries

(In thousands)	December 31	
	1983	1982
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ —	\$ 20,000
Current portion of long-term obligations	48,997	116,834
Accounts payable and accrued liabilities	205,610	261,207
<i>Total Current Liabilities</i>	<i>254,607</i>	<i>398,041</i>
Long-term Obligations		
Notes payable and equipment obligations	399,521	1,151,358
Subordinated debt	29,086	76,061
Capital lease obligations	263,285	399,843
	691,892	1,627,262
Deferred Credits		
Deferred income taxes and tax credits	3,299	71,326
Reserve for discontinued operations	31,261	—
Other	48,171	55,237
	82,731	126,563
Commitments		
Minority Preferred Stock Subject to Mandatory Redemption	—	5,587
Stockholders' Equity		
Common stock, \$1 par value		
Authorized — 35,000,000 shares; outstanding — 20,508,257 and 17,034,658 shares	20,508	17,035
Additional paid-in capital	250,998	219,257
Retained earnings (deficit)	(184,626)	48,557
	86,880	284,849
Less treasury stock, at cost (166,835 and 98,624 shares)	2,344	1,683
<i>Total Stockholders' Equity</i>	<i>84,536</i>	<i>283,166</i>
Total Liabilities and Stockholders' Equity	\$1,113,766	\$2,440,619

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY*Tiger International, Inc. and Subsidiaries*

For the three years ended
December 31, 1983
(In thousands)

	\$ 1 Par Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balance at December 31, 1980	\$ 16,889	\$ 216,905	\$ 212,833	\$ (348)	\$ 446,279
Net loss	—	—	(16,613)	—	(16,613)
Common Stock issued in connection with acquisitions	67	1,318	—	—	1,385
Issuance of Common Stock pursuant to the Executive Incentive Plan	45	829	—	—	874
Treasury stock purchase of 46,764 shares	—	—	—	(1,096)	(1,096)
Cash dividends declared on Common Stock (\$.675 per share)	—	—	(11,440)	—	(11,440)
Balance at December 31, 1981	17,001	219,052	184,780	(1,444)	419,389
Net loss	—	—	(136,223)	—	(136,223)
Issuance of Common Stock upon conversion of debentures	34	205	—	—	239
Treasury stock acquired in connection with conversion of debentures by an affiliate	—	—	—	(239)	(239)
Balance at December 31, 1982	17,035	219,257	48,557	(1,683)	283,166
Net loss	—	—	(222,840)	—	(222,840)
Issuance of Common Stock and warrants in exchange offer	3,213	30,299	—	(585)(1)	32,927
Issuance of Common Stock in lieu of cash interest payments	260	1,442	—	(76)	1,626
Effect of change in accounting principle for foreign currency transactions	—	—	(10,343)	—	(10,343)
Balance at December 31, 1983	\$ 20,508	\$ 250,998	\$ (184,626)	\$ (2,344)	\$ 84,536

(1) Represents Common Stock and warrants issued to Flying Tigers in exchange for 11½% Debentures. See Note 7 — Long-Term Debt.

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

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Tiger International, Inc. and Subsidiaries

For the Years Ended December 31

(in thousands)	1983	1982	1981
Source of Funds			
<i>Continuing operations</i>			
Loss from continuing operations before extraordinary item	\$ (95,628)	\$ (73,533)	\$(20,849)
Items not involving working capital—			
Depreciation and amortization	84,003	88,574	79,442
Deferred income tax benefit	—	(54,021)	(36,952)
Translation gain on yen denominated debt	—	(18,391)	—
Gain on sale of insurance subsidiary	—	—	(5,850)
Gain on sale of equipment used in operations	(4,221)	(5,634)	(36,963)
Overhaul reserves, net	13,239	(10,376)	8,936
Other	11,944	4,104	2,358
Working capital provided (used) by continuing operations before extraordinary item	9,337	(69,277)	(9,878)
<i>Discontinued operations</i>			
Loss from discontinued operations	(147,004)	(62,690)	4,236
Items not involving working capital—			
Depreciation and amortization	58,049	69,226	76,146
Other	43,389	(4,823)	8,428
Working capital provided (used) by discontinued operations	(45,566)	1,713	88,810
Total working capital provided (used) by operations before extraordinary item	(36,229)	(67,564)	78,932
Collection of finance lease and long-term receivables	20,658	52,186	36,300
Retirement of property, plant and equipment	98,502	33,391	70,447
Proceeds from sale of investment	—	31,740	—
Proceeds from sale of insurance subsidiary	—	—	82,271
Proceeds from sale of aircraft	31,637	55,500	69,700
	114,568	105,253	337,650
Extraordinary item	19,792	—	—
Proceeds from debt financing, net of prepayments	51,003	109,809	193,438
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	34,553	—	2,259
Assets of discontinued operations	1,058,974	—	—
Working capital of discontinued businesses	42,090	—	—
Working capital of acquired businesses	—	—	6,547
Total Source of Funds	1,420,012	215,062	539,894
Application of Funds			
Acquisition of businesses	—	—	40,416
Liabilities of discontinued operations	1,059,944	—	—
Additions to finance lease and long-term receivables	7,183	16,345	51,432
Additions to property, plant and equipment, net of new railcar sales	55,099	139,066	186,404
Payment on maturities of long-term obligations	119,432	158,291	150,332
Debentures retired in exchange offer	92,073	—	—
Cash dividends on common stock	—	—	11,440
Other	35,390	19,601	29,522
Total Application of Funds	1,369,121	333,303	469,546
Increase (Decrease) in Working Capital	\$ 50,891	\$(118,241)	\$ 70,348
Changes in Components of Working Capital			
Cash and short-term investments	\$ (22,300)	\$ 17,936	\$ 4,935
Receivables, net	11,164	(76,558)	7,101
Inventories	(46,349)	(54,413)	19,675
Prepaid expenses and other	(35,058)	18,911	7,905
Increase (Decrease) in Current Assets	(92,543)	(94,124)	39,616
Short-term borrowings (less portion reclassified to long-term in 1981 — \$124,000)	(20,000)	14,243	(47,808)
Current portion of long-term obligations	(67,837)	38,999	26,588
Accounts payable and accrued liabilities	(55,597)	(29,125)	(9,512)
Increase (Decrease) in Current Liabilities	(143,434)	24,117	(30,732)
Increase (Decrease) in Working Capital	\$ 50,891	\$(118,241)	\$ 70,348

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

Note 1 — Financial Restructuring

On February 14, 1983, Tiger'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 unilaterally 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 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 approximately \$29 million. The exchange resulted in an extraordinary gain of \$19.8 million.

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 provides for the sale of additional assets to GECC once North American receives required consents from certain lenders.

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 North American and Flying Tigers restructuring agreements provide for the deferral of approximately \$221 million of principal and interest otherwise payable in 1983 through 1985. The amount relating to Flying Tigers, approximately \$48 million, will be payable over a five-year period commencing July 2, 1985 and the amount relating to North American, approximately \$173 million, will be payable over a five-year period commencing March 1986. See Note 2 — Discontinued Operations and Note 7 — Long-Term Debt for maturities and restrictions under the restructuring agreements.

At December 31, 1983 Tiger Leasing Group, Inc. ("Tiger Leasing Group") a direct subsidiary of Tiger and the parent of North American, and other subsidiaries were in default under certain obligations and negotiations are in process. TigerAir is also negotiating to amend and cure certain defaults not relating to payment under its restructuring agreements.

**Note 2 — Discontinued Operations
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 of which \$100 million will be in cash and the balance in notes, including the assumption of certain debt. The sale is to be consummated at two closings. At the first closing on December 15, 1983, North American sold 1,405 of such 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 is committed to sell to GECC an additional number of railcars, for \$60 million in cash, and most of the repair facilities at a closing to occur upon the receipt by North American of all necessary consents. Such closing is expected to occur prior to December 15, 1985. 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 purchase price of such railcars will be equal to the outstanding debt on the railcars, plus the applicable deferred income taxes and fifty percent of the difference between the fair market value of the railcars and the debt and taxes.

The North American restructuring agreement, among other things, severely limits the transfer of cash from North American to Tiger. In connection with the restructuring, Tiger has issued a promissory note to North American for \$132 million representing advances previously made by North American to Tiger and deducted from equity by North American. Tiger also issued a note to North American for up to \$10 million for future advances which can be made by North American to Tiger under certain conditions.

Under the debt restructuring agreement of North American, Tiger will remain contingently liable under the terms of the \$132 million note which has been pledged to North American's lenders as security for the repayment of North American's debt. The note for up to \$10 million has also been pledged to the creditors of North American. The promissory notes bear interest at 7% and are payable in January, 1991. The notes

may not be declared due and payable prior to January 1, 1991 unless a default occurs under the North American restructuring agreement which is not waived within 45 days or certain of Tiger's public debt is accelerated. North American has been accounted for as a discontinued operation at December 31, 1983 since Tiger has sold the management operation of North American and intends to liquidate the railcar fleet under the GECC option or otherwise. The Tiger net investment in North American at December 31, 1983 has been fully reserved due to the limitation of cash transfers under the North American restructuring agreement.

Management believes sufficient cash will be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness.

A condensed balance sheet of North American as of December 31, 1983 is as follows:

(in thousands)

Current assets	\$ 54,208
Investment in finance leases	42,625
Property, plant and equipment, net	758,058
Tax receivable from Tiger	79,947
Other assets	73,408
Total assets	\$1,008,246
Current liabilities	\$ 103,044
Long-term debt and capital leases	743,487
Deferred income taxes and other	170,564
	1,017,095
Preferred stock (\$5,150 held by Tiger)	10,692
Equity	221,077
Intercompany receivables (Tiger — \$132,151; Tiger Leasing Group — \$108,467)	(240,618)
Equity less intercompany receivables	(19,541)
Total liabilities and equity	\$1,008,246

At December 31, 1983, minimum future lease receivables from non-cancellable operating leases and finance leases are as follows (in thousands):

Year	Operating Leases	Finance Leases
1984	\$ 85,641	\$ 8,064
1985	57,219	7,058
1986	46,673	6,735
1987	34,638	8,108
1988	26,521	6,444
Later years	35,152	40,043
Total minimum future lease receivables	\$285,844	\$76,452

At December 31, 1983, future minimum rental payments required under capital and operating leases that have initial or remaining non-cancellable lease terms in excess of one year are as follows (in thousands):

Year	Operating Leases	Capital Leases
1984	\$14,325	\$ 15,224
1985	12,070	14,958
1986	9,102	14,759
1987	7,013	14,740
1988	5,919	14,664
Later years	35,887	123,859
Total minimum payments	\$84,316	\$198,204

At December 31, 1983, maturities and required sinking fund payments of equipment obligations and other long-term debt are as follows (in thousands):

1984	\$ 29,327
1985	82,216
1986	94,387
1987	101,928
1988	80,953
Later years	285,071
Total	\$673,882

As of December 31, 1983, North American was contingently liable under outstanding guarantees for indebtedness and lease obligations of \$51.9 million. In addition, it has agreed to purchase certain residual values of various equipment from the lessors at the lessor's option for \$13.1 million.

The results of operations for North American, included in the caption "Discontinued Operations" in the Consolidated Statement of Operations are as follows:

(In thousands)	For the Year Ended December 31,		
	1983	1982	1981
Operating revenues	\$184,550	\$233,098	\$293,590
Intercompany income	1,111	21,437	14,795
	185,661	254,535	308,385
Costs and expenses	255,042	252,846	238,673
Income (loss) before taxes	\$ (69,381)	\$ 1,689	\$ 69,712

Other Leasing Operations

Tiger's other leasing operations have also been discontinued at December 31, 1983. A loss provision of \$26.7 million was recorded to adjust the related assets to their estimated realizable values which considers estimated losses and costs during the disposal period. A condensed balance sheet at December 31, 1983 of these entities including the remaining assets and liabilities of TigerAir is as follows:

(In thousands)	
Current assets	\$30,175
Non-current assets	80,520
	110,695
Current liabilities	38,858
Long-term obligations and other	101,213
Net assets of discontinued operations	\$(29,376)

The principal assets consist of two DC-10-30 and four 727-200 aircraft all of which are leased. An agreement has been entered into for the sale of one of the DC-10-30 aircraft and it is anticipated that its carrying value will be realized.

At December 31, 1983, future maturities of long-term debt and capital leases are as follows (in thousands):

Year	
1984	\$ 28,576
1985	7,885
1986	8,273
1987	13,415
1988	13,451
Later years	30,126
Total	\$101,726

The results of operations of the other leasing operations, included in the caption "Discontinued Operations" in the Consolidated Statements of Operations, are as follows:

(In thousands)	For the Year Ended December 31,		
	1983	1982	1981
Operating revenues	\$ 12,285	\$136,533	\$191,612
Costs and Expenses	31,712	189,212	228,942
Income (loss) before income taxes	\$(19,427)	\$(52,679)	\$(37,330)

Note 3 — Acquisitions and Dispositions

Acquisitions. During 1981, the Company completed its acquisition of two trucking companies and two other businesses for cash and Common Stock aggregating approximately \$40,416,000. These acquisitions have been accounted for as purchases and their results of operations have been included in the accompanying consolidated financial statements from date of acquisitions. The effect of these acquisitions is not material to consolidated results of operations or financial position.

Dispositions. In December 1980, the Company reached an agreement to sell the capital stock of its private mortgage insurance operations for \$82,271,000 in cash. The sale was consummated in February 1981 resulting in a pretax gain of \$5,850,000 which is included in other income in the accompanying Consolidated Statement of Operations.

During 1981, Flying Tigers sold its interest in three Boeing 747-100 freighter aircraft and related equipment for proceeds aggregating approximately \$69,700,000; in addition, the buyer assumed a capital lease obligation of approximately \$18,175,000. The pretax gain of \$35,382,000 is included in other income in the accompanying Consolidated Statement of Operations.

During 1982, the Company sold its investment in Purolator, Inc. common stock for a sales price of \$31,740,000. The pretax gain of \$2,327,000 is included in other income.

Also in 1982, 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 included in other income.

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 included in other income. During the fourth quarter of 1983 Flying Tigers decided to dispose of its DC-8 fleet. During the fourth quarter of 1983, Flying Tigers entered into an agreement to sell five DC-8 aircraft and the related re-engining contracts. The net book value of the DC-8 aircraft fleet, related parts and equipment as of December 31, 1983 is \$36,327,000. Subsequent to December 31, 1983, Flying Tigers was in the process of selling its remaining DC-8 aircraft and the related re-engining contracts.

During 1982 and 1981, the Company's leasing subsidiaries realized approximately \$13,500,000 and \$18,700,000, respectively, in pretax income from the sale of tax and depreciation benefits. In addition, during 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

The Company is engaged primarily in two continuing businesses: air cargo and trucking and intermodal. Effective December 31, 1983, management discontinued the operations of the Railcar Services business (North American) and the other leasing operations of Tiger Leasing Group. In addition, effective December 31, 1982, the operations of the aviation services business were discontinued. The Company operates primarily in the United States with some operations also located in Europe and the Far East. Revenues and transfers between industry and geographic areas are not significant.

Segment data (In thousands)	Revenues	Pretax Results Before Interest Expense	Interest Expense, Net	Pretax Income (Loss)	Identifiable Assets	Capital Expenditures	Deprecia- tion and Amortization Expense
1983							
Air Cargo	\$1,019,832	\$ 7,086	\$ 74,603	\$ (67,517)	\$ 987,119	\$ 23,254	\$ 71,419
Trucking and Intermodal	236,340	(5,845)	3,772	(9,617)	117,480	1,151	12,378
Other	(5,896)	(8,309)	10,185	(18,494)	9,167	205	206
Continuing Operations	1,250,276	(7,068)	88,560	(95,628)	1,113,766	24,610	84,003
Discontinued Operations	197,880	(51,094)	95,910	(147,004)	—	30,489	58,049
	<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>
1982							
Air Cargo	\$ 905,496	\$ (1,519)	\$ 71,070	\$ (72,589)	\$1,043,630	\$ 58,325	\$ 74,036
Trucking and Intermodal	262,347	(7,458)	5,638	(13,096)	137,598	2,993	14,543
Other	(6,647)	(14,886)	26,862	(41,748)	66,230	150	(5)
Continuing Operations	1,161,196	(23,863)	103,570	(127,433)	1,247,458	61,468	88,574
Discontinued Operations	373,782	24,839	95,829	(70,990)	1,193,161	77,598	69,226
	<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>
1981							
Air Cargo	\$ 879,104	\$ 37,340	\$ 60,223	\$ (22,883)	\$1,123,703	\$ 51,046	\$ 65,917
Trucking and Intermodal	286,950	3,111	6,151	(3,040)	153,429	11,842	13,671
Other	(4,133)	(1,951)	34,821	(36,772)	39,853	(75)	(146)
Continuing Operations	1,161,921	38,500	101,195	(62,695)	1,316,985	62,813	79,442
Discontinued Operations	459,137	125,542	93,160	32,382	1,385,412	123,591	76,146
	<u>\$1,621,058</u>	<u>\$164,042</u>	<u>\$194,355</u>	<u>\$ (30,313)</u>	<u>\$2,702,397</u>	<u>\$186,404</u>	<u>\$155,588</u>

Other includes parent company and corporate intercompany elimination items

Operating revenues reported in the Consolidated Statement of Operations include international revenues of \$799,917,000, \$701,283,000 and \$629,120,000 for the years ended December 31, 1983, 1982 and 1981, respectively. All significant identifiable assets are located in the United States. Revenues from the United States Government were \$122,123,000, \$151,329,000 and \$142,751,000 for the years ended December 31, 1983, 1982 and 1981, respectively. These revenues were for services performed primarily for the Military Airlift Command and the U.S. Postal Service.

Note 5 — The Company as Lessor

The leasing operations (discontinued as of December 31, 1983, See Note 2 — Discontinued Operations for 1983 information) consist principally of the leasing of railcars. Substantially all of the equipment is leased to third parties under operating leases. In addition, there are certain lease arrangements which are accounted for as finance leases.

Operating Leases. At December 31, 1982 equipment used in operations (classified as property, plant and equipment) includes equipment held for lease as follows:

(in thousands)	Cost	Accumulated Depreciation	Net Book Value
December 31, 1982			
Railcars	\$1,114,933	\$311,768	\$803,165
Computers	83,432	77,576	5,856
Other	12,307	2,266	10,041
	<u>\$1,210,672</u>	<u>\$391,610</u>	<u>\$819,062</u>

In 1982 and 1981, the Company recognized pretax write-downs of approximately \$11,500,000 and \$14,200,000 related to the carrying value of computer and other equipment as a result of evaluating changes in market and rental conditions.

Finance Leases. The components of the net investment in finance and other leases at December 31, 1982 are as follows:

(in thousands)	1982
Lease payments receivable (includes \$18,103 due within one year)	\$123,837
Estimated unguaranteed residual value of leased equipment	12,544
Less — estimated executory costs	(8,900)
unearned income	(53,640)
allowance for uncollectible amounts	(1,114)
Net investment in finance leases	72,727
Other leases	3,551
Net investment in finance and other leases	<u>\$ 76,278</u>

Note 6 — Short-Term Debt

The Company periodically borrowed short-term funds in the past under uncommitted arrangements with a number of banks. The short-term lines at December 31, 1982, amounted to \$20 million all of which were borrowed. During 1982, the banks did not renew these short-term lines, and, as a result, the Company had to use long-term committed revolving credit agreements to repay the outstanding short-term borrowings. The Company had no short-term borrowings outstanding at December 31, 1983.

The average month-end balances of aggregate short-term borrowings were \$81,279,000 in 1982 at weighted average interest rate of 15.3%. Maximum total month-end borrowings in 1982 were \$164,153,000. The weighted average interest rate of total short-term debt outstanding at December 31, 1982 was 12.7%.

Note 7 — Long-Term Debt

The outstanding balance of long-term debt under existing terms at December 31 is as follows (See Note 2 — Discontinued Operations for the outstanding balances, maturities and restrictions related to North American and other leasing company obligations outstanding as of December 31, 1983):

<i>(in thousands)</i>	1983	1982
Notes Payable and Equipment Obligations		
<i>Tiger International, Inc.</i>		
Variable rate (subject to a 10% maximum rate) notes payable to banks, repaid January 1983	\$ —	\$ 7,516
11½% Debentures due April 1995, net of imputed interest	18,476	—
11½% Debentures due October 1995, net of imputed interest	13,691	48,883
<i>Subsidiaries</i>		
5½% to 15% equipment obligations and trust certificates scheduled to mature serially 1984 to 2005 (average rate 10.1% in 1983)	170,708	522,690
5¾% to 16.6% notes payable due 1984 to 2000 (average rate 11.5% in 1983)	139,559	237,772
Variable rate revolving credit agreements (average rate 10.8% in 1983)	10,702	234,500
Variable rate notes payable due 1984 to 1990	80,610	188,548
	433,746	1,239,909
Less current portion (exclusive of \$51,951 in 1982 to be paid from finance and long-term operating leases)	34,225	88,551
	\$399,521	\$1,151,358
Subordinated Debt		
<i>Tiger International, Inc.</i>		
8½% Senior Subordinated Debentures due 1995, net of imputed interest	\$ 19,668	\$ —
8½% Convertible Subordinated Debentures due 2005	4,437	60,000
<i>Subsidiaries (net of imputed interest)</i>		
5% Convertible Subordinated Debentures due to 1986	7,292	8,966
5¼% Subordinated Debentures, due to 1988	—	1,530
9¼% Subordinated Debentures, due to 1992	—	8,733
	31,397	79,229
Less current portion	2,311	3,168
	\$ 29,086	\$ 76,061

Tiger International, Inc. (Parent). At December 31, 1982, Tiger was not in compliance with certain covenants of the variable rate notes payable to banks. On January 3, 1983, Tiger paid a scheduled quarterly installment in the amount of \$1,253,000 and later in January 1983 repaid the remaining balance. Tiger also had a receivable from the banks resulting from paying interest in excess of the 10% maximum interest rate. The loan was repaid through a combination of cash and settlement of the excess interest receivable.

Pursuant to an Exchange Offer, completed in September 1983, Tiger 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 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'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 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 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 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 respective \$1.7 million and \$1.6 million interest obligations by delivering 259,989 and 332,691 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 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 may deliver outstanding debentures and apply as a credit debentures which have been redeemed at the election of Tiger 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 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 may deliver outstanding debentures and apply as a credit debentures which have been redeemed at the election of Tiger 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 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 may deliver outstanding debentures and apply as a credit debentures which have been redeemed at the election of Tiger or through optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement. Tiger 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 are 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. As a mandatory sinking fund for the retirement of the debentures, Tiger 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 may deliver outstanding debentures and apply as a credit debentures which have been converted or redeemed either at the election of Tiger or through optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement. Tiger 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'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. The agreement, which is secured by a mortgage on substantially all 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. In addition, the agreement provides for the payment of up to \$9,682,000 in contingent interest, cumulatively, based upon 50% of net income in excess of \$5,000,000, calculated before deducting such contingent interest, for each of the years 1985 through 1989. The available commitment is subject to reductions based upon the proceeds from future asset sales. 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 \$7.7 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 from 1984 through 1985 and \$2.5 million in 1986. Each \$1,000 principal amount of these debentures is convertible into \$500 principal amount of Tiger's Old 11½% Debentures and 15 shares of Tiger's Common Stock. In February 1984, Flying Tigers announced two debt for equity exchange offers, one of which related to the 5% Convertible Subordinated Debentures. See Note 14 — Subsequent Events.

During 1981 the Company acquired Dohrn Transfer Company. At the time of acquisition, Dohrn was not in compliance with certain technical financial provisions of debt arrangements totaling approximately \$12,400,000. During 1983, the Company obtained waivers of all previous instances of non-compliance and renegotiated these obligations in connection with a new financing agreement which also provides up to \$8,000,000 in new borrowings.

Scheduled Maturities. Principal scheduled maturities under the restructured terms of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in Note 8 — Commitments) related to continuing operations are as follows (in thousands):

Year	As Restructured			Original
	Long-term Debt	Capital Lease Obligations	Total	Total
1984	\$ 36,536	\$ 12,461	\$ 48,997	\$ 97,939
1985	51,321	13,082	64,403	63,655
1986	54,656	13,864	68,520	62,583
1987	50,027	13,680	63,707	58,617
1988	49,909	14,655	64,564	59,495
Later Years	222,694	208,004	430,698	398,600
Total	\$465,143	\$275,746	\$740,889	\$740,889

Restrictions on Cash, Dividend Payments and Assets Secured by Debt. In the past Tiger has received funds from its subsidiaries to meet its cash requirements. The debt restructuring agreements significantly restrict the amount of advances to Tiger. Tiger has agreed that advances from North American and Flying Tigers to Tiger will be limited, in each case, to up to \$3.6 million in 1984 and \$4.7 million in 1985 (which limit shall increase, in each case, by \$175,000 per year through 1990) for payment of Tiger's general and administrative expenses through 1990 and for the amounts required to pay interest due on the 11½% Sinking Fund Debentures due October 1, 1995 and 8% Convertible Subordinated Debentures due July 1, 2005 through September 30, 1986. The advances for payment of interest on the above mentioned debentures, amounting to approximately \$1 million annually through 1986 from each of Flying Tigers and North American, will become intercompany obligations owing from Tiger to such subsidiaries. The debt restructuring agreements also contain strict financial covenants concerning working capital, net worth, additional borrowings and payment of cash dividends and require that virtually all of these subsidiaries' unencumbered assets be secured. Hall's can advance up to \$1 million a year to Tiger.

Note 8 — Commitments

Leases. At December 31, 1983 the Company 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, the Company 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):	1983	1982
<i>Equipment used in operations:</i>		
Equipment for lease or under lease	\$ —	\$137,926
Equipment used in air cargo operations	336,721	367,510
Equipment used in trucking operations	7,589	7,589
Buildings and leasehold improvements	5,978	8,601
	<u>350,288</u>	<u>521,626</u>
Less accumulated amortization	115,777	169,097
	<u>\$234,511</u>	<u>\$352,529</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, 1983, 1982 and 1981 was \$36,458,000, \$26,131,000 and \$24,795,000, respectively.

Scheduled Minimum Future Lease Payments: At December 31, 1983, 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 Leases	Operating Leases
1984	\$ 24,167	\$ 11,185
1985	46,235	10,465
1986	39,884	8,670
1987	40,055	7,645
1988	40,118	7,639
Later years	454,961	113,453
Total minimum lease payments	645,420	<u>\$159,057</u>
Less amount representing interest	369,674	
Present value of net minimum future lease payments	275,746	
Less current portion	12,461	
Long-term capital lease obligations	<u>\$263,285</u>	

See Note 2 — Discontinued Operations for scheduled minimum future lease payments due under operating and capital leases of North American at December 31, 1983.

Purchase Commitments. In 1979, the Company contracted to re-engine a portion of its DC-8 aircraft fleet to meet 1985 federal noise requirements. Under the current redelivery schedule, the re-engineing extends the estimated useful lives of these aircraft to 1994. At December 31, 1983, the Company had no significant future purchase commitments after giving effect to letters of intent signed in December, 1983 and January, 1984 for the sale of DC-8 aircraft and their related re-engineing contracts. See Note 3 — Acquisition and Dispositions.

Guarantees. At December 31, 1983, the Company was contingently liable under outstanding guarantees in the amount of \$25,698,000, 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, 1983.

Note 9 — Capital Stock

Common Stock. At December 31, 1983 the Company 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
	<u>6,300,000</u>

Stock Option and Executive Incentive Plans. 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 are exercisable from 1984 to 1993.

A summary of changes in stock options for the two years ended December 31, 1983 is as follows:

	Number of Shares	Option Price Per Share
Outstanding at December 31, 1981	445,700	\$12.375
Granted	33,125	14.125
Exercised	—	—
Cancelled or expired	57,100	12.375
Outstanding at December 31, 1982	421,725	12.512
Granted	104,141	9.250
Exercised	—	—
Cancelled or expired	185,200	12.436
Outstanding at December 31, 1983	340,666	\$11.557

The aggregate purchase price of shares subject to outstanding options was \$3,937,000 at December 31, 1983 and \$5,277,000 at December 31, 1982. All stock options outstanding at December 31, 1983 are exercisable as of December 31, 1983.

The Company has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. No amounts were awarded for 1983, 1982 or 1981.

Warrants. Pursuant to an Exchange Offer completed in September 1983 Tiger 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 7 — Long-Term Debt).

In connection with the above mentioned Exchange Offer, Tiger issued 400,000 warrants to Drexel Burnham Lambert Incorporated ("Drexel") in July 1983 as compensation for services performed by it in connection therewith. Upon effectiveness of a registration statement covering 200,000 of the 400,000 warrants issued to Drexel, Drexel will return the remaining 200,000 warrants to Tiger for cancellation. Each warrant entitles the warrant holder to purchase one share of Common Stock at \$8.50 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 has executed an agreement with the collateral agent for the creditors who are parties to the North American restructuring agreement. This agreement provides, among other things, that Tiger will 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. The Flying Tigers' restructuring agreements include provisions, among other things, relating to the issuance of warrants in connection with advances by Flying Tigers to Tiger. It is expected that no more than 250,000 warrants will be issued in connection with the deferral of interest and no more than 1,400,000 warrants will be issued in connection with advances from North American and Flying Tigers to Tiger. On October 1, 1983 and January 1, 1984, warrants to purchase 117,245 and 54,109 shares of Common Stock, respectively, were issued to North American lenders, at an exercise price of \$6.46 and \$5.15, respectively, in connection with the deferral of interest. In connection with advances to be made by North American and Flying Tigers during the second quarter of 1984, 50,579 warrants were issued as of March 20, 1984 to North American and Flying Tigers lenders at an exercise price of \$7.3875. The exercise price of warrants issued in connection with deferred interest will be equal to the average closing price of Common Stock over a 10-day period immediately preceding the date of issuance of such warrants. The exercise price of warrants issued in connection with advances will be equal to, subject to adjustment, the lesser of (i) \$9.00 or (ii) the average market price of the Common Stock over a 10-day period ending on or prior to the fifteenth day of the month in which such warrants are to be issued.

Note 10 — Contingencies and Legal Actions

On February 15, 1983, the Bank of Montreal brought an action against Tiger Leasing Group in the United States District Court for the Central District of California. The complaint alleges that Tiger Leasing Group breached its obligations under a guarantee effective February 2, 1980, whereby Tiger Leasing Group guaranteed the payment of obligations of Tiger Arrendadora S.A. de C.V. ("Arrendadora") under a

promissory note dated February 2, 1980 executed by Arrendadora in favor of the Bank. The complaint alleged that (i) Arrendadora did not make the February 1983 installment under such note; (ii) the Bank notified Tiger Leasing Group of the Arrendadora default under such note and made demand upon Tiger Leasing Group for payment of the outstanding principal amount of the note, \$1,250,000, plus accrued interest under the guarantee; and (iii) Tiger Leasing Group failed and refused to make such payment. Following a hearing, the court entered judgment in favor of the Bank.

Manubank Leasing Corporation ("Manubank") brought an action in the United States District Court for the Eastern District of Michigan alleging that Tiger Leasing Group had defaulted under an obligation owed to Manubank in the amount of \$1,200,000. On January 9, 1984, the court entered summary judgment against Tiger Leasing Group and in favor of Manubank in the amount of approximately \$1,200,000.

On June 9, 1983, Hunter-Keith Incorporated ("Hunter-Keith") brought an action against North American in the United States District Court for the District of Minnesota. The complaint alleges that North American entered into a contract with Hunter-Keith's assignor, Hunter-Keith, Marshall & Co. Incorporated for the sale to Hunter-Keith of between 950 and 1350 P.D.TM railcars and for the option to purchase additional railcars, North American's patents and North American's railcar manufacturing facility. The complaint alleges further that North American breached its obligations under the alleged agreement and requests specific performance. In an amended complaint dated August 17, 1983, Hunter-Keith further alleges that 106 of the P.D.TM railcars that had been the subject of the alleged agreement were sold to a third party on or about July 6, 1983. Hunter-Keith also requests a total of \$6,700,000 in money damages in the amended complaint. On August 15, 1983, the court issued a temporary restraining order enjoining North American from taking any action that would impair the alleged obligations, including selling or negotiating to sell the assets subject to the alleged agreement. The parties stipulated to the extension to March 31, 1984 of the temporary restraining order in a modified form. The modified temporary restraining order permits North American to grant to GECC the right to manage on an interim basis the P.D.TM railcars. The modified temporary restraining order also postpones all proceedings including, but not limited to, discovery until 5:00 p.m. on March 31, 1984 and provides for an additional 30 days thereafter to complete discovery. The parties are currently involved in negotiations for settlement of such litigation.

North American settled litigation with Societe Generale de Banque Brussels and agreed to a stipulated judgment in an action brought by Credit Suisse pursuant to which the plaintiffs sought to attach assets of North American. Under a stipulated judgment entered against North American, North American pledged 1,159 railcars to secure the \$25 million obligation payable to Credit Suisse. North American also made a payment of required interest to Credit Suisse in the amount of \$4.4 million. The stipulated judgment also requires North American to pay Credit Suisse in full in January 1985. Under the terms of the North American restructuring agreement, it will be necessary to renegotiate certain provisions of the restructuring agreement to permit North American to satisfy the obligation to Credit Suisse in order to avoid a default. However, a party which is not a subsidiary of North American may assume or satisfy the obligation to Credit Suisse.

In the ordinary course of business, the Company became involved as defendants in various legal proceedings. It is the opinion of the Company's management, based upon the advice of its counsel, that the ultimate disposition of pending litigation other than that set forth above will not be material in relation to the Company's consolidated financial position.

Note 11 — Retirement Plans

The Company maintains retirement plans for substantially all of its union and non-union employees. The total employer cost for all pension plans was \$22,912,000 in 1983, \$24,354,000 in 1982 and \$23,977,000 in 1981. Of these amounts, \$20,636,000 in 1983, \$18,784,000 in 1982 and \$20,177,000 in 1981 was for union employee plans.

The Company's policy is to fund part of the pension costs accrued in the year in which they are accrued and the remainder in the following year. In 1982, however, the Company funded an amount that was \$5,221,000 less than the 1981 accrual. Although the amount funded was less than costs accrued, it was sufficient to meet the minimum funding requirements under ERISA.

In 1982, the Company also changed certain assumptions which decreased the level of pension costs by \$995,000. These changes included an increase in the actuarial rate of interest from 6% to 7.5% for one of its pension plans.

For 1983, benefits were increased for certain of the Company'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 for the year. The effect of these changes was to increase 1983

pension expenses approximately \$399,000 and to increase the actuarial present value of accumulated plan benefits by approximately \$11,529,000.

The following table summarizes accumulated plan benefit information and plan net assets for the Company's retirement plans as of the date of the most recent valuations. Excluded from the table are amounts related to multi-employer plans and, as of January 1, 1982, plan benefit information for pension plans terminated in 1982. Estimated assumed rates of return used by consulting actuaries were between 4% and 10% in 1983 and between 4.0% and 10.5% in 1982.

(In thousands)	As of January 1	
	1983	1982
Actuarial present value of accumulated plan benefits		
Vested	\$171,787	\$154,403
Non-vested	28,258	28,257
	<u>\$200,045</u>	<u>\$182,660</u>
Net plan assets including Company balance sheet accruals for benefits	\$205,448	\$184,122

The increased employer responsibilities under the 1980 Multiemployer Pension Plan Amendment Act are currently being litigated in the courts. In addition, legislation has been introduced to limit the liabilities imposed by the Act. As a result of the litigation in process and legislative amendments currently proposed, no amounts have been accrued for potential vested benefits for such union plans related to Dohrn Transfer for periods prior to the acquisition by the Company. In the event the legislative amendments and pending litigation are unsuccessful, liabilities, net of taxes, will be adjusted for the vested benefits assumed in the Dohrn acquisition with a corresponding increase in goodwill.

Based on the limited information provided, the management believes the Company's share of unfunded vested retirement benefits for multi-employer plans for certain company union employees could be approximately \$33,000,000 in 1983 and \$36,000,000 in 1982. Information with respect to the plans' non-vested retirement benefits and the fund assets pertaining to these benefits is not currently available from the plans' administrators.

Note 12 — Income Taxes

Substantially all tax benefit associated with operating losses were recognized for financial reporting purposes as of December 31, 1982 through the reversal of available domestic deferred income taxes not previously reduced by tax credits. As a result, there is no tax benefit for financial reporting purposes for the year ended December 31, 1983.

The provision (benefit) for income taxes for continuing operations for the years ended December 31, 1982 and 1981 are summarized as follows:

(In thousands)	1982	1981
Current		
United States Federal	\$ —	\$ (5,129)
Foreign	91	92
State	30	143
	<u>121</u>	<u>(4,894)</u>
Deferred		
United States Federal	(54,134)	(37,047)
State	113	95
	<u>(54,021)</u>	<u>(36,952)</u>
Income Tax Benefit	<u>\$ (53,900)</u>	<u>\$ (41,846)</u>

The income tax provision 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:

	1982	1981
United States federal income tax rate (benefit)	(46.0%)	(46.0%)
Investment tax credits	—	(29.9)
Permanent differences between book and tax income	1.6	9.3
Book losses not benefitted	1.0	—
State income taxes, net of federal tax benefit, and other	1.1	(.1)
Income tax benefit effective rate	<u>(42.3%)</u>	<u>(66.7%)</u>

The tax effect of timing differences resulting from recognition of amounts in different periods for financial reporting purposes and for tax reporting purposes is as follows:

(in thousands)	1981
Excess of tax over book depreciation	\$ 3,226
Differences in tax and book basis on disposal of assets	(6,418)
Differing tax treatment for leases	2,125
Differences in interest capitalized for tax and book purposes	1,661
Investment and foreign tax credits	(19,327)
Investment tax credits utilized	236
Tax net operating losses	(33,881)
Other, net	15,426
	<u>\$(36,952)</u>

At December 31, 1983, the Company has net operating loss carryforwards of \$475,186,000, including amounts from discontinued operations, of which approximately \$24,500,000 is available to reduce future tax liability for financial reporting purposes. The principal timing differences relate to depreciation and the recognition of various other income and expense items in different financial reporting and tax years.

The Company has approximately \$97,843,000 of investment tax credit carryforwards available to reduce future federal and foreign income taxes for income tax purposes of which \$82,800,000 is available to reduce future income tax liability for financial reporting purposes.

Foreign tax credits available to offset 1983, and future years' federal income taxes aggregate \$8,174,000.

The net operating loss and tax credits expire for tax reporting purposes as follows (in thousands):

Year of Expiration	Net Operating Loss	Investment Tax Credits	Foreign Tax Credits
1984	\$ —	\$ 123	\$ —
1985	—	1,343	1,776
1986	—	332	2,969
1987	—	97	1,247
1988	—	—	2,182
1989 through 1993	376	45,714	—
1994 through 1997	474,810	50,234	—
	<u>\$475,186</u>	<u>\$97,843</u>	<u>\$8,174</u>

Included in the tax net operating loss and investment tax credit carryforwards are approximately \$24,000,000 and \$15,000,000 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.

The Company's federal income tax returns for the years 1977 and 1978 have been examined, and certain adjustments have been proposed by the Internal Revenue Service. Federal income tax returns for the years 1979 through 1981 are currently being examined. In the opinion of management, adequate provision has been made for all income tax liabilities.

Note 13 — Details of Certain Accounts
Supplemental Consolidated Balance Sheet Information

December 31

1983 1982

(In thousands)

Receivables

Trade	\$186,062	\$180,026
Federal income tax receivable	—	335
Other	11,925	16,266
Less allowance for doubtful accounts and revenue adjustments	(9,891)	(19,695)
Receivables, net	\$188,096	\$176,932

Inventories

Maintenance parts	\$ 24,526	\$ 28,821
Railcar repair and assembly parts	—	42,054
Inventories	\$ 24,526	\$ 70,875

Accounts Payable and Accrued Liabilities

Accounts payable	\$ 89,064	\$109,339
Accrued liabilities		
Payroll	14,474	13,783
Vacations	24,770	20,498
Interest	20,406	35,491
Income taxes	251	1,356
Taxes other than payroll and income taxes	7,164	11,841
Pensions	11,720	11,172
Other	37,761	57,727
Accounts Payable and Accrued Liabilities	\$205,610	\$261,207

Supplemental Consolidated Statement
of Operations Information

For the Years Ended December 31

1983 1982 1981

(In thousands)

Maintenance and repairs	\$105,429	\$88,601	\$103,771
Taxes other than payroll and income taxes	\$ 11,862	\$ 9,214	\$ 12,913
Amortization of cost in excess of fair value of acquired businesses(1)	\$ 2,124	\$ 2,563	\$ 2,412

(1) Includes \$192,000, \$631,000 and \$617,000 for the years ended December 31, 1983, 1982 and 1981, respectively, relating to Discontinued Operations.

Note 14 — Subsequent Events

On February 16, 1984, Tiger as Flying Tigers' then sole stockholder pursuant to a written consent, acted to amend Flying Tigers' Certificate of Incorporation to increase the number of shares of all classes of Flying Tigers' capital stock to 30,500,000 of which 30,000,000 are shares of common stock, \$1 par value, and 500,000 shares are shares of preferred stock with no par value. On March 1, 1984 Flying Tigers issued 18,000,000 shares of Flying Tiger common stock to Tiger in exchange for all the then outstanding shares of Flying Tigers' preferred stock and common stock, all of which were retired.

On February 16, 1984, Flying Tigers offered (i) to exchange (the "ETC Exchange Offer") 76 shares of Flying Tiger common stock and warrants to purchase 36 shares of Flying Tiger common stock for \$11 per share, subject to adjustment, exercisable from issuance through March 15, 1989 ("Warrants"), for up to \$6,300,000 of the outstanding \$34,790,000 principal amount of its outstanding 9% Equipment Trust Certificates due October 1, 1991 (the "ETCs") and (ii) to exchange (the "Debenture Exchange Offer" and, together with the ETC Exchange Offer the "Exchange Offers") 80 shares of Flying Tiger common stock and warrants to purchase 30 shares of Flying Tiger common stock for all of the outstanding \$7,730,000 principal amount of 5% Convertible Subordinated Debentures due April 1, 1986 (the "Debentures").

The ETC Exchange Offer will expire at 12:00 Midnight, Eastern time on April 13, 1984. As of March 28, 1984 \$2,394,000 (7%) in principal amount of outstanding ETCs have been tendered and accepted and 181,944 shares of Flying Tiger common stock and warrants to purchase 86,184 shares of Flying Tiger

common stock had been or were to be issued therefor. Flying Tigers has reserved the right to accept up to approximately \$16,050,000 of outstanding ETCs duly tendered.

The Debenture Exchange Offer expired on March 28, 1984, under which \$88,000 in principal amount of outstanding Debentures were tendered and accepted and 7,040 shares of Flying Tiger common stock and warrants to purchase 2,640 shares of Flying Tiger common stock had been or were to be issued therefor.

The purposes of the Flying Tigers Exchange Offers are to convert a portion of the debt represented by the ETCs and Debentures to Flying Tigers equity and to conserve cash by reducing the cost to Flying Tigers of interest and sinking fund payments on its outstanding debt. If \$16,050,000 principal amount of ETCs are duly tendered and accepted pursuant to the ETC Exchange Offer, Flying Tigers may apply ETCs so acquired to satisfy all mandatory sinking fund requirements for the ETCs through April 1, 1987 and to satisfy a portion of the sinking fund payment on October 1, 1987. If all such ETCs are duly tendered and accepted, Tiger will own 93% of the Flying Tiger Common Stock, and if all Warrants issued in connection therewith are also exercised, Tiger will own 91% of the Flying Tiger Common Stock.

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 as of December 31, 1983 and 1982, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years ended December 31, 1983, 1982 and 1981. 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 reflected in the accompanying consolidated financial statements, Tiger International, Inc. and subsidiaries incurred net losses aggregating \$421,263,000 before deferred tax benefits during the years ended December 31, 1983 and 1982. Recovery of the Company's investment in non-current assets is substantially dependent upon the success of future operations. As discussed in Note 2 to the consolidated financial statements, the Company has sold the railcar management business and intends to liquidate all of the assets of its North American Car Corporation subsidiary and pay the outstanding indebtedness from the proceeds of the liquidation. Under the debt restructuring agreement, Tiger International, Inc. is contingently liable for up to \$132,151,000 to North American Car Corporation. Amounts thereunder may be payable if North American Car Corporation is unable to meet its debt service or otherwise defaults under the restructuring agreement.

In our opinion, subject to the effects on the financial statements as of December 31, 1983 and for the year then ended of such adjustments, if any, as might have been required had the outcome of the uncertainties about the recoverability of recorded asset amounts and ultimate amount of the liability, if any, to North American Car Corporation 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, 1983 and 1982 and the results of their operations and the changes in their financial position for the years ended December 31, 1983, 1982 and 1981 in conformity with generally accepted accounting principles which, except for the change (with which we concur) in the method of accounting for foreign currency translation as explained in the Summary of Significant Accounting Policies — Translation of Foreign Currencies to the consolidated financial statements, have been applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 29, 1984.

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." This statement requires disclosure of historical financial statements adjusted for inflation under two different methods for measuring the effects of changing prices — Constant Dollar and Current Cost. 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 the Company's operations.

Methods of Measuring Effects of Changing Prices. **Constant Dollar:** The constant dollar approach attempts to measure the effects of general inflation by expressing all revenues and expenses in dollars of equivalent purchasing power (i.e. constant dollars). Specifically, historical costs are restated to the average purchasing power of the dollar for the year 1983. This is accomplished by using the Consumer Price Index for all urban consumers which is a broad-based measure of the general inflation rate.

Current Cost: The current cost approach adjusts historical costs of specific assets to the cost of purchasing or replacing them during 1983. 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 used in the constant dollar approach. 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.

The methods used by the Company to adjust historical financial data in accordance with the constant dollar and current cost approaches are discussed below.

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

Effects of Changing Prices. In the accompanying inflation adjusted financial information for both the constant dollar and current cost methods, revenues and other operating expenses have not been adjusted because they generally reflect the average price levels for the year. However, depreciation expense and the inventory component of cost of sales have been adjusted in arriving at adjusted net 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 the Company's property, plant and equipment adjusted separately for changes in general purchasing power (constant dollar) and changes in specific prices (current cost). The adjustments to cost of sales are intended to reflect separately the increases in general purchasing power (constant dollar) and specific prices (current cost) that would have resulted if inventories were valued at the 1983 costs when sold.

In the accompanying inflation adjusted statements, current cost of property, plant and equipment and inventories 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 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. The cumulative upward adjustment of property, plant and equipment has caused an adjustment in depreciation expense which increased consolidated net loss.

Depreciation expense is greater when adjusted for general inflation than when adjusted for changes in specific prices. The difference reflects the Consumer Price Index (general inflation) rising faster than the increase of current costs over the last several years for the type of property, plant and equipment used in the Company's various businesses.

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.

The FASB does not permit any gain or loss resulting from a net monetary liability or asset position to be included in adjusted results of operations. Instead it is treated as an unrealized gain or loss and shown

separately as "Gain From Decline in Purchasing Power of Net Amounts Owed" in the accompanying adjusted financial statements.

Conversely, the FASB does require that the effects of inflation on non-monetary assets (i.e. adjustments resulting from the restatement of inventories and property, plant and equipment) be included in the adjusted results of operations.

Tiger has financed substantially all of its fixed assets with long-term debt, in order to hedge against the impact of inflation on depreciation; and interest expense. Therefore, Tiger believes that the adjustments for depreciation expense and cost of sales alone do not adequately portray the effects of inflation adjustments prescribed by the FASB, and is therefore presenting two inflation adjusted presentations — one as defined by SFAS No. 33 and the other as defined by the Company.

The Company's inflation adjusted statement of operations include an \$11.5 million reduction in depreciation and interest expense representing that portion of the total unrealized purchasing power gain attributable to capital assets financed by long-term indebtedness.

In the opinion of management the accompanying Statement of Operations Adjusted for Changing Prices on a Current Cost basis is more indicative of the effects of inflation on the Company than is the Statement of Operations Adjusted for General Inflation on the Constant Dollar basis.

Statement of Operations Adjusted for Changing Prices (Unaudited)

For the Year Ended December 31, 1983 (in thousands)	Historical Financial Statements	Adjusted For Constant Dollar	Adjusted For Current Cost
Revenues	\$ 1,250,276	\$ 1,250,276	\$ 1,250,276
<i>Cost and Expenses</i>			
Cost of operations	995,404	995,442	995,404
Selling, general and administrative	171,390	171,390	171,390
Depreciation and amortization	84,003	132,712	102,481
Interest expense, net	88,560	88,560	88,560
Other (income) expense	6,547	6,547	6,547
	1,345,904	1,394,651	1,364,382
Net loss as defined by SFAS No. 33	(95,628)	(144,375)	(114,106)
Decrease in depreciation and interest expense, net of applicable income taxes, from decline in purchasing power of net monetary liabilities	—	11,488	11,488
Net loss adjusted for decrease in depreciation and interest expense	\$ (95,628)	\$ (132,887)	\$ (102,618)
<i>Other Supplementary Information</i>			
Increase in property, plant and equipment and inventories in 1983 based on constant dollars			\$ 36,000
Increase in property, plant and equipment and inventories in 1983 based on current costs			<u>33,000</u>
Excess in constant dollars over current costs in 1983			<u>\$ 3,000</u>
Current cost of net property, plant and equipment at December 31, 1983			<u>\$ 822,000</u>
Current cost of inventory December 31, 1983			<u>\$ 25,000</u>

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Changing Prices Stated in 1983 Dollars (Unaudited)

(In thousands except per share data and index)	For the Years Ended December 31				
	1983	1982	1981	1980	1979
Revenues	\$1,250,276	\$1,198,550	\$1,272,824	\$1,079,130	\$ 628,110
Constant dollar information As defined by SFAS No. 33					
Net loss	(144,375)	(128,226)	(64,769)	(16,269)	(9,723)
Net loss per common share	(8.00)	(7.57)	(3.81)	(1.03)	(.67)
As defined by Tiger					
Net income (loss)	(132,887)	(109,629)	(27,127)	20,718	2,192
Net income (loss) per common share	(7.36)	(6.47)	(1.60)	1.31	.15
Net assets at year end	638,000	1,604,000	1,433,000	1,412,000	1,239,000
Current cost information					
As defined by SFAS No. 33					
Net income (loss)	(114,106)	(104,477)	(43,829)	(11,666)	(21)
Net income (loss) per common share	(6.32)	(6.17)	(2.58)	(.74)	—
As defined by Tiger					
Net income (loss)	(102,618)	(85,839)	(6,187)	25,320	11,893
Net income (loss) per common share	(5.69)	(5.07)	.36	1.60	.83
Excess in constant dollar over current costs	3,000	155,000	68,000	111,000	1,400
Net assets at year end	350,000	1,430,000	1,376,000	1,323,000	1,129,000
Gain from decline in purchasing power of net amounts owed	21,000	53,000	156,000	177,000	138,000
Cash dividends declared per common share	—	—	.74	.96	1.09
Market price per common share at year end	5.75	8.77	14.79	26.85	24.67
Average consumer price index (base year 1967=100)	298.4	289.1	272.4	246.8	217.4

Selected Quarterly Financial Data (Unaudited)

(In thousands except per share data)

1983	Quarter Ended				Year
	March 31,	June 30,	Sept. 30,	Dec. 31,	
Revenues	\$278,350	\$292,545	\$311,761	\$367,620	\$1,250,276
Income (Loss) From Continuing Operations	\$(38,144)	\$(28,950)	\$(13,411)	\$ 4,669	\$(75,836)
Loss From Discontinued Operations	(12,627)	(21,584)	(29,437)	(83,356)	(147,004)
Net Loss	\$(50,771)	\$(50,534)	\$(42,848)	\$(78,687)	\$(222,840)
Income (Loss) Per Share—					
Continuing	\$ (2.25)	\$ (1.71)	\$ (.75)	\$.23	\$ (4.20)
Discontinued	(.75)	(1.27)	(1.64)	(4.10)	(8.14)
Total	\$ (3.00)	\$ (2.98)	\$ (2.39)	\$ (3.87)	\$ (12.34)
1982					
Revenues	\$259,226	\$286,582	\$302,414	\$312,974	\$1,161,196
Loss From Continuing Operations	\$(25,959)	\$(7,011)	\$(13,299)	\$(27,264)	\$(73,533)
Income (Loss) From Discontinued Operations	1,922	(2,696)	(6,845)	(55,071)	(62,690)
Net Income (Loss)	\$(24,037)	\$(9,707)	\$(20,144)	\$(82,335)	\$(136,223)
Earnings (Loss) Per Share—					
Continuing	\$ (1.53)	\$ (.41)	\$ (.79)	\$ (1.61)	\$ (4.34)
Discontinued	.11	(.16)	(.40)	(3.25)	(3.70)
Total	\$ (1.42)	\$ (.57)	\$ (1.19)	\$ (4.86)	\$ (8.04)
1981					
Revenues	\$256,109	\$277,266	\$298,673	\$329,873	\$1,161,921
Income (Loss) From Continuing Operations	\$ 2,205	\$ 3,280	\$(22,669)	\$(3,665)	\$(20,849)
Income (Loss) From Discontinued Operations	8,548	9,953	4,169	(18,434)	4,236
Net Income	\$ 10,753	\$ 13,233	\$(18,500)	\$(22,099)	\$(16,613)
Earnings (Loss) Per Share—					
Continuing	\$.13	\$.19	\$ (1.33)	\$ (.21)	\$ (1.23)
Discontinued	.50	.59	.24	(1.09)	.25
Total	\$.63	\$.78	\$ (1.09)	\$ (1.30)	\$ (.98)

Continuing Operations —

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

The first quarter of 1981 includes a pretax gain of \$5,850,000 from the sale of the insurance operations and a pretax gain of \$12,946,000 from the sale of a Boeing 747-100 freighter. The second quarter of 1981 includes a pretax gain of \$22,436,000 from the sale of two Boeing 747-100 freighters.

The second quarter of 1982 includes a pretax gain of \$2,327,000 from the sale of the Company'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 from the exchange of debt for new securities and pretax asset write-downs and reserves of \$9,900,000.

Discontinued Operations —

The third quarter of 1981 includes a pretax gain of \$4,500,000 from the sale of tax and depreciation benefits. The fourth quarter of 1981 includes \$14,200,000 in pretax gains from the sale of tax and depreciation benefits and a pretax loss of \$22,700,000 due to the write-down of certain aircraft and leasing assets.

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.

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 reports on Form 8-K under the Exchange Act reporting a change of or disagreement with accountants has been filed by Tiger with the SEC.

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's definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

PART IV.**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,
AND REPORTS ON FORM 8-K.****(a) FINANCIAL STATEMENT SCHEDULES AND EXHIBITS FILED***Financial Statement Schedules*

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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	<i>Restated Certificate of Incorporation of Tiger, effective May 20, 1981, filed with the SEC on March 31, 1982 with Tiger's Annual Report on Form 10-K for the fiscal year ended December 31, 1981, is hereby incorporated by reference.</i>
3.2	<i>By-Laws of Tiger, as amended on January 18, 1982, filed with the SEC on March 31, 1982 with Tiger's Annual Report on Form 10-K for the fiscal year ended December 31, 1981, are hereby incorporated by reference.</i>
4.1	<i>Indenture, dated as of September 1, 1980, between Tiger and Crocker National Bank, as Trustee, filed as Exhibit 2(b) to Tiger's Form S-16 Registration Statement, Regis. No. 2-68885, filed with the SEC on August 28, 1980, is hereby incorporated by reference.</i>
4.2	<i>Indenture, dated as of September 1, 1980, between Tiger and Bankers Trust Company, as Trustee, filed as Exhibit 6-2.2 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, filed with the SEC on August 11, 1980, is hereby incorporated by reference.</i>
4.3	<i>First Supplemental Indenture, dated as of September 30, 1980 between Tiger, Seaboard World Airlines, Inc. and J. Henry Schroeder Bank and Trust Company, as Trustee, filed as Exhibit 6-25 to Tiger's Form S-14 Registration Statement, Regis. No. 2-68788, filed with the SEC on August 11, 1980 is hereby incorporated by reference.</i>
4.4	<i>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.*</i>
4.5	<i>Indenture for 8½% 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.*</i>
4.6	<i>Warrant Agreement between Tiger International, Inc. and Midlantic National Bank dated as of July 1, 1983, filed as Exhibit 4.3.*</i>
4.7	<i>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.*</i>
4.8	<i>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.</i>
4.9	<i>Stock Purchase Warrant issued to Drexel Burnham Lambert, Incorporated to purchase 400,000 shares of Common Stock of Tiger International, Inc., dated as of, filed as Exhibit 4.6.*</i>
10.1	<i>Purchase and Loan Agreement between General Electric Credit Corporation and North American Car Corporation dated September 7, 1983, filed as Exhibit 10.1.*</i>

<i>Exhibit Number</i>	<i>Description of Exhibit</i>
10.2	<i>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.*</i>
10.3	<i>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.*</i>
10.4	<i>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.*</i>
10.5	<i>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.</i>
10.6	<i>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.*</i>
10.7	<i>Tiger Note, principal amount of \$132,154,622, from Tiger International, Inc. to North American Car Corporation dated as of September 8, 1983, filed as Exhibit 10.7.*</i>
10.8	<i>TLG 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.*</i>
10.9	<i>TLG Note, principal amount of \$81,261,000, from Tiger Leasing Group, Inc. to North American Car Corporation dated as of September 30, 1983, filed as Exhibit 10.9.*</i>
10.10	<i>TLG Guarantee executed by Tiger Leasing Group, Inc., in favor of First National Bank of Chicago, as Collateral Agent, on behalf of the Creditors of North American Car Corporation dated as of September 30, 1983, filed as Exhibit 10.10.*</i>
10.11	<i>Pledge Agreement between Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company dated September 8, 1983, filed as Exhibit 10.11.*</i>
10.12	<i>Pledge Agreement between North American Car Corporation and First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.12.*</i>
10.13	<i>General Security Agreement between North American Car Corporation and First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.13.*</i>
10.14	<i>Credit Agreement among TigerAir Inc., Tiger Leasing Group, Inc. and Lenders dated as of September 8, 1983.</i>
10.15	<i>Credit Agreement among The Flying Tiger Line Inc., Private Lenders and Chase Manhattan Bank, as agent for for the Private Lenders, dated as of September 30, 1983, filed as Exhibit 10.15.*</i>
10.16	<i>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.*</i>
10.17	<i>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.*</i>
10.18	<i>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.</i>
10.19	<i>Warrant Agreement between Tiger International, Inc. and Private Lenders dated as of September 30, 1983.</i>
10.20	<i>Waiver Agreement and Amendment among TigerAir, Inc., Tiger Leasing Group, Inc., Lenders and Continental Illinois National Bank and Trust Company of Chicago, as Collateral Custodian, dated as of December 21, 1983, filed as Exhibit 10.20.*</i>
10.22	<i>Leasehold Mortgage and Security Agreement between North American Car Corporation and First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.22.*</i>
10.23	<i>Tripartite Agreement among North American Car Company, First National Bank of Chicago and Bankers Trust Company dated as of September 8, 1983, filed as Exhibit 10.23.*</i>

<i>Exhibit Number</i>	<i>Description of Exhibit</i>
10.24	<i>Deferred Interest Note from North American Car Corporation to First National Bank of Chicago dated September 8, 1983, filed as Exhibit 10.24.*</i>
10.25	<i>Supplemental Retirement Income Plan, as amended, between Tiger International, Inc. and Wayne M. Hoffman dated December 13, 1977, filed with the Securities Exchange Commission on March 23, 1981 with Tiger's annual report on Form 10-K for the fiscal year ended December 31, 1980 and is hereby incorporated by reference.</i>
10.26	<i>1981 Key Employees Stock Option Plan for Tiger International, Inc. and subsidiaries, filed with the Securities Exchange Commission on April 30, 1981 as Exhibit "A" to Tiger's 1981 proxy statement and is hereby incorporated by reference.</i>
22.1	<i>List of all subsidiaries of Tiger International, Inc.</i>
25.1	<i>Power of attorney granted to Wayne M. Hoffman by Houston Rehrig.</i>
25.2	<i>Power of attorney granted to Wayne M. Hoffman by Charles Luckman.</i>
25.3	<i>Power of attorney granted to Wayne M. Hoffman by J. Howard Edgerton.</i>
25.4	<i>Power of attorney granted to Wayne M. Hoffman by Peter M. Kennedy.</i>
25.5	<i>Power of attorney granted to Wayne M. Hoffman by William E. McKenna.</i>
25.6	<i>Power of attorney granted to Wayne M. Hoffman by Gordon M. Metcalf.</i>
25.7	<i>Power of attorney granted to Wayne M. Hoffman by Gerald R. Ford.</i>

** To Tiger's Form S-1 Registration Statement, Registration No. 2-88929, filed with the SEC on January 17, and is hereby incorporated by reference.*

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger with the SEC during the three months ended December 31, 1983.

Report of Independent Public Accountants on Financial Statement Schedules Filed
To the Board of Directors and Stockholders of Tiger International, Inc.:

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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 of non-current assets and the ultimate amount of the liability, if any, to North American Car Corporation as of December 31, 1983. 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 uncertainties 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 29, 1984.

Schedule III — Condensed Parent Company Financial Data
Condensed Statement of Operations and Statement of Changes in Financial Position

Condensed Statement of Operations	For the Years Ended December 31,		
	1983	1982	1981
<i>(In thousands)</i>			
Revenues and dividend income (including equity in distributed earnings of subsidiaries)	\$ 1,096	\$ 12,667	\$ 20,677
Costs and expenses:			
General and administrative	10,434	14,712	18,567
Interest expense — external	10,185	14,918	14,057
intercompany	76	21,848	30,347
Deferred income tax benefit, net	—	(20,769)	(35,857)
	20,695	30,709	27,107
Loss before equity in undistributed earnings of subsidiaries	(19,599)	(18,042)	(6,427)
Equity in undistributed losses of consolidated subsidiaries	(76,029)	(55,491)	(14,422)
Net loss from continuing operations	(95,628)	(73,533)	(20,849)
Equity in undistributed earnings (losses) of discontinued subsidiaries	(147,004)	(62,690)	4,236
Net loss before extraordinary gain	(242,632)	(136,223)	(16,613)
Extraordinary gain	19,792	—	—
Net loss	\$(222,840)	\$(136,223)	\$(16,613)

Condensed Statement of Changes in Financial Position	For the Years Ended December 31,		
	1983	1982	1981
Source of Funds			
Net loss before extraordinary item	\$(242,632)	\$(136,223)	\$(16,613)
Equity in undistributed losses of consolidated subsidiaries	76,029	55,491	14,422
Other, net	2,011	(19,235)	(29,847)
Funds used by continuing operations	(164,592)	(99,967)	(32,038)
Equity in undistributed (earnings) losses of discontinued subsidiaries	147,004	62,690	(4,236)
Funds used by operations before extraordinary item	(17,588)	(37,277)	(36,274)
Extraordinary item	19,792	—	—
Proceeds from issuance of stock and debt	73,529	—	2,538
Funds Provided (Used)	75,733	(37,277)	(33,736)
Application of Funds			
Payments of long-term debt and notes payable	7,516	7,010	7,011
Debentures retired in exchange offer	92,073	—	—
Cash dividends declared on common stock	—	—	11,440
Acquisition or contribution to subsidiaries capital	—	5,300	68,877
Decrease in investments, notes, advances or other	(6,303)	(90,246)	(87,448)
Funds Applied	93,286	(77,936)	(120)
Net increase (decrease) in working capital	\$ (17,553)	\$ 40,659	\$(33,616)

Condensed Balance Sheet

	December 31	
	1983	1982
<i>(In thousands)</i>		
Assets		
Cash	\$ 5,304	\$ 25,909
Other current assets	99	5,106
	<u>5,403</u>	<u>31,015</u>
Investments in subsidiaries:		
The Flying Tiger Line Inc.	199,959	281,346
Tiger Leasing Group, Inc.	—	337,981
Hall's Motor Transit Company	25,227	34,667
Warren Transport, Inc.	26,586	25,365
Other	51	225
	<u>251,823</u>	<u>679,584</u>
Property, plant and equipment, net	1,691	1,709
Investments and other	2,151	1,282
	<u>\$261,068</u>	<u>\$713,590</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,242	\$ 16,301
Long-term obligations	57,109	112,434
Net payables to subsidiaries:		
The Flying Tiger Line Inc.	74,043	75,512
Tiger Leasing Group, Inc.	—	233,812
Hall's Motor Transit Company	(9,635)	(9,613)
Other	2,468	(441)
	<u>66,876</u>	<u>299,270</u>
Deferred credits and other(1)	43,154	1,929
Stockholders' equity	85,687	283,656
	<u>\$261,068</u>	<u>\$713,590</u>

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

Restrictions on the Transfer of Funds From Subsidiaries to the Parent. At December 31, 1983, Warren Transport is free from restrictions limiting dividends and advances to Tiger International. Hall's Motor Transit Company can advance up to \$1,000,000 a year to Tiger International. In connection with the debt restructuring agreements, Tiger International can only receive limited funds from The Flying Tiger Line Inc. and North American Car Corporation. See Note 7 — Long-Term Debt to the Consolidated Financial Statements.

Cash Dividends Paid to Parent From Consolidated Subsidiaries. During the year ended December 31, 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. During the year ended December 31, 1981 Tiger International received total dividends of \$12,600,000, all from Tiger Leasing Group.

Investments in Subsidiaries. At December 31, 1983 and 1982, Stockholders' Equity includes treasury shares, at a cost of \$1,151,000 and \$490,000 held by an affiliate.

Parent Company Debt. Included in parent company long-term obligations is \$13.7 million of 11½% debentures due October 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 7 — Long-Term Debt to the Consolidated Financial Statements.

Schedule V — Property, Plant and Equipment

For the Three Years Ended December 31, 1983	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
<i>(In thousands)</i>					
Year Ended December 31, 1981					
<i>Equipment used in operations:</i>					
Equipment for lease or under lease	\$1,414,192	\$110,790	\$109,970	\$ (146,365)	\$1,268,647
Equipment used in air cargo operations	953,823	31,648	84,624	123,229	1,024,076
Equipment used in trucking operations	34,390	5,579	824	18,775	57,920
	2,402,405	148,017	195,418	(4,361)	2,350,643
Buildings and leasehold improvements	109,487	16,948	3,170	18,980	142,245
Shop properties, terminal facilities and other	87,820	18,254	2,120	3,812	107,766
Construction in process	48,952	3,185	2,860	(10,778)	38,499
	\$2,648,664	\$186,404	\$203,568	\$ 7,653	\$2,639,153

Year Ended December 31, 1982

<i>Equipment used in operations:</i>					
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
	2,350,643	72,290	94,054	(67,626)	2,261,253
Buildings and leasehold improvements	142,245	10,602	2,710	(6,300)	143,837
Shop properties, terminal facilities and other	107,766	10,045	6,208	5,024	116,627
Construction in process	38,499	46,129	42,924	—	41,704
	\$2,639,153	\$139,066	\$145,896	\$ (68,902)	\$2,563,421

Year Ended December 31, 1983

<i>Equipment used in operations:</i>					
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
	2,261,253	36,168	183,804	(1,142,674)	970,943
Buildings and leasehold improvements	143,837	2,477	11,357	(46,267)	88,690
Shop properties, terminal facilities and other	116,627	8,463	21,420	(21,955)	81,715
Construction in process	41,704	7,991	20,758	(53)	28,884
	\$2,563,421	\$ 55,099	\$237,339	\$(1,210,949)	\$1,170,232

(1) 1981 includes \$40 million acquired in business combinations accounted for by the purchase method. 1982 includes \$78 million related to discontinued operations. 1983 includes \$1,172 million related to discontinued operations.

**Schedule VI — Accumulated Depreciation and Amortization of Property,
Plant and Equipment**

For the Three Years Ended December 31, 1983	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
<i>(In thousands)</i>					
Year Ended December 31, 1981					
<i>Equipment used in operations:</i>					
Equipment for lease or under lease	\$381,226	\$ 69,583	\$ 48,097	\$ (12,657)	\$390,055
Equipment used in air cargo operations	213,091	55,500	31,139	31,812	269,264
Equipment used in trucking operations	4,508	10,253	(93)	(2,031)	12,823
	598,825	135,336	79,143	17,124	672,142
Buildings and leasehold improvements	17,455	6,838	33	433	24,693
Shop properties, terminal facilities and other	29,190	11,002	1,068	922	40,046
	\$645,470	\$153,176	\$ 80,244	\$ 18,479	\$736,881
Year Ended December 31, 1982					
<i>Equipment used in operations:</i>					
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
	\$736,881	\$155,237	\$ 62,639	\$ (30,718)	\$798,761
Year Ended December 31, 1983					
<i>Equipment used in operations:</i>					
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
	\$798,761	\$139,928	\$112,819	\$(424,543)	\$401,327

(1) 1982 includes \$25 million related to discontinued operations. 1983 includes \$405 million related to discontinued operations.

Schedule VIII — Valuation and Qualifying Accounts and Reserves

For the Three Years Ended December 31, 1983	Allowance for Doubtful Accounts		Inventories Allowance	Aircraft Overhaul Reserves
	Trade Receivables(1)	Finance Lease Receivables		
(In thousands)				
Balance at December 31, 1980	\$ 22,795	\$ 5,687	\$ 5,449	\$ 40,216
Additions (deductions) —				
Provisions charged to costs and expenses	14,440	104	3,098	29,498
Reserves from acquired companies	494	—	30	—
Amounts charged to reserve	(14,012)	(2,719)	(449)	(23,339)
Balance at December 31, 1981	23,717	3,072	8,128	46,375
Additions (deductions) —				
Provisions charged to costs and expenses	24,039	2,209	3,011	23,163
Amounts charged to reserve	(26,863)	(648)	(2,655)	(30,376)
Transfers to discontinued operations	(1,198)	—	(2,694)	(4,885)
Balance at December 31, 1982	19,695	4,633(2)	5,790	34,277
Additions (deductions) —				
Provisions charged to costs and expenses	30,205	623	3,143	39,252
Amounts charged to reserve	(33,956)	(1,895)	(403)	(26,013)
Transfers to discontinued operations	(6,053)	(3,132)	(3,587)	—
Other	—	(229)	—	1,177(4)
Balance at December 31, 1983	\$ 9,891	\$ —	\$ 4,943	\$ 48,693(3)

(1) Includes revenue adjustments.

(2) Includes \$3,519 classified in other assets.

(3) Includes \$29,913 classified in accumulated depreciation and \$18,780 classified as other deferred credits.

(4) Consists primarily of \$1,495 overhaul additions added to asset cost of the four engines acquired in the exchange of Boeing 747 aircraft.

Signatures

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

TIGER INTERNATIONAL, INC.
(Registrant)

By JOSEPH K. McDONNELL

Joseph K. McDonnell
Vice President—Controller

Date: March 29, 1984

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

Name	Title	Date
<u> WAYNE M. HOFFMAN </u> Wayne M. Hoffman	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 1984
<u> JOSEPH K. McDONNELL </u> Joseph K. McDonnell	Vice President—Controller (Principal Financial and Accounting Officer)	March 29, 1984
<u> J. HOWARD EDGERTON* </u> J. Howard Edgerton	Director	March 29, 1984
<u> GERALD R. FORD* </u> Gerald R. Ford	Director	March 29, 1984
<u> PETER M. KENNEDY* </u> Peter M. Kennedy	Director	March 29, 1984
<u> CHARLES LUCKMAN* </u> Charles Luckman	Director	March 29, 1984
<u> Charles T. Manatt </u>	Director	March , 1984
<u> GORDON M. METCALF* </u> Gordon M. Metcalf	Director	March 29, 1984
<u> WILLIAM E. McKENNA* </u> William E. McKenna	Director	March 29, 1984
<u> HOUSTON REHRIG* </u> Houston Rehrig	Director	March 29, 1984

*By WAYNE M. HOFFMAN
Wayne M. Hoffman
Attorney-in-Fact and Agent

Tiger International, Inc.
1888 Century Park East
Los Angeles, California 90067
(213) 552-6300

The Flying Tiger Line Inc.
7401 World Way West
Los Angeles, California 90009
(213) 646-6161

Hall's Motor Transit Company
6060 Carlisle Pike
Mechanicsburg, Pennsylvania 17055
(717) 790-8400

Warren Transport, Inc.
P.O. Box 420
Waterloo, Iowa 50704
(319) 233-6113

Tiger Distribution Services
1888 Century Park East
Los Angeles, California 90067
(213) 552-6400

Auditors
Arthur Andersen & Co.
911 Wilshire Blvd.
Los Angeles, California 90017

Counsel
White & Case
14 Wall Street
New York New York 10005

Stock Exchanges
New York Stock Exchange
20 Broad Street
New York, New York 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, California 94104

Midwest Stock Exchange
120 S. LaSalle Street
Chicago, Illinois 60603

Transfer Agents
Manufacturers Hanover Trust Company
450 West 33rd Street
New York, New York 10001

Union Bank
3810 Wilshire Blvd.
Los Angeles, California 90010

Registrars
The Bank of New York
90 Washington Street
New York, New York 10015

Union Bank
3810 Wilshire Blvd.
Los Angeles, California 90010

The Annual Meeting of Stockholders will be held on Friday, May 25, 1984 at 10:00 a.m. at the Beverly Hilton Hotel, 9876 Wilshire Boulevard, Beverly Hills, California 90210.

Notice to Stockholders

The following notice is published in accordance with section 245.16 of subpart B of Part 245 of the Economic Regulations of the Civil Aeronautics Board (the "Board"); section references in the following notice are to sections of such regulation.

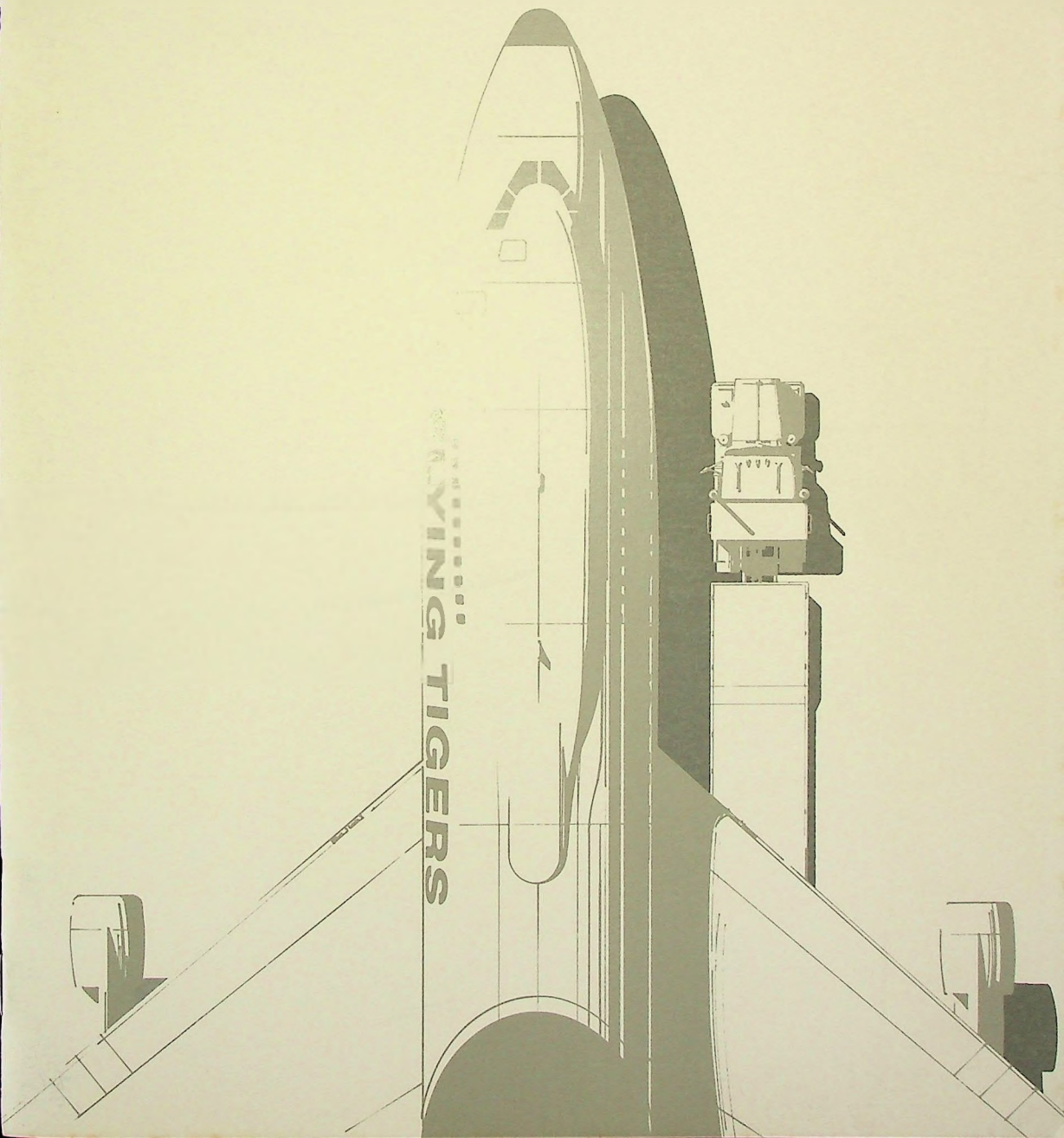
(1) Any person who either owned, at December 31, 1983, or subsequently acquired, beneficially or as a trustee, more than 5 percent, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s, Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12 on or before April 1, 1984 as to the capital stock owned at December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of Section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing information required in Section 245.15.

Any stockholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

TIGER INTERNATIONAL

1888 Century Park East
Los Angeles, California 90067

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 continuing operations	44,205	(84,988)
Loss from discontinued operations	(133,145)	(157,644)
Loss before 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)
Extraordinary gain	(4.13)	(13.44)
Total	\$ (4.13)	\$ (12.34)
Assets	\$1,026,728	\$1,113,766
Stockholders' equity	\$ 1,961	\$ 84,536
Book value 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.

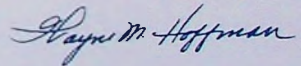
At the same time, Flying Tiger Line has expanded very aggressively to new markets in Australia, the Caribbean and Latin America. We regard the air freight market as global in scope and consider it very important that we be sensitive to new marketing opportunities.

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

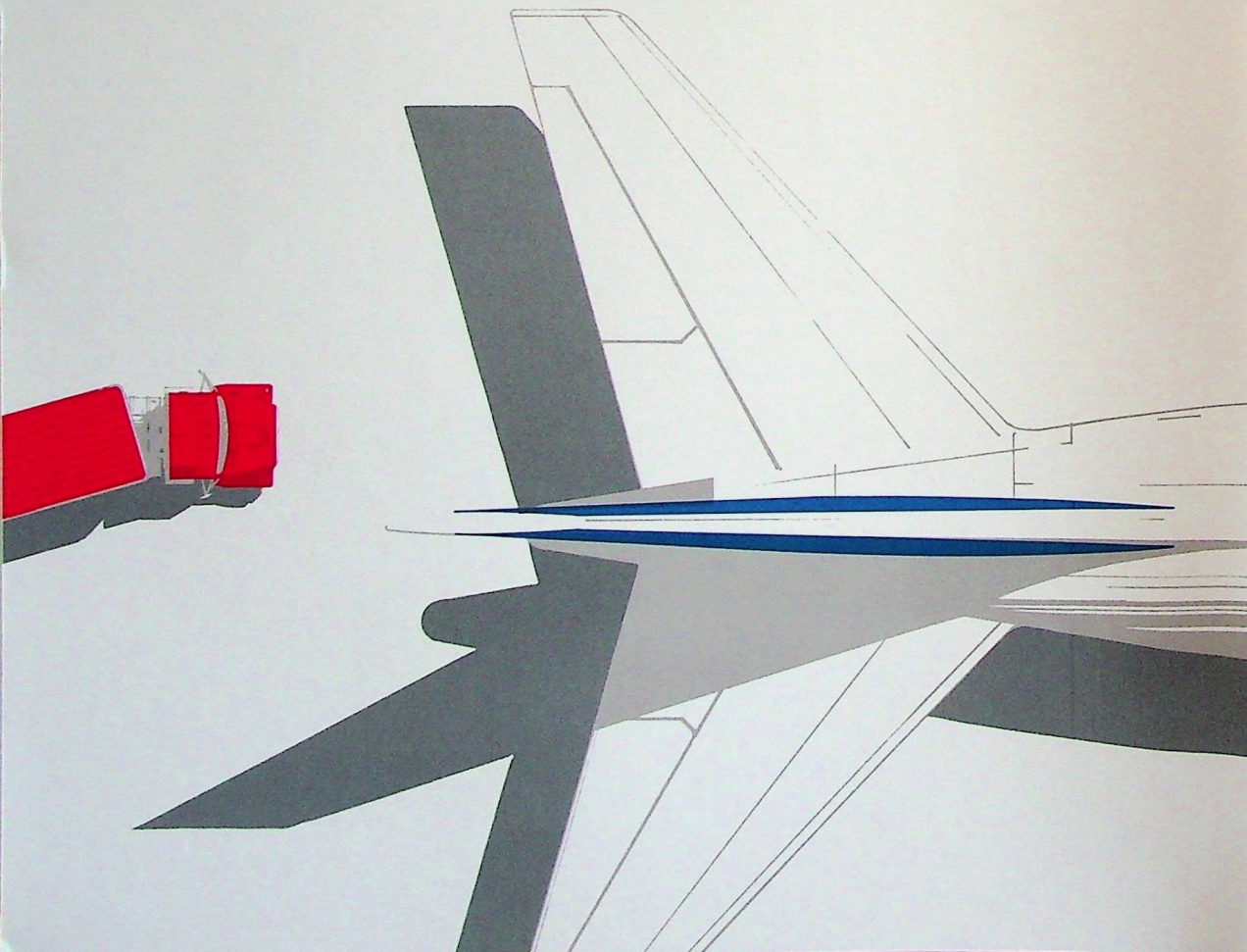
reduction programs, employee productivity improvements, organizational streamlining and service enhancements.

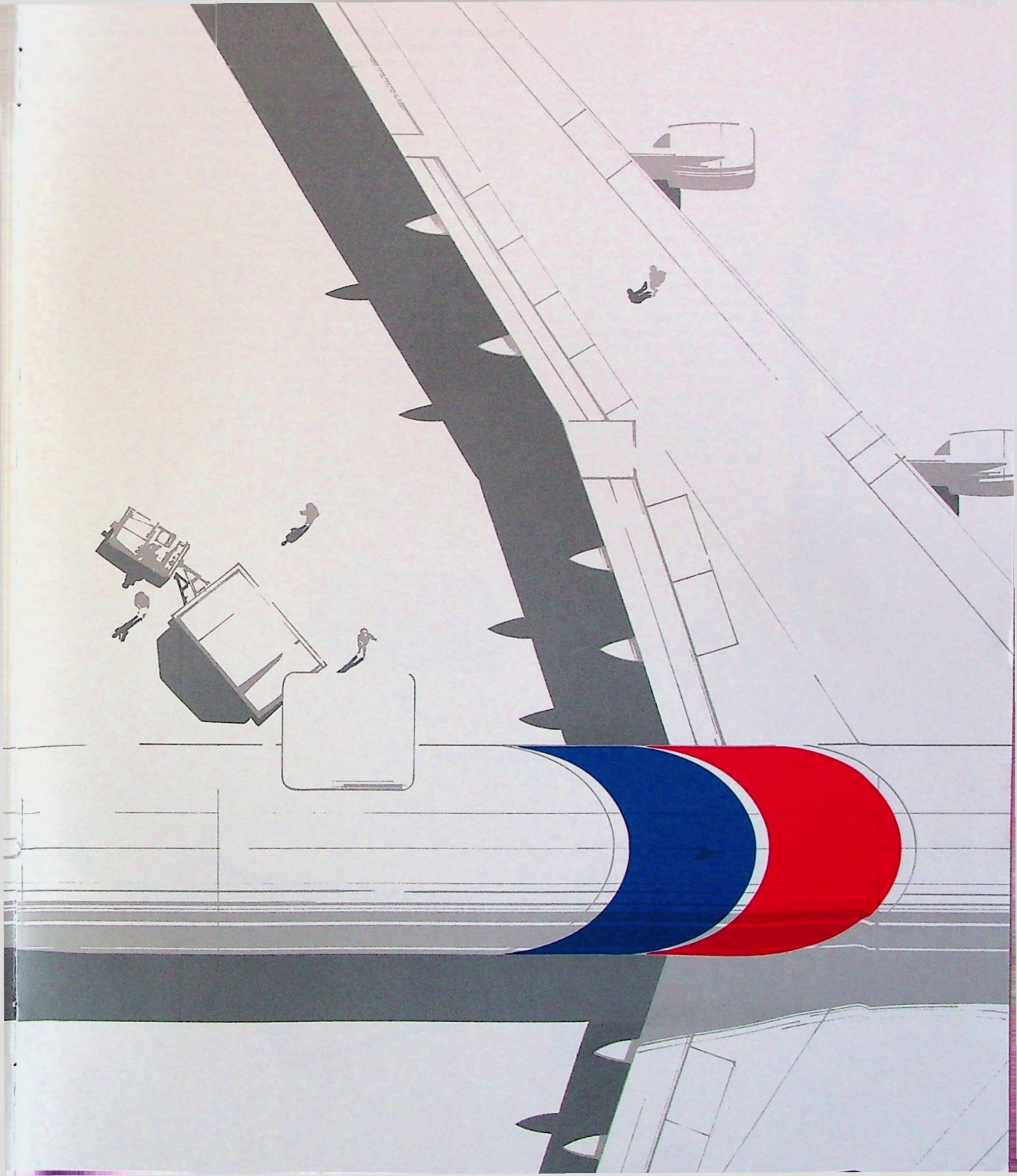
During 1984, Flying Tigers aggressively expanded its international operations. Weekly southbound scheduled service from the United States to Australia, inaugurated in 1983, consistently operated with high load factors, prompting the addition of a second weekly flight in July, 1984. Growing traffic volumes 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

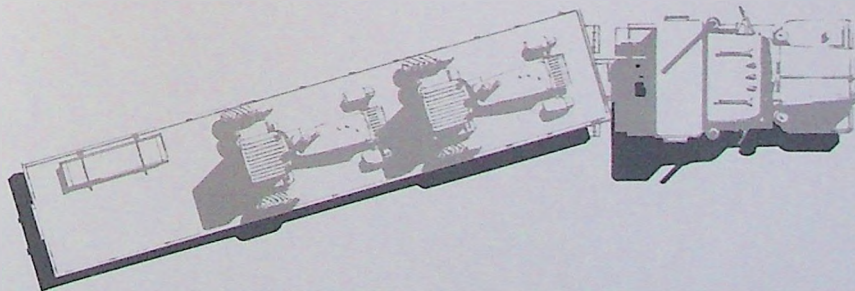
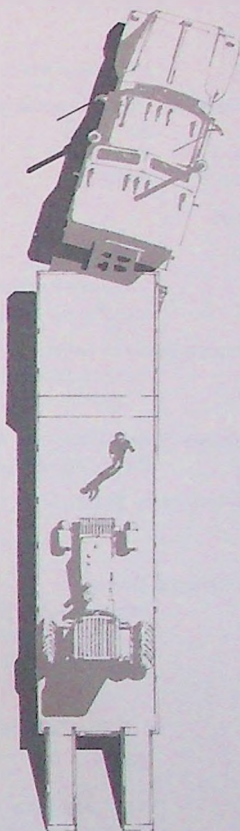
Tiger International's wholly owned trucking subsidiary, Warren Transport, Inc., is a general commodities motor carrier with 48-state operating authority. Headquartered in Waterloo, Iowa, Warren operates 17 terminal facilities and serves customers in Canada and Mexico.

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
Revenues from Continuing Operations					
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)	—
Total	\$1,209,890	\$1,056,868	\$ 945,861	\$ 908,777	\$ 708,485
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)
Income (Loss) from Continuing Operations	44,205	(84,988)	(63,821)	(18,262)	1,462
Income (loss) from discontinued operations	(133,145)	(157,644)	(72,402)	1,649	40,913
Income (Loss) Before Extraordinary Gain	(88,940)	(242,632)	(136,223)	(16,613)	42,375
Extraordinary gain	—	19,792	—	—	—
Net Income (Loss)	\$ (88,940)	\$ (222,840)	\$ (136,223)	\$ (16,613)	\$ 42,375
Per Share Data					
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
Other Data					
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
Air Cargo					
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 ^(a)					
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

TIGER INTERNATIONAL, INC.

Delaware

(I.R.S. Employer Identification No.)

95-2623176

(Address of principal executive offices)

1888 Century Park East,
Los Angeles, California

(Zip Code)

90067

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
Revenues			
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	\$ 905,496	\$ 1,019,832	\$ 1,171,017
Scheduled Capacity			
(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	2,429,250	2,995,079	3,408,839
Load Factor			
(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	69.6%	70.8%	70.0%
Yield			
(revenue per RTM) (cents)			
Scheduled Services			
Domestic	60.6c	65.8c	80.7c
International	34.4	35.7	37.4
Total Scheduled Services	38.6c	39.9c	42.3c
Yield			
(revenue per pound) (cents)			
Scheduled Services			
Domestic	50.3c	60.0c	68.1c
International	98.7	106.7	118.7
Total Scheduled Services	79.7c	90.5c	102.5c

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 ⁽¹⁾	62
Rolf Bodenburg	Vice President — Taxes ⁽²⁾	56
Robert J. Harter, Jr.	Vice President, General Counsel and Secretary ⁽³⁾	40
Joseph K. McDonnell	Vice President — Controller ⁽⁴⁾	41
James A. Cronin III	Vice President — Assistant to the Chairman of Tiger International ⁽⁵⁾	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
1983		
First Quarter	\$ 9	\$5 ³ / ₈
Second Quarter	11 ³ / ₈	5 ³ / ₄
Third Quarter	11 ³ / ₈	5 ¹ / ₂
Fourth Quarter	6 ¹ / ₄	4 ¹ / ₄
1984		
First Quarter	8 ³ / ₈	5 ⁵ / ₈
Second Quarter	7 ¹ / ₂	4 ⁷ / ₈
Third Quarter	8	5 ⁵ / ₈
Fourth Quarter	9	5 ³ / ₄
1985		
First Quarter (through March 25, 1985)	10 ¹ / ₂	6 ¹ / ₄

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 \$10³/₈ 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
Results of Operations					
Revenues from Continuing Operations	\$ 1,209,890	\$ 1,056,868	\$ 945,861	\$ 908,777	\$ 708,485
Income (Loss) from Continuing Operations ⁽¹⁾	\$ 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 ⁽¹⁾	\$ 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 ⁽²⁾	\$ 84,503	\$ 114,568	\$ 105,253	\$ 337,650	\$ 301,196
Financial Position					
Total Assets ⁽³⁾	\$ 1,026,728	\$ 1,113,766	\$ 2,440,619	\$ 2,702,397	\$ 2,758,425
Long-Term Obligations ⁽³⁾	\$ 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)."

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
Revenues			
Operating revenues	\$1,209,890	\$1,056,868	\$ 945,861
Costs and Expenses			
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)
Income (Loss) From Continuing Operations	<u>44,205</u>	<u>(84,988)</u>	<u>(63,821)</u>
Discontinued operations			
Loss from operations of discontinued businesses, less 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>
Loss Before Extraordinary Gain	<u>(88,940)</u>	<u>(242,632)</u>	<u>(136,223)</u>
Extraordinary Gain	—	19,792	—
Net Loss	<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	—
Loss Per Share	<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
ASSETS		
Current Assets		
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>
Property, Plant and Equipment		
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>
Other Assets		
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>
Total Assets	<u>\$1,026,728</u>	<u>\$1,113,766</u>

CONSOLIDATED BALANCE SHEET

(In thousands)	December 31	
	1984	1983
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
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>
Long-term Obligations		
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>
Deferred Credits		
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>
Commitments		
Minority Stockholders' Equity	2,626	—
Stockholders' Equity		
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>
Total Liabilities and Stockholders' Equity	<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 December 31, 1984 (in thousands)	\$ 1 Par Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balance at December 31, 1981	\$17,001	\$219,052	\$ 184,780	\$ (1,444)	\$ 419,389
Net loss	—	—	(136,223)	—	(136,223)
Issuance of Common Stock upon conversion of debentures	34	205	—	—	239
Treasury stock acquired in connection with conversion of debentures by an affiliate	—	—	—	(239)	(239)
Balance at December 31, 1982	17,035	219,257	48,557	(1,683)	283,166
Net loss	—	—	(222,840)	—	(222,840)
Issuance of Common Stock and warrants in exchange offer	3,213	30,299	—	(585) ⁽¹⁾	32,927
Issuance of Common Stock in lieu of cash interest payments	260	1,442	—	(76) ⁽²⁾	1,626
Effect of change in accounting principle for foreign currency transactions	—	—	(10,343)	—	(10,343)
Balance at December 31, 1983	20,508	250,998	(184,626)	(2,344)	84,536
Net loss	—	—	(88,940)	—	(88,940)
Issuance of Common Stock in lieu of cash interest payments	1,203	5,313	—	(151) ⁽²⁾	6,365
Balance at December 31, 1984	<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
Source of Funds			
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
Application of Funds			
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
Increase (Decrease) in Working Capital	\$ (27,641)	\$ 50,891	\$(118,241)
Changes in Components of Working Capital			
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
Increase (Decrease) in Working Capital	\$ (27,641)	\$ 50,891	\$(118,241)

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)						
1984							
Air Cargo	\$1,171,017	\$ 125,638	\$ 64,855	\$ 60,783	\$ 978,494	\$ 46,097	\$ 64,274
Trucking	39,453	2,923	5	2,918	30,307	1,503	1,268
Other	(580)	(1,595)	13,001	(14,596)	17,927	9	338
Continuing Operations	1,209,890	126,966	77,861	49,105	1,026,728	47,609	65,880
Discontinued Operations	191,255	(125,106)	12,939	(138,045)	—	1,005	9,124
	<u>\$1,401,145</u>	<u>\$ 1,860</u>	<u>\$ 90,800</u>	<u>\$ (88,940)</u>	<u>\$1,026,728</u>	<u>\$ 48,614</u>	<u>\$ 75,004</u>
1983							
Air Cargo	\$1,019,832	\$ 7,086	\$ 74,603	\$ (67,517)	\$ 987,119	\$ 23,254	\$ 71,419
Trucking	42,932	1,034	11	1,023	28,110	622	1,409
Other	(5,896)	(8,309)	10,185	(18,494)	9,167	205	206
Continuing Operations	1,056,868	(189)	84,799	(84,988)	1,024,396	24,081	73,034
Discontinued Operations	391,288	(57,973)	99,671	(157,644)	89,370	31,018	69,018
	<u>\$1,448,156</u>	<u>\$ (58,162)</u>	<u>\$184,470</u>	<u>\$ (242,632)</u>	<u>\$1,113,766</u>	<u>\$ 55,099</u>	<u>\$142,052</u>
1982							
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
Notes Payable and Equipment Obligations		
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>
Subordinated Debt		
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 Leases	Operating 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 of Shares	Option Price 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 Operating Loss	Investment 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
Receivables, Net		
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
Accounts Payable and Accrued Liabilities		
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 ⁽¹⁾	\$ 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 December 31, 1984	
(In thousands)	Historical Financial Statements	Adjusted For Current Cost
Revenues	<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>
Income from continuing operations	<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 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
Revenues	\$1,209,890	\$1,056,868	\$ 945,861	\$ 908,777	\$ 708,485
Current cost information					
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 net amounts owed	24,000	22,000	55,000	163,000	185,000
Cash dividends declared per common share	—	—	—	.77	1.00
Market price per common share at year end	6.63	6.00	9.15	15.43	28.00
Average consumer price index (base year 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,
1984				
Revenues	\$276,309	\$293,623	\$313,321	\$326,637
Income (Loss) from Continuing Operations	\$ (3,047)	\$ 2,384	\$ 16,507	\$ 28,361
Loss From Discontinued Operations	(3,949)	(1,690)	(6,903)	(120,603)
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)
1983				
Revenues	\$228,518	\$247,475	\$271,284	\$309,591
Income (Loss) From Continuing Operations	\$ (35,854)	\$ (27,236)	\$ (26,558)	\$ 4,660
Loss From Discontinued Operations	(14,917)	(23,298)	(36,082)	(83,347)
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)
1982				
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.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

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

PART III

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

PART IV

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

(a) FINANCIAL STATEMENT SCHEDULES AND EXHIBITS FILED

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 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 Number	Description of Exhibit
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- 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
Assets		
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>
Liabilities and Stockholders' Equity		
Current liabilities ⁽¹⁾	\$151,894	\$ 8,242
Long-term obligations ⁽²⁾	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 ⁽³⁾	13,508	43,154
Stockholders' equity ⁽⁴⁾	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 December 31, 1984 (In thousands)	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other ⁽¹⁾	Balance at End of Period
Year Ended December 31, 1982					
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
	2,350,643	72,290	94,054	(67,626)	2,261,253
Buildings and leasehold improvements	142,245	10,602	2,710	(6,300)	143,837
Shop properties, terminal facilities and 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>
Year Ended December 31, 1983					
Equipment used in operations:					
Equipment for lease or under lease	\$1,210,672	\$ 29,782	\$112,368	\$(1,128,086)	\$ —
Equipment used in air cargo operations	996,280	6,048	69,333	(16,635)	916,360
Equipment used in trucking operations	54,301	338	2,103	2,047	54,583
	2,261,253	36,168	183,804	(1,142,674)	970,943
Buildings and leasehold improvements	143,837	2,477	11,357	(46,267)	88,690
Shop properties, terminal facilities and other	116,627	8,463	21,420	(21,955)	81,715
Construction in process	41,704	7,991	20,758	(53)	28,884
	<u>\$2,563,421</u>	<u>\$ 55,099</u>	<u>\$237,339</u>	<u>\$(1,210,949)</u>	<u>\$1,170,232</u>
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations	\$ 916,360	\$ 9,245	\$108,603	\$ (3,825)	\$ 813,177
Equipment used in trucking operations	54,583	1,425	8,294	(41,061)	6,653
	970,943	10,670	116,897	(44,886)	819,830
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 December 31, 1984 (In thousands)	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other ⁽¹⁾	Balance at End of Period
Year Ended December 31, 1982					
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>
Year Ended December 31, 1983					
Equipment used in operations:					
Equipment for lease or under lease	\$391,610	\$ 53,800	\$ 46,434	\$(398,976)	\$ —
Equipment used in air cargo operations	311,807	59,939	55,838	(6,367)	309,541
Equipment used in trucking operations	19,896	9,128	6	(1,770)	27,248
	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>
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations	\$309,541	\$ 53,900	\$ 78,405	\$ 4,011	\$289,047
Equipment used in trucking operations	27,248	7,577	2,474	(29,484)	2,867
	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 December 31, 1983 (In thousands)	Trade Receivables ⁽¹⁾	Inventories Allowance	Aircraft Overhaul Reserves
Balance at December 31, 1981	\$ 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)
Balance at December 31, 1982	19,695	5,790	34,277
Additions (deductions) —			
Provisions charged to costs and expenses	30,205	3,143	39,252
Amounts charged to reserve	(33,956)	(403)	(26,013)
Transfers to discontinued operations	(6,053)	(3,587)	—
Other	—	—	1,177 ⁽²⁾
Balance at December 31, 1983	9,891	4,943	48,693
Additions (deductions) —			
Provisions charged to costs and expenses	31,205	2,235	43,836
Amounts charged to reserve	(28,819)	—	(43,916)
Transfers to discontinued operations	(325)	—	—
Balance at December 31, 1984	<u>\$ 11,952</u>	<u>\$ 7,178</u>	<u>\$ 48,613⁽³⁾</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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Tiger International, Inc.
1888 Century Park East
Los Angeles, California 90067
(213) 552-6300

The Flying Tiger Line Inc.
7401 World Way West
Los Angeles, California 90009
(213) 646-6161

Warren Transport, Inc.
P.O. Box 420
Waterloo, Iowa 50704
(319) 233-6113

Auditors
Arthur Andersen & Co.
911 Wilshire Blvd.
Los Angeles, California 90017

Stock Exchanges
New York Stock Exchange
20 Broad Street
New York, New York 10005
Pacific Stock Exchange
301 Pine Street
San Francisco, California 94104
Midwest Stock Exchange
120 S. LaSalle Street
Chicago, Illinois 60603

Transfer Agents
Manufacturers Hanover Trust
Company
450 West 33rd Street
New York, New York 10001
Manufacturers Hanover Trust
Company of California
50 California Street
San Francisco, California 94111

Registrars
The Bank of New York
90 Washington Street
New York, New York 10015
Manufacturers Hanover Trust
Company of California
50 California Street
San Francisco, California 94111

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.
1888 Century Park East
Los Angeles, California 90067



**Financial
Highlights**

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

**1985 Annual
Report**

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

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

**Dear
Shareholder:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

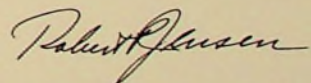
Outlook

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

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

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

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



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

Air Cargo

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

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

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

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

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

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

Flying Tigers
Scheduled
Worldwide Route
Network

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

Boston,
Massachusetts
Brussels, Belgium
Buenos Aires,
Argentina

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

Dallas/Fort Worth,
Texas
Denver, Colorado

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



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

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

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

Flying Tigers' cargo operations will benefit from the opening

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

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

Hartford, Connecticut
Hong Kong
Houston, Texas

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

Manaus, Brazil
Manila, Philippines
Melbourne, Australia

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

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



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

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

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

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

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

Orlando, Florida
Osaka, Japan
Paris, France

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

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

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

Shannon, Ireland
Singapore
Sydney, Australia

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



Trucking

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

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

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

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

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

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

Warren
Transport, Inc.
Branch Offices

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

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

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

Portland, Oregon
Waterloo, Iowa
Winnipeg, Manitoba, Canada

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

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



**Five Year
Financial
Summary**

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

**Five Year
Summary of
Operating
Statistics**

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

(a) Warren Transport was acquired in June 1981.

Executives

Tiger International

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

Flying Tigers

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

Warren Transport

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

Directors

Tiger International and Flying Tigers

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1985

Commission file number 1-6457

TIGER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

90067
(zip code)

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

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

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

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

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

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

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

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

SECRETARIA AND EXCHANGE COMMISSION

FORM 10-K

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

TRUCK TRAILER MANUFACTURING COMPANY

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ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1985

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

Part I

Item 1. BUSINESS.

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

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

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

AIR CARGO OPERATIONS — FLYING TIGERS

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

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

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

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

General

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

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

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

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

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

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

Scheduled Operations

International Operations

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

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

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

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

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

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

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

Domestic Operations

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

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

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

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

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

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

Commercial Charters

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

Military Airlift Command

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

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

Operating Information

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

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

Customers

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

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

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

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

Fuel Costs

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

Regulation of Air Transport Industry

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

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

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

International Route Authorizations and Rates

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

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

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

Environmental Regulations

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

Other Regulations

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

Competition

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

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

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

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

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

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

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

Employee Relations

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

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

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

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

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

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

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

Liquidity of Flying Tigers

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

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

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

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

TRUCKING — WARREN

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

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

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

Regulation of the Motor Carrier Industry

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

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

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

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

Competition

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

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

Rates

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

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

Cost and Availability of Fuel

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

TIGER EMPLOYEES

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

DISCONTINUED OPERATIONS

Hall's Motor Transit Company

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

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

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

Railcar Services

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

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

Aviation Services

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

HISTORY OF FINANCIAL RESTRUCTURING

General

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

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

North American

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

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

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

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

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

Tiger International

Tiger International's Obligations to North American

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

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

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

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

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

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

Exchange Offer

In September 1983, Tiger International acquired \$37,894,000 principal amount of its outstanding 11½% Sinking Fund Debentures due October 1, 1995, (the "Old 11½% Debentures") and \$55,563,000 principal amount of its outstanding 8¾% Convertible Subordinated Debentures due July 1, 2005, (the "Old 8¾% Debentures") pursuant to an exchange offer (the "Tiger International Exchange Offer"). In exchange, Tiger International issued \$28,368,600 principal amount of its 11½% Sinking Fund Debentures, due April 1, 1995, (the "New 11½% Debentures"), \$36,030,000 principal amount of its 8¾% Convertible Subordinated Debentures due July 1, 1995, (the "New 8¾% Debentures"), 3,156,924 shares of Common Stock and warrants to purchase an additional 3,156,924 shares of Common Stock. Tiger International also issued \$1,313,000 principal amount of New 11½% Debentures, 56,022 shares of Common Stock and warrants to purchase an additional 56,022 shares of Common Stock in exchange for \$1,751,000 principal amount of Old 11½% Debentures held by Flying Tigers at the time of the Tiger International Exchange Offer. As a result of the Tiger International Exchange Offer, Tiger International's outstanding long-term debt was reduced by \$29,058,000 principal amount. The investment banker that assisted Tiger International in the Tiger International Exchange Offer received as compensation for its services warrants to purchase 200,000 shares of Common Stock, which may be exercised in whole or in part at any time between January 1, 1984, and June 30, 1988, at \$8.00 per share.

Both principal of and interest on the New 11½% Debentures and the New 8¾% Debentures, including sinking fund obligations, are payable at Tiger International's option in cash or in Common Stock. Tiger International did so elect with respect to the payment of interest during 1983, 1984 and 1985 on its New 11½% Debentures and its New 8¾% Debentures, satisfying its aggregate \$16,300,000 interest obligations by delivering 2,654,186 shares of Common Stock and cash for fractional shares.

Restructuring Warrants and Limitation on Advances

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

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

Flying Tigers

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

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

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

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

Other Subsidiaries

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

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

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

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

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

TIGER RECENT FINANCIAL PERFORMANCE AND LIQUIDITY

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

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

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

Item 2. PROPERTIES.

General

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

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

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

Flying Tigers' Aircraft Fleet

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

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

* Passenger aircraft held for use under the MAC contract.

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

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

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

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

New Flying Tigers Terminal Facility

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

Item 3. LEGAL PROCEEDINGS.

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

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

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

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

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

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

EXECUTIVE OFFICERS OF THE REGISTRANT

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

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

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

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

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

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

Part II

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

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

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

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

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

Item 6. SELECTED FINANCIAL DATA.

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

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

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

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

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

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

Summary

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

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

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

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

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

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

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

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

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

Liquidity

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Resources

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

Results of Operations

Continuing Operations Overview

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

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

Air Cargo

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

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

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

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

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

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

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

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

Trucking — Warren

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

Discontinued Operations

Trucking — Hall's

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

Railcar Services

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

Impact of Inflation

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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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, 1985 and 1984, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our auditors' report dated March 26, 1985, our opinion on the 1984 financial statements was subject to the effect of such adjustments, if any, as might have been required had uncertainties related to Tiger International, Inc.'s ability to settle a note payable to North American Car Corporation been known. As explained in Note 1, Tiger International, Inc. consummated a settlement of such note during 1985. Accordingly, our present opinion on the 1984 financial statements, as presented herein, is unqualified.

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

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

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

Principles of Consolidation

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

Effective December 31, 1984, Tiger International sold 75% of its equity interest in Hall's Motor Transit Company ("Hall's") and accounted for this operation as a discontinued operation effective December 31, 1984. As of December 13, 1985, Tiger International transferred its remaining 25% equity interest in Hall's to the majority shareholder of Hall's. The railcar services segment ("North American") and other leasing businesses were accounted for as discontinued operations at December 31, 1983. Accordingly, the results of operations of these businesses have been segregated in the Consolidated Statements of Operations. In addition, footnote information for 1985 does not include the accounts of these businesses except as specifically indicated. The balance sheets at December 31, 1985 and 1984 do not include the accounts of the discontinued businesses.

Foreign Currency Transactions

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

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

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

Inventories

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

Property and Equipment

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

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

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

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

Intangibles

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

Income Taxes and Tax Benefits

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

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

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

Earnings Per Share

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

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

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

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

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

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TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

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

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

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

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

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

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

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

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

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

Note 1 — Discontinued Operations

Summary

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

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

Hall's Motor Transit

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

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

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

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

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

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

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

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

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

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

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

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

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

North American

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Leasing Operations

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

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

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

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

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

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

Note 2 — Acquisitions and Dispositions

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

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

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

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

Note 3 — Business Segment and Geographic Data

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

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

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

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

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

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

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

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

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

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

Note 4 — Long-Term Debt

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

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

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

Scheduled Maturities

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

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

Tiger International, Inc. (Parent)

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

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

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

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

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

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

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

Subsidiaries

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

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

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

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

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

Restrictions on Cash, Dividend Payments and Assets Secured by Debt

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

Note 5 — Commitments

Leases

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

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

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

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

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

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

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

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

Purchase Commitments

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

Guarantees

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

Note 6 — Capital Stock

Common Stock

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

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

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

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

Stock Option Plan

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

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

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

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

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

Non-Statutory Stock Options

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

Warrants

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

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

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

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

Note 7 — Contingencies and Legal Actions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 8 — Retirement Plans

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

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

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

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

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

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

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

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

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

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

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

Note 9 — Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 10 — Details of Certain Accounts

Supplemental Consolidated Balance Sheet Information

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

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

Supplemental Consolidated Statement of Operations Information

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

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

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

SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION (UNAUDITED)

Background

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

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

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

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

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

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

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

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

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

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

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

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

Continuing Operations

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

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

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

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

Discontinued Operations

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

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

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

Item 9. Disagreements on Accounting and Financial Disclosure.

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

Part III

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

Part IV

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

(a) Financial Statement Schedules and Exhibits Filed

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

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

Exhibit
Number

Description of Exhibit

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

Exhibit
Number

Description of Exhibit

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

Exhibit
Number

Description of Exhibit

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

Exhibit
Number

Description of Exhibit

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

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

(b) Reports on Form 8-K

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

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

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

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

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

TIGER INTERNATIONAL, INC.

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

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

TIGER INTERNATIONAL, INC.
CONDENSED BALANCE SHEET

A S S E T S

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

LIABILITIES AND STOCKHOLDERS' EQUITY

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

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

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

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

TIGER INTERNATIONAL, INC.

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

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

Cash Dividends Paid to Parent From Consolidated Subsidiaries

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

Parent Company Debt

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE V — PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1985

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

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

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

For the Three Years Ended December 31, 1985

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

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

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

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

(1) Includes revenue adjustments.

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

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

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

SIGNATURES

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

TIGER INTERNATIONAL, INC.
(Registrant)

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

Date: March 27, 1986

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

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

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

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

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**Corporate
Information**

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

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

Tiger International, Inc.
1986 Annual Report

TIGERS



Tiger International, Inc.
1986 Annual Report

TIGERS



Financial Summary

For the year ended December 31, (Amounts in thousands, except per share data)	1986	1985
Revenues	\$ 1,110,948	\$ 1,147,045
Loss from continuing operations	(45,063)	(57,187)
Loss from discontinued operations	—	(15,500)
Net Loss	\$ (45,063)	\$ (72,687)
Loss per share		
Continuing operations	\$ (1.45)	\$ (2.11)
Discontinued operations	—	(.58)
	\$ (1.45)	\$ (2.69)
Assets	\$ 883,457	\$ 956,118
Stockholders' equity	\$ (43,160)	\$ (4,462)
Book value per common share	\$ (1.37)	\$ (.15)

Corporate Information

Tiger International, Inc. 7401 World Way West, Los Angeles, CA 90009, (213) 417-1081

The Flying Tiger Line Inc. 7401 World Way West, Los Angeles, CA 90009, (213) 646-6161

Warren Transport, Inc. P.O. Box 420, Waterloo, Iowa 50704, (319) 233-6113

Auditors Arthur Young & Company, 515 S. Flower St., Los Angeles, CA 90071

Stock Exchanges New York Stock Exchange, 20 Broad St., New York, NY, 10005

Pacific Stock Exchange, 301 Pine St., San Francisco, CA 94104

Midwest Stock Exchange

1 Financial Plaza, 440 S. LaSalle St., Chicago, IL 60605

Transfer Agents Manufacturers Hanover Trust Company
450 West 33rd St., New York, NY 10001

Manufacturers Hanover Trust Company of California
50 California St., San Francisco, CA 94111

Registrars The Bank of New York, 90 Washington St., New York, NY 10015

Manufacturers Hanover Trust Company of California
50 California St., San Francisco, CA 94111

Annual Meeting The Annual Meeting of Stockholders will be held on Thursday,
May 28, 1987 at 10:00 a.m. at the Beverly Hilton Hotel, 9876
Wilshire Boulevard, Beverly Hills, California 90210.

Cover:
Historic "Circle T"
logo was re-
introduced to the
Company's 35-
jetfreighter fleet in
early 1987, signifying
historical roots of
vision and purpose
combined with re-
newed commitment
to go forward as a
united organization.

To Our Shareholders:

In 1986, Tiger International, Inc. and our principal subsidiary, The Flying Tiger Line Inc., began a revitalization effort which we are confident will return our company to a vigorous competitive position in the global air cargo marketplace and create the financial foundation necessary to generate improved returns on our shareholders' investment.

Flying Tigers

While Tiger International is the publicly traded holding company for The Flying Tiger Line Inc. and Warren Transport, Inc., the thrust of our rebuilding program is centered on the airline because of its overriding importance to Tiger International.

In 1986 we focused on the essential elements of our business — people, revenues, costs and financial structure — and implemented strategic plans and set action priorities which we expect will result in a reinvigorated Tiger International evolving over the next one to two years. Our strategy for returning Flying Tigers to profitability and for building market strength consists of a three-step "building block" process which includes the participation and commitment of employees in every part of our organization, and the involvement of investors and the financial markets.

The first step, which is essentially completed, is *the reduction of operating expenses to reasonably competitive levels*. The central element of this effort was a mutual agreement, in late 1986 and early 1987 by Flying Tigers and its employee groups, to an innovative employee partnership program. This program consisted of comprehensive labor cost reductions and the provision of profit sharing and stock ownership plans to all participating employees.

The second step, targeted for completion in April 1987, is *a major refinancing of Flying Tigers' debt*, with the overall objectives of significantly increasing our financial flexibility and enhancing liquidity over the next five years.

The third step, which is well underway and will evolve throughout 1987 and beyond, is *the implementation of a long-term strategic marketing plan that will enable us to carve out a worldwide market niche that we can defend and expand*.

Employee Partnership Program

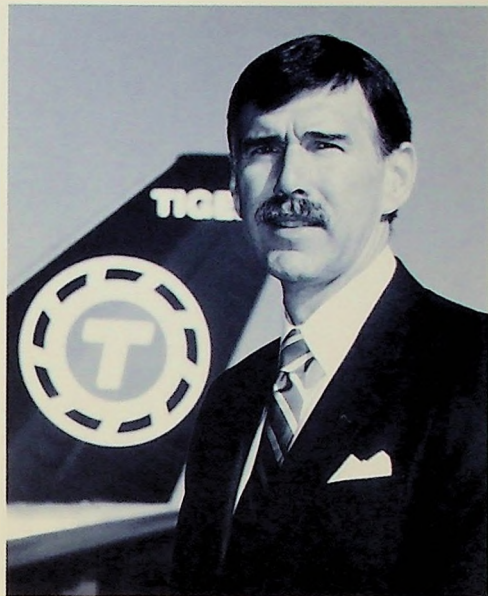
Comprehensive economic reductions were introduced in December 1986 and January 1987 through agreements with the principal employee groups including: pilots; mechanics and various ground personnel; flight attendants; and our general and administrative personnel. These agreements, which cover wages, benefits and work rules, provide a net annual savings of \$60 million, or approximately 22 percent, compared to 1986 annual labor costs.

The purpose of the Employee Partnership Program is to encourage employee productivity by creating an ownership stake in Flying Tigers and to complement the wage concessions and work rule changes which were accepted by participating employee groups to enhance the airline's prosperity.

The cornerstones of the Employee Partnership Program are a profit sharing plan, which will distribute 15 percent of profits after the first \$10 million; and a stock ownership plan, in which warrants will be granted to allow employees to buy up to 10 percent of The Flying Tiger Line's common stock at \$1.00 per share.

Achieve Debt Refinancing

The restructuring of \$290 million of Flying Tigers' debt offers several benefits which will contribute to our long-term profitability and financial health. We are selling a public offering of \$140 million and privately placing \$150 million of secured debt, to benefit from lower prevailing interest rates and higher 747 aircraft market values which secure these instruments. This will significantly reduce our long-term debt service requirements, both principal and interest, by approximately \$100 million over the next five years. In addition we will be eliminating existing loan agreements which have restricted our financial flexibility, including limitations on capital investment.



Stephen M. Wolf

Strategic Marketing Plan

The enhancement of our marketing position in an intensely competitive marketplace involves capitalizing on our existing strengths, introducing meaningful product improvements and defining a long-term strategic direction which pinpoints and exploits our special market niche.

Our existing strengths are many and varied. First, we have what is possibly the most widely recognized name in the worldwide air cargo industry. Flying Tigers is the largest and the oldest scheduled air cargo carrier in the world, with traditions originating in the mid-1940s. The recent re-introduction of the "Circle T" on the tails of our aircraft symbolizes both the rich heritage and the commitment by our people to go forward to create, once again, a vibrant and competitive company.



Second, we operate the world's largest fleet of Boeing 747 jet-freighter aircraft, 18 airplanes, which represents about one-quarter of the total 747 cargo fleet in the world. At the same time, we employ six DC-8 and 11 B-727 freighter aircraft which, together with the 747s, offer a full range of cargo capacities and favorable scheduling flexibility to our customers for domestic and international shipping services.

Third, we provide an advanced, full service cargo handling capability to our customers on the most extensive scheduled route system in the world.

Fourth, we are the largest combined U.S. military contract carrier for both personnel and cargo.

Finally, we have 5,700 dedicated employees worldwide who, in partnership with Flying Tigers, are committed to and united behind the goal of establishing Flying Tigers as a potent, competitive force in the global air cargo industry.

Product Improvements

Over the past year we introduced several important product improvements which are having a substantial impact on the revenue side of our business.

- We leased six DC-8-73 freighter aircraft, the first of which began service in January 1987, with the balance joining our fleet in March 1987. The DC-8 expands our cargo handling capacity in the 100,000 pound range and provides increased flexibility both domestically and internationally. We are presently training and upgrading existing, recalled and new hire pilots.

- The full service, on-line air cargo hub in Columbus, Ohio marked its first anniversary in March 1987, having operated more than 4,300 jetfreighter flights and handled an average of 1 million pounds of domestic and international cargo per day.

- We are introducing extensive automated cargo handling equipment and customers' specific software applications, which provide faster and higher quality shipping and delivery services.

- We have been designated the carrier to work with U.S. Customs in the development of an automated cargo handling system, which enhances customer service by offering greater reliability and speed in handling shipments through customs at our nine gateway locations from overseas.

Full service, all types of cargo handling capabilities make the Columbus hub facility a key base for international and domestic service.



Flying Tigers offers commercial shippers direct door-to-door service, which complements global full service capabilities for international and domestic shippers in the U.S. market.



Long-Term Marketing Direction

Our long-term marketing strategy is an evolutionary process which is already underway, as supported by the recent DC-8 acquisition; the initiation of new service to Bangkok, Thailand and Milan, Italy; and the launching of weekly Asia-to-Europe flights.

While we continue to define and refine our long range marketing plans, the basic components of our present strategic direction are:

- To develop a worldwide, full service, on-line cargo system which provides superior cargo handling services to our customers on both international and domestic routes.

- To enhance intra-region cargo service, especially within the Pacific region; inter-region service which flows through U.S. gateways from and to international origination and destination points; and inter-region non-U.S. traffic flows, as exemplified by our recently introduced Asia-to-Europe service.

- To escalate the development of the Columbus, Ohio hub facility as an international distribution point, which was substantially enhanced in March 1987 when the U.S. Department of Commerce designated Rickenbacker airport as a free trade zone.

- To provide customers with an increasing array of automated support services, which will give us distinct marketing advantages over our competition.

The strength of our marketing effort is the people who breathe life into it, including those with "leading edge" relationships with customers and those who are unseen in the so-called "back office," but whose roles are equally important.

The key to realizing the healthy position we are seeking is a united effort by every employee to do our jobs in such a superior way that present customers, and those new ones we will attract in the future, will continue to need, want and pay for our services -- in fact, will *insist* on Flying Tigers as their air shipper of first preference.

We are a classic service business. Between the initial order and the delivery of cargo to the final destination, we have dozens of opportunities to either "do it right" or "otherwise." Much of our business is not routine from our customers' standpoint, but is routine for Flying Tigers. How well we perform routinely in meeting our customers' requirements will largely determine how successfully and how quickly the airline's revitalization will occur.

Management Changes

To accomplish this essential rebuilding program, several senior management changes were implemented beginning in the last quarter of 1986: I became chairman, president and chief executive officer of Tiger International, in addition to holding the same positions at Flying Tigers.

At Flying Tigers, James A. Cronin was named senior vice president-marketing and Edwin H. Wallace became senior vice president-international sales and service. Ronald D. Marasco was named senior vice president-operations.

Flying Tigers serves direct shippers, freight forwarders, brokers and cargo agents internationally and direct shippers domestically in transporting equipment, commodities, livestock and other valuable (and often exotic) cargo. Airline is the world's largest shipper of cattle.



Flying Tigers handled 2.2 billion ton miles of cargo on scheduled world-wide service in 1986. Airline is also largest Military Airlift Command contract carrier for both cargo and personnel, and operates large commercial charter business.

New vice presidents included Charles W. Thompson (Human Resources), Donald E. Pritchett (Flight Operations) and Roy A. King (Atlantic Division).

Two new directors were elected to the boards of both Tiger International, Inc. and The Flying Tiger Line Inc.: Lowell C. Freiberg, senior vice president and chief financial officer of Reliance Group Holdings, Inc.; and Ralph Strangis, founding member of Kaplan, Strangis & Kaplan.

Warren Transport

The specialized trucking business of our wholly owned Warren Transport subsidiary, which we acquired in 1981, continued its profitability in 1986, with pre-tax income of \$2.1 million on revenues of \$36.6 million. Warren is the leading hauler of agricultural machinery in the United States and a substantial transporter of construction equipment, and has expanded its operations into the hauling of general commodities.

In spite of declining U.S. farm machinery sales and higher insurance costs, Warren has remained profitable through a combination of cost controls and the generation of revenues from other than agricultural markets.

Although the specialized trucking marketplace is undergoing extensive restructuring and economic turmoil, Warren expects to maintain its reputation for quality service and innovative approaches by utilizing existing equipment, drive-aways and new equipment effectively.

Tiger International

At year end 1986, \$119 million was outstanding under Tiger International's secured obligation to a former bank group of North American Car, the railcar operation discontinued in December 1984. One-half will become due in June 1988, with the balance due in June 1989. Tiger International is formulating a refinancing strategy to satisfy this obligation. For a detailed discussion of our financial position, please refer to our Form 10-K Annual Report.

We of Tiger International value the continuing support of our shareholders, customers and employees as we go forward with our revitalization efforts in 1987.

Stephen M. Wolf
Chairman of the Board, President
and Chief Executive Officer



Warren handled more than 400 million ton miles in 1986 and has strong relationships with trucking owner-operators.

March 31, 1987

Form 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1986 Commission file number 1-6457

Tiger International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of incorporation
or organization)*

95-2623176

(I.R.S. Employer Identification No.)

7401 World Way West,
Los Angeles, California 90009

(Address of principal executive offices)

(213) 417-1081

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock, \$1 Par Value
1 1/2% Sinking Fund Debentures
Due October 1, 1995
8% Convertible Subordinated Debentures
Due July 1, 2005

Name of each exchange on which registered

New York, Midwest and Pacific Stock Exchanges
New York Stock Exchange
New York Stock Exchange

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

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

On March 26, 1987, 25,788,647 shares of registrant's Common Stock, \$1 par value, were held by non-affiliates. It is estimated that as of March 26, 1987, the aggregate market value of such stock was \$317,522,716 based upon the average high and low sale prices on such date.

On March 26, 1987, 32,014,940 shares of Common Stock, \$1 par value, were outstanding.

Information called for by Part III is incorporated by reference from registrant's definitive proxy statement for registrant's 1987 annual meeting of stockholders, which meeting will involve the election of directors. The proxy statement will be filed with the Securities and Exchange Commission prior to April 30, 1987, pursuant to Regulation 14A.

ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1986

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** Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1987 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 7401 World Way West, Los Angeles, California 90009, and its telephone number is (213) 417-1081.

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

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

AIR CARGO OPERATIONS — FLYING TIGERS

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

Flying Tigers presently offers regularly scheduled cargo service within the United States and throughout the world, as well as worldwide commercial cargo charter service. Additionally, Flying Tigers provides both passenger and cargo service to the Military Airlift Command ("MAC") and cargo service to the United States Postal Service. Since 1975, MAC has granted Flying Tigers the largest annual contract of any air carrier to provide cargo and passenger service to MAC. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Customers."

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

On February 23, 1987, Flying Tigers filed a Pre-effective Amendment No. 2 to a Registration Statement on Form S-1 with the Securities and Exchange Commission. Flying Tigers proposes to refinance a significant portion of its outstanding indebtedness using the proceeds from the sale of trust certificates to be issued under the Registration Statement along with the concurrent private placement refinancing of certain leveraged lease indebtedness. See "Item 1. Business — History of Financial Restructuring — Flying Tigers".

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

General

Flying Tigers transports freight primarily through its aircraft and trucking operations. Air cargo service is provided (i) by 18 B-747 aircraft, 6 DC-8-73 aircraft and 11 B-727 aircraft that are owned or leased and operated by Flying Tigers, (ii) by other airlines pursuant to interline arrangements whereby Flying Tigers utilizes the belly and main cargo deck capacity of other scheduled airlines to ship cargo and (iii) by contracts with independent aircraft operators whereby Flying Tigers contracts for the use of an aircraft and crew. Trucking services are provided almost exclusively by nonaffiliated trucking companies under contracts with Flying Tigers. In January 1987, Flying Tigers entered into an operating lease for the six DC-8-73 aircraft which were delivered to Flying Tigers from January through March 1987 and were integrated into the operating fleet upon delivery.

Prior to 1982, Flying Tigers operated primarily on an airport-to-airport basis serving freight forwarders and brokers both internationally and in the United States. Airport-to-airport shipments by freight forwarders and brokers continue to constitute the principal component of Flying Tigers' international operations. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Scheduled Operations — *International Operations*." In 1982, however, Flying Tigers initiated domestic door-to-door service offered directly to retail customers in the United States in addition to continuing to serve its traditional domestic and international airport-to-airport market. At present, Flying Tigers' domestic operations comprise both door-to-door and airport-to-airport service. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Scheduled Operations — *Domestic Operations*." The principal door-to-door customers are direct shippers, and the principal airport-to-airport customers are freight forwarders and brokers. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Customers."

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

Scheduled Operations

International Operations

As of March 26, 1987, Flying Tigers provided international scheduled air service for both cargo and mail between points in the United States and cities in Asia, Europe, Latin America, Australia and the Middle East.

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

Flying Tigers continually adjusts its operating and marketing emphasis on its international routes to improve the balance between inbound and outbound flights and to realign capacity to serve markets where the greatest demand for service exists. Flying Tigers intends to continue to utilize, to an increasing extent, trucking operators and interline arrangements to use the aircraft belly and main cargo deck capacity of other airlines in transporting freight both internationally and in the United States. However, Flying Tigers has decreased its usage of contract flying provided by other air carriers.

Flying Tigers is currently the largest United States cargo air carrier serving the Asian market as measured by cargo revenue ton miles. In recent years, the transpacific market has become increasingly significant to Flying Tigers' results of operations. The transpacific market accounted for \$653,395,000, \$544,177,000, and \$599,781,000 of Flying Tigers' revenues in 1984, 1985 and 1986, respectively, and approximately 70%, 66%, and 67% of Flying Tigers' total scheduled cargo capacity in 1984, 1985 and 1986, respectively. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Operating Information." In 1985, Flying Tigers experienced both increased competition and decreased demand in the transpacific market compared to 1984, which

caused a 17% decrease in 1985 transpacific revenues. Transpacific revenues for the year ended December 31, 1986 increased by 10% from the transpacific revenues for 1985. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Flying Tigers expects that the transpacific market will continue to constitute its most significant business segment for the foreseeable future, however, there can be no assurance as to the level of future transpacific revenues, competition or results of operations. Flying Tigers intends to continue to devote a substantial portion of its resources to the transpacific market and to evaluate new services for that market in an attempt to increase revenues.

Flying Tigers expanded its route structure and improved directional balance in the transpacific market by launching B-747 scheduled service from the United States to Australia in 1983. Flying Tigers offers charter service outbound from Australia to Asian markets. The integration of the Australian route with previously existing transpacific routes enables Flying Tigers to generate additional revenue ton miles while positioning aircraft for the traditionally strong eastbound transpacific market. In 1986, Flying Tigers expanded eastbound "around-the-world" scheduling whereby domestically originated cargo is carried to the transatlantic market and the Middle East, transatlantic cargo is carried to the Middle East and Asia and Asian cargo is carried to the United States. In March 1987, this concept was expanded further by adding westbound "around-the-world" flights to service the growing Asia to Europe market while expanding capacity from Europe to the United States. Flying Tigers is uniquely positioned to offer "around-the-world" cargo service because it holds more authorizations to provide service to foreign countries than any other all-cargo air carrier. Flying Tigers believes that "around-the-world" flying improves directional balance by deploying capacity to strong markets while positioning aircraft in Asia to service Flying Tigers' major market. In addition, Flying Tigers recently began offering airport-to-door service between Japan and the United States in addition to its traditional airport-to-airport service. Early in 1986, Flying Tigers began market testing an international express service from Hong Kong to four major United States gateway cities. The new service includes customs clearance in the United States and will be considered for expansion to other international locations based upon the results of the test marketing.

In October 1983, Flying Tigers established two European hubs, one located in London and one in Frankfurt. Scheduled flights to France have been replaced by, and scheduled flights from Switzerland and Italy have been supplemented by, a high-speed trucking network connecting with the Frankfurt hub for international service.

Flying Tigers currently serves Latin America with scheduled service to and from cities in Brazil and Argentina. Latin American cargo is well balanced between in- and out-bound destinations.

Comprehensive trade legislation currently is pending in Congress. If such legislation is enacted, import restrictions could be imposed on certain goods. Flying Tigers is unable to predict whether such trade legislation will be enacted or, if enacted, what effect such legislation would have on the business of Flying Tigers.

Domestic Operations

As of March 26, 1987, Flying Tigers provided domestic scheduled service for both cargo and mail directly to 30 United States cities and to San Juan, Puerto Rico.

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

In offering its domestic door-to-door service, Flying Tigers does not emphasize the express document segment of the domestic air freight market, but rather offers freight services to direct shippers of the type previously provided by the traditional freight forwarder. Flying Tigers is one of the few domestic air cargo carriers that can transport cargo shipments weighing in excess of 150 pounds. In its domestic operations,

Flying Tigers currently offers both overnight and second-day delivery options and both guaranteed and nonguaranteed delivery times.

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

In 1984, 1985 and 1986, door-to-door service revenues represented 57%, 57%, and 66%, respectively, of all domestic scheduled service revenues. Although between 1983 and 1985 door-to-door revenues largely replaced the revenues lost in the declining airport-to-airport portion of Flying Tigers' domestic operations, overall domestic revenues did not increase significantly in such years. Domestic door-to-door, domestic airport-to-airport and total domestic revenues declined significantly (14%, 43% and 27%, respectively) from 1985 levels. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Flying Tigers believes that the high fixed and other costs, including high labor costs, in the domestic market, as well as scheduling problems in connecting international in-bound with domestic out-bound flights, continued to adversely affect the results of Flying Tigers' domestic operations. Flying Tigers has determined that service to and from cities in the United States is critical to its international operations. In an effort to enhance the integration of its domestic and international operations and to increase domestic revenues, Flying Tigers continues to review its markets, schedules, product mix and fleet configuration.

Military Airlift Command

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

Revenues from MAC charters were \$104,411,000 in 1984, \$105,680,000 in 1985 and \$113,528,000 in 1986. Flying Tigers was awarded a new MAC contract for the twelve months commencing October 1, 1986, the fixed portion of which is \$99,049,000, subject to expansion based on availability of aircraft, compared with fixed annual portions awarded in October 1983, 1984 and 1985 of \$72,155,000, \$60,833,000 and \$74,377,000, respectively. The decrease in the fixed portion of the 1984 MAC contract was partially attributable to the Flying Tigers' replacement of DC-8 aircraft, which were committed to CRAF, with B-727 aircraft, which are not eligible for CRAF. The increase in the fixed portion of the 1985 MAC contract reflects the fact that Flying Tigers' aircraft represented a greater portion of all aircraft committed to CRAF in that year. The addition of a second B-747 passenger aircraft in 1985 increased Flying Tigers' ability to operate additional MAC expansion flights as well. Flying Tigers intends to continue to operate at least two B-747 passenger aircraft for MAC. In January 1987, Flying Tigers entered into an operating lease for six DC-8-73 aircraft. The DC-8-73 aircraft are eligible for, and will be committed to, CRAF.

MAC contracts contain standard provisions that make them subject to renegotiation and to termination at the convenience of the United States.

Commercial Charters

Flying Tigers provides commercial cargo charters throughout the world and thereby supplements the utilization of aircraft by the scheduled service markets. Total commercial charter operations generated revenues of \$42,605,000 in 1984, \$56,132,000 in 1985 and \$46,682,000 in 1986. Increased commercial charter revenues in 1985 compared to 1984 reflect increased availability of B-747 aircraft due to the decline during the year of the demand for scheduled transpacific services. The decline in commercial charter revenues in 1986 compared to 1985 reflects a reduction of charters from the United States and Europe to the transpacific market and the reduction of one B-747 freighter aircraft from the fleet early in 1986. In 1987, Flying Tigers received approval from the Department of Transportation ("DOT") for a joint venture previously approved by the General Administration of Civil Aviation of China ("CAAC"). This joint venture with CAAC provides for an exclusive worldwide agreement for B-747 charters into the Peoples Republic of China from points in the United States, Europe and Australia.

Operating Information

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

	For the Year Ended December 31,		
	1984	1985	1986
Revenues (000's)			
Scheduled Cargo Operations			
Domestic	\$ 214,872	\$ 212,929	\$ 155,601
Transpacific	653,395	544,177	599,781
Transatlantic	98,367	105,368	83,848
Latin America	41,402	63,988	45,409
Total Scheduled Cargo Operations	1,008,036	926,462	884,639
Commercial Charters	42,605	56,132	46,682
Military Airlift Command	104,411	105,680	113,528
Rentals, Service Sales and Other	15,965	20,748	29,487
Total Revenues	<u>\$1,171,017</u>	<u>\$1,109,022</u>	<u>\$1,074,336</u>
Scheduled Cargo Capacity (000's) (available ton miles)			
Domestic	465,574	471,335	460,048
Transpacific	2,393,897	2,195,494	2,153,498
Transatlantic	413,820	458,390	409,116
Latin America	135,548	207,454	171,972
Total Scheduled Cargo Services	<u>3,408,839</u>	<u>3,332,673</u>	<u>3,194,634</u>
Load Factor (percentages)			
Scheduled Cargo Services			
Domestic	57.2%	53.7%	49.5%
Transpacific	72.7	71.3	75.1
Transatlantic	68.1	67.7	62.1
Latin America	71.2	64.5	67.8
Total Scheduled Cargo Services	<u>70.0%</u>	<u>67.9%</u>	<u>69.4%</u>
Yield (revenue per revenue ton mile) (cents)			
Scheduled Cargo Services			
Domestic(1)	80.7¢	84.2¢	68.3¢
International	37.4	35.5	36.7
Total Scheduled Cargo Services	<u>42.3¢</u>	<u>41.0¢</u>	<u>39.9¢</u>
Revenue Per Pound (cents)			
Scheduled Cargo Services			
Domestic	68.1¢	72.8¢	68.3¢
International	118.7	109.4	118.7
Total Scheduled Cargo Services	<u>102.5¢</u>	<u>98.1¢</u>	<u>105.1¢</u>

Glossary

"Available ton miles" are determined by multiplying the number of cargo tons available by the number of miles flown.

"Revenue ton miles" are determined by multiplying the number of revenue tons carried by the number of miles flown.

"Load factor" is determined by dividing the revenue ton miles by the available ton miles.

"Yield" is determined by dividing cargo revenue by revenue ton miles.

(1) Yields are calculated on the basis of revenue ton miles flown by Flying Tigers' aircraft and exclude supplemental contract flying services purchased by Flying Tigers for the domestic market. Such services were substantially eliminated in 1986. If the revenue ton miles provided by such services in the years ended December 31, 1984 and 1985 are included in calculating domestic yields, such yields would be 73.6¢ and 75.6¢, respectively.

Customers

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

Flying Tigers' domestic cargo customers are principally direct shippers. As a result of the 1978 deregulation of the domestic air freight business, Flying Tigers lost a significant amount of its traditional airport-to-airport business between 1982 and 1986 as certain of its former customers — freight forwarders, brokers and cargo agents such as UPS, Burlington Northern Inc., Emery Air Freight Corporation and Airborne Freight Corp. — purchased or leased aircraft for use directly in their operations. Declining airport-to-airport revenues had been supplemented by revenues from door-to-door service provided directly to shippers and overall domestic revenues generally increased between 1982 and 1985. However, in 1986 domestic revenues declined 27% compared to 1985. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Scheduled Operations — *Domestic Operations*" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." The customer base for the domestic door-to-door service is principally comprised of medium-sized and large national accounts. Flying Tigers does not emphasize the express document segment of the market, but rather offers freight services to the direct shipper of the type previously provided by the traditional freight forwarder. Flying Tigers is one of the few domestic cargo air carriers that can transport cargo shipments in excess of 150 pounds.

Approximately 12% of Flying Tigers' business in 1984, 13% in 1985, and 14% in 1986, respectively, was attributable to two agencies of the United States Government: MAC and the United States Postal Service. No other customer constituted 10% or more of Flying Tigers' total revenues. MAC charter rates are determined by MAC based upon average costs for participating carriers. Prior to January 1, 1985, international and domestic service mail rates were established by the Civil Aeronautics Board ("CAB"). The Airline Deregulation Act of 1978 provided for the dissolution of the CAB on January 1, 1985; however, its remaining functions were transferred to and continued by the DOT. Since January 1, 1985, international mail rates have been established by the DOT. Domestic service rates are determined by a negotiating and bidding process with the United States Postal Service.

Fuel Costs

The cost of Flying Tigers' air cargo operations is significantly influenced by the price of aviation fuel, which is a significant component of Flying Tigers' total operating costs. Currently, every \$.01 change in the price-per-gallon of fuel changes annual expenses by approximately \$3,000,000. The average cost-per-gallon of fuel dropped from \$.89 in 1984 to \$.85 in 1985 and to \$.60 in 1986. Significant fuel price decreases were realized throughout most of 1986. However, no assurance can be given that fuel prices will continue to decline or will not increase in the future. Moreover, the decrease in fuel prices is an industry-wide savings that benefits Flying Tigers' competitors as well. Accordingly, lower fuel prices may result in increased price competition and lower revenues for all air carriers, including Flying Tigers. In addition, Flying Tigers may be unable to increase its prices in response to increases in fuel prices. The effect of changing crude oil prices on the price of aviation fuel is not experienced immediately, but rather only after the time necessary for refining and marketing. Flying Tigers has fuel supply contracts, most of which are one year in duration and provide for sales of fuel at market prices prevailing at the date of sale. Flying Tigers' fuel supply contracts provide for an amount of fuel currently estimated to be adequate for its anticipated needs. However, such contracts do not provide protection against price increases.

Domestic Regulation of Air Transport Industry

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

Generally, under the current regulatory environment, air cargo carriers are permitted to provide air cargo service between any points in the United States, Puerto Rico and the Virgin Islands and to price such service at any level or in any manner so long as such prices are not unduly discriminatory, prejudicial, preferential or predatory. The DOT's jurisdiction also extends to several other aspects of Flying Tigers' business, including its accounts and records, certain mergers and acquisitions of control, consolidations,

interlocking relations, competitive practices and cooperative agreements. The FAA is concerned with the regulation of flying operations, including matters dealing with safety, aircraft, personnel and ground facilities.

At the urging of Congress, in 1986 the FAA commenced a detailed inspection of all air carriers which resulted, in certain cases, in the imposition of significant fines. In January 1987, the FAA concluded a detailed inspection of Flying Tigers' operations. As a result of such investigation, Flying Tigers has paid, without admitting liability, a nominal fine relating primarily to certain insufficiencies in record keeping. Corrective actions have been taken by Flying Tigers to the satisfaction of the FAA.

International Route Authorizations and Rates

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

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

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

Environmental Regulations

Flying Tigers must comply with the Aviation Safety and Noise Abatement Act enacted in 1980 and with engine emissions regulations promulgated under the Clean Air Act of 1970. Certain of the airports at which Flying Tigers operates have adopted noise abatement regulations which to date have not had a significant impact on Flying Tigers' overall operations.

Other Regulations

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

Competition

The air cargo industry is highly competitive. Competition is based on a combination of factors, primarily price and such service-sensitive factors as the frequency and capacity of scheduled service, geographic coverage and reliability. Flying Tigers currently holds certificates of authority to serve more foreign countries than any other United States cargo air carrier. Flying Tigers' extensive scheduled international route structure enables it to offer single-carrier service to many international points not offered

by its principal domestic all-cargo competitors. With respect to international inbound and outbound air cargo service, Flying Tigers' scheduled service to and from cities in the United States combined with its domestic air cargo and trucking coverage enables it to offer shippers of international freight more extensive single-carrier service to a greater number of United States cities than most of its international competitors. However, in the international air cargo market, many of Flying Tigers' competitors are government-owned, controlled or subsidized. As a result, such competitors may have greater resources, lower costs, less profit sensitivity and more favorable operating conditions in particular markets than Flying Tigers. In addition, many of Flying Tigers' foreign competitors have lower labor costs than Flying Tigers.

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

In May 1985, Nippon Cargo Airlines ("NCA"), a new Japanese all-cargo airline, initiated transpacific operations between Tokyo and San Francisco and New York. A majority of NCA is owned by Japanese steamship companies and air freight forwarders. The air freight forwarders are estimated to originate more than three-fourths of Flying Tigers' Japan-United States eastbound freight. NCA's fleet consists of three B-747 aircraft, with a fourth on order for delivery during the later part of 1987. NCA currently is operating nine scheduled roundtrip all-cargo flights per week. NCA is permitted to fly only to San Francisco and New York. NCA's current scheduled service to the United States represents 8% of the total cargo capacity of all air carriers transporting cargo between Japan and the United States. NCA's operations, in addition to the competition of other foreign air carriers, such as Japan Air Lines ("JAL"), that fly cargo from Japan to the United States, have had an adverse effect on Flying Tigers' transpacific revenues, revenue ton miles and yields. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Pursuant to a memorandum of understanding between the governments of the United States and Japan, (i) in the near future, two additional U.S. carriers each will be granted rights to one daily flight between the United States and Japan and will carry cargo in the bellies of aircraft on such flights, and (ii) the DOT will select a United States carrier to commence small package service to Japan effective April 1, 1987. An administrative law judge has recommended to the Secretary of Transportation that Federal Express Corp. be selected for this service. Flying Tigers expects that in the future it will be subject to additional transpacific competition from both Japanese and United States air carriers.

Flying Tigers' major transpacific competitors are JAL, Northwest Airlines, Inc., China Airlines, Ltd., NCA, Singapore Airlines, Korean Air, United Airlines, Qantas Airways, Ltd. and Air New Zealand. Flying Tigers' major transatlantic competitors are Air France, Alitalia-Linee Aeree Italiane, S.P.A., British Airways, British Caledonian Airways, Cargolux, Emery Air Freight Corporation, KLM-Royal Dutch Airlines, Lufthansa, Pan American World Airways, Inc. ("PanAm"), Sabena Belgian World Airlines, SAS, Swissair and Trans World Airlines, Inc. In Latin America, Flying Tigers major competitors are Varig S.A., PanAm, Transbrazil and Aerolineas Argentinas.

The Airline Deregulation Act of 1978 has promoted domestic competition by enabling carriers to enter and depart air cargo routes with greater freedom, reducing the authority of the United States Government to control fares and enhancing the ability of persons not already engaged in aviation to commence operations without United States Government approval. Domestically, a number of airlines as well as freight transportation and forwarding companies, some of which were previously significant customers of

Flying Tigers, have commenced or expanded operations in the air cargo market since deregulation, greatly increasing competition in that market. See "Item 1. Business — Air Cargo Operations — Flying Tigers — Scheduled Operations — *Domestic Operations.*"

In its domestic door-to-door delivery market, Flying Tigers competes primarily with Emery Air Freight Corporation, UPS, Burlington Northern Inc., Consolidated Freightways, Inc., Airborne Freight Corp. and Federal Express Corp. In the domestic airport-to-airport market, Flying Tigers competes with most of the major passenger air carriers, which transport cargo not requiring main cargo deck capabilities in the bellies of their passenger aircraft.

Employee Relations

On March 1, 1987, Flying Tigers employed 6,055 persons, of which 5,454 were full-time employees and 602 were part-time employees; 731 of the employees were employed outside the United States. About one-half of Flying Tigers' employees are covered by contracts with labor unions that conform generally to the pattern of labor agreements in the passenger airline industry rather than to the nonunion environment of the air cargo industry. Flying Tigers believes its labor costs are substantially higher than the labor costs of most of its domestic and international competitors in the air cargo industry. In addition, certain of Flying Tigers' contracts with labor unions contain provisions necessary to comply with the labor laws of the various foreign countries in which Flying Tigers operates. Flying Tigers' labor contracts are for varying terms, generally thirty-six to forty-two months.

Flying Tigers' labor contracts are with the Air Line Pilots Association, International ("ALPA"), the International Association of Machinists AFL/CIO ("IAM"), the Association of Flight Attendants ("AFA") and the International Brotherhood of Teamsters, which represents ground school instructors. In November and December 1986, Flying Tigers entered into a memorandum of understanding with pilots represented by ALPA and letter agreements with employees represented by IAM and AFA, respectively, providing for wage concessions, work rule changes and other cost reduction measures. These agreements, which have become effective, cover approximately 50% of Flying Tigers' employees, and with the exception of the ALPA agreement which does not require ratification, have been ratified by the respective members. These agreements will provide Flying Tigers with increases in productivity and reductions in labor costs of approximately \$58,000,000 annually through May 1990, based upon 1986 labor costs. In addition, in December 1986, Flying Tigers implemented certain wage and other reductions with respect to its nonunionized staff and eliminated approximately 124 management and sales positions resulting in additional cost savings. Flying Tigers currently is involved in negotiations with representatives of certain other employees contemplating wage and other concessions and work rule changes consistent with those of the existing agreements.

To encourage the efforts of its employees by creating an ownership stake in Flying Tigers and to compensate participating employee groups for wage and other concessions and work rule changes that have been or will be made, Flying Tigers has agreed in principle to implement a program comprised of two basic components, an equity component and a profit sharing component. It is anticipated that the equity component will consist of the issuance of a master warrant to a trustee for the benefit of eligible participants representing 1,818,950 warrants exercisable into an equivalent number of shares of Flying Tigers' Common Stock at an exercise price of \$1.00 per share during the period commencing on December 1, 1989 and ending May 31, 1990 ("Warrant"), unless Flying Tigers exercises limited rights of redemption or substitution prior to such date. In the event there is no active market for the common stock of Flying Tigers, Tiger International may be required to issue substitute warrants to purchase 1.8 million shares of Tiger International Common Stock or issue 1.8 million shares of Tiger International Common Stock. It is anticipated that the profit sharing component will consist of an agreement to pay eligible participants 15% of Flying Tigers' income from operations, less interest expense accrued and contingent interest or payments in settlement thereof in connection with the Flying Tigers Restructuring Agreements, in excess of \$10,000,000 for each of the years ending on December 31, 1987, 1988 and 1989 and in excess of \$4,166,000 for the five months ending on May 31, 1990. The exact terms of the program have not been developed as of this date, but are anticipated to be consistent with the foregoing discussion. In addition, Flying Tigers has

agreed in principle to permit all employees participating in its labor cost reduction program, collectively, to designate one member of Flying Tigers' Board of Directors.

Liquidity of Flying Tigers

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

For fiscal years 1982, 1983 and 1985, Flying Tigers' cash flow from operations was inadequate to cover interest due and required principal payments on its indebtedness. In such periods, cash flow from operations was supplemented significantly by cash from the sale of assets (1982-1985), cash on hand (1985) and the deferral of certain debt payments pursuant to the Flying Tigers Restructuring Agreements (1983). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." However, with its cash of \$143,159,000 at December 31, 1986, Flying Tigers anticipates no liquidity problems in 1987. Nonetheless, Flying Tigers is, and after the planned refinancing will remain, subject to a high degree of financial leverage. Flying Tigers' long-term indebtedness and capitalized lease obligations as of December 31, 1986 and December 31, 1985 aggregated approximately \$471,813,000 and \$507,984,000, respectively. Net stockholders' equity was \$124,842,000 and \$143,572,000 at December 31, 1986 and December 31, 1985, respectively. The Flying Tigers Restructuring Agreements generally prohibit Flying Tigers from incurring new indebtedness for borrowed money, and a stock agreement places certain restrictions on Flying Tigers relating to the issuance and sale of its voting securities. See "Item 1. Business — History of Financial Restructuring — Flying Tigers." After completion of the contemplated refinancing of Flying Tigers indebtedness, Flying Tigers will be relieved of certain restrictive financial covenants imposed by the Flying Tigers Restructuring Agreements. However, certain continuing and new debt obligations of Flying Tigers will restrict Flying Tigers' ability to incur indebtedness for borrowed money and capitalized lease obligations, which may adversely affect Flying Tigers' ability to meet its cash requirements because Flying Tigers will be dependent substantially on funds generated by operations.

TRUCKING — WARREN

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

Warren's operating revenues were \$38,616,000 in 1984, \$38,023,000 in 1985 and \$36,612,000 in 1986. Warren handled 432 million ton-miles in 1984, 407 million ton-miles in 1985 and 402 million ton miles in 1986. Warren's operating ratio was 94.1% in 1984, 93.9% in 1985 and 95.7% in 1986. A significant portion of Warren's business is performed for Deere and Company. As of December 31, 1986, Warren owned 21 tractors (switch only) and 1,276 semi-trailers. Warren leases truck tractors with drivers from owner-operators.

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

Regulation of the Motor Carrier Industry

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

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

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

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

Competition

The motor carrier industry is highly competitive. Warren competes with other motor common carriers, motor contract carriers, private carriers and railroads. The operating certificates and permits granted to Warren do not give it exclusive rights in any of the areas in which it does business. A substantial number of carriers operate within the same areas served by Warren, and the ICC, the various state regulatory agencies and the provincial agencies in Canada may authorize operations by additional carriers in the same areas of interstate, intrastate and foreign commerce now served by Warren. Some showing of public need must be made before these regulatory agencies will authorize service by additional carriers. The passage by Congress of the Motor Carrier Act of 1980, however, has substantially lessened the burden of proof that the ICC requires to authorize operations by additional carriers.

Rates

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

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

Cost and Availability of Fuel

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

TIGER EMPLOYEES

As of March 1, 1987, Tiger had approximately 6,200 employees.

DISCONTINUED OPERATIONS

Hall's Motor Transit Company

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

International ceased participation in the management of Hall's from and after January 7, 1985. On December 13, 1985, in connection with a proposed additional refinancing of Hall's, Tiger International sold its remaining 25% equity interest in Hall's to Hall's Acquisition Corp.

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

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

Railcar Services

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

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

HISTORY OF FINANCIAL RESTRUCTURING

General

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

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

North American

In connection with the 1983 restructuring of North American's indebtedness, Tiger International executed a promissory note to North American in the principal amount of approximately \$132,000,000, which represented advances previously made to Tiger International by North American. In 1984, Tiger International executed a \$900,000 promissory note to North American, which represented North American's advances to Tiger International in 1984. These Tiger International promissory notes (the "Tiger International Notes") were held by certain bank lenders of North American (the "North American Bank Lenders") to secure North American's obligations under the Amended and Restated Master Credit Terms

Agreement among North American, the North American Bank Lenders and a certain bank as collateral agent for the North American Bank Lenders (the "Collateral Agent"), dated December 6, 1983 (the "North American Restructuring Agreement").

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

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

Tiger International

Tiger International's Obligations to North American

Recent Developments

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. As a result of one such investigation, on March 5, 1987, North American and the Official Committee of Unsecured Creditors representing certain unsecured creditors of North American in the North American Chapter 11 proceedings delivered to Tiger International a proposed "Complaint to Recover Fraudulent Transfers and for Other Relief" marked "Draft for Settlement Discussion Purposes Only" (the "draft complaint"). The draft complaint asserts claims against Tiger International and certain former directors of North American, some of whom were directors of Tiger International. For a discussion of the draft complaint and possible claims that might be asserted against Tiger International arising out of its relationship with the Chapter 11 Companies see "Item 3. Legal Proceedings" and "Note 1 — Discontinued Operations" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements."

The New Tiger International Note

As a result of the filing of the Chapter 11 Companies' reorganization petitions, the Tiger International Notes, which on December 5, 1984, totalled approximately \$145.2 million including accrued interest, became immediately due and payable. In May 1985, the Bankruptcy Court approved a settlement of the Tiger International Notes among Tiger International, North American and the North American Bank Lenders.

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

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

The New Tiger International Note requires prepayments of principal and interest upon the occurrence of certain events. To secure performance of its obligations under the New Tiger International Note, Tiger International executed a Stock Pledge Agreement (the "Stock Pledge") pursuant to which Tiger International pledged to North American 47% of the outstanding common stock of Flying Tigers (8,549,067 shares), which is 47.5% of the Flying Tigers common stock owned by Tiger International (the "Pledged Shares"). In the event that Flying Tigers pays any dividends on its common stock or Tiger International sells any of the Pledged Shares, 100% of any dividend payments allocable to the Pledged Shares or proceeds of the sale would be applied first to interest and then to principal, in the order of maturity. Further, to the extent Tiger International receives net cash proceeds from any other source, including, but not limited to, sales of shares of common stock of Flying Tigers other than the Pledged Shares, dividends from Flying Tigers allocable to shares other than the Pledged Shares, dividends from any of its other subsidiaries or sales of its equity or debt securities, 60% of all proceeds received in any year in excess of \$10,000,000 would be applied to payment of the New Tiger International Note, first to interest and then to principal, in the order of maturity. In 1986, as part of an overall settlement of all claims which the North American Bank Lenders asserted against North American, North American transferred the Tiger Note Cash Proceeds, the New Tiger International Note and the security represented by the Stock Pledge and the Pledged Shares to the Collateral Agent in partial satisfaction of North American's obligations under the North American Restructuring Agreement.

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

Exchange Offer

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

Both principal of and interest on the New 11½% Debentures and the New 8% Debentures, including sinking fund obligations, are payable at Tiger International's option in cash or in Common Stock. Tiger International did so elect with respect to the payment of interest during 1983, 1984, 1985 and 1986 on its New 11½% Debentures and its New 8% Debentures, satisfying its aggregate \$22,800,000 interest obligations by delivering 3,685,977 shares of Common Stock and cash for fractional shares.

Restructuring Warrants and Limitation on Advances

In connection with the Override Agreement among Flying Tigers, Tiger International and certain Private Lenders (as defined therein), dated as of December 21, 1983, as amended, and the Credit Agreement, as amended, among Flying Tigers, the Private Lenders and a certain bank as agent for the Private Lenders, dated as of September 30, 1983, (collectively, the "Flying Tigers Restructuring Agreements") and the North American Restructuring Agreement, Tiger International agreed to issue to creditors of such companies warrants to

purchase Common Stock (the "Restructuring Warrants") in connection with (i) the deferral of interest on North American loans and (ii) advances to be made by North American and Flying Tigers to Tiger International in 1984 and future years for the payment of certain of Tiger International's expenses. As of December 31, 1985, Tiger International had issued Restructuring Warrants to purchase 246,204 shares of Common Stock to North American lenders at exercise prices (subject to adjustment) ranging from \$5.15 to \$6.99 per share in connection with the deferral of interest and Restructuring Warrants to purchase 140,069 shares of Common Stock to lenders of North American and Flying Tigers at exercise prices (subject to adjustment) ranging from \$5.94 to \$7.39 per share in connection with advances made by such companies to Tiger International. No further Restructuring Warrants will be issued.

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

Flying Tigers

On December 30, 1983, Flying Tigers and substantially all of its private lenders entered into the Flying Tigers Restructuring Agreements pursuant to which defaults on approximately \$588,000,000 principal amount of indebtedness were waived or suspended, and principal and interest payments of approximately \$48,100,000 otherwise payable in 1983 and 1984 were deferred. In consideration for amounts deferred under the Flying Tigers Restructuring Agreements and for a new \$45 million credit facility which expired on June 30, 1985, with no borrowings outstanding, Flying Tigers agreed to pay its lenders up to \$20,000,000 of contingent interest, cumulatively, based upon future earnings in the years 1985 through 1989 ("Contingent Interest"). Contingent Interest, if any, is payable in the years 1986 through 1990. Flying Tigers did not achieve the 1985 or 1986 earnings level that would have caused Contingent Interest payments to be required in 1986 or 1987. The principal and interest deferred under the Flying Tigers Restructuring Agreements is payable over a five-year period that commenced on July 2, 1985. The Flying Tigers Restructuring Agreements also contain strict financial covenants concerning working capital, capital expenditures, net worth, additional borrowings and payment of cash dividends on common stock. Substantially all Flying Tigers assets then held or subsequently acquired have been pledged to secure its obligations under the Flying Tigers Restructuring Agreements. The Flying Tigers Restructuring Agreements also require that 80% of the net proceeds of all asset sales must be paid to the participating creditors to reduce the outstanding amounts of deferred principal and interest.

As part of a proposed refinancing of its indebtedness, Flying Tigers filed a Pre-effective Amendment No. 2 to a Registration Statement on Form S-1 with the Securities and Exchange Commission on February 23, 1987. Flying Tigers proposes to sell approximately \$90,000,000 First Priority Trust Certificates due 1997 and \$50,000,000 Second Priority Trust Certificates due 1999 (collectively, the "Trust Certificates").

The proceeds of the proposed sale of the Trust Certificates would be used to repay a substantial portion of the Flying Tigers' indebtedness subject to the Flying Tigers Restructuring Agreements by prepaying in full certain of Flying Tigers' private equipment trust agreements, prepaying a portion of the principal amounts owed under certain of Flying Tigers' term notes, paying in full all principal and lease payments deferred by the Restructuring Agreements and paying to certain creditors a premium of \$5,000,000 to settle in full and terminate the right of such creditors to receive Contingent Interest. The Trust Certificates would be secured by title to four used B-747-200F aircraft owned by Flying Tigers.

Concurrent with the consummation of the proposed sale of the Trust Certificates, approximately \$150,356,000 of purchase money indebtedness of the owner of four B-747-200F and four spare engines leased by Flying Tigers under capital leases is proposed to be refinanced by the owner of such equipment. If completed, such refinancing would decrease the cost to Flying Tigers of leasing such equipment.

The Flying Tigers Restructuring Agreements would be terminated concurrently with the successful completion of the proposed refinancing. The proposed refinancing would reduce Flying Tigers' principal obligations due in the near future, relieve Flying Tigers of the requirement of making quarterly payments of

both deferred and matured principal and interest and Contingent Interest under the Flying Tigers Restructuring Agreements and remove certain operational and other restrictions imposed on Flying Tigers by the Flying Tigers Restructuring Agreements.

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

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

Beginning in 1988, Tiger International will be obligated to begin making substantial cash payments on the New Tiger International Note. Flying Tigers is presently prohibited from providing funds to Tiger International under the terms of the Flying Tigers Restructuring Agreements and Flying Tigers will continue to be subject to substantial restrictions on its ability to pay dividends and advance funds to Tiger International upon the successful completion of the proposed refinancing. Tiger International will therefore require additional financing or capital to meet its obligations to North American. However, the source of any such additional financing or capital is uncertain. As a result, it is possible that ownership and control of Flying Tigers may change at some point in the future through foreclosure of the Stock Pledge or through other means, and it is not possible to predict what effect such changes would have on the business of Flying Tigers or Tiger International.

Other Subsidiaries

As a result of the Chapter 11 proceedings of the Chapter 11 Companies, payment defaults and failures to satisfy covenants of debt and other obligations, certain of the obligations of Tiger International's indirectly owned subsidiaries are currently in default, and the maturity dates either have been accelerated or are subject to acceleration by the respective lenders. Individual secured creditors of such subsidiaries whose debt is currently in default could foreclose on the equipment and other assets securing the lenders' respective obligations, could bring actions to attach assets of such subsidiaries or could commence proceedings under the Bankruptcy Code against such subsidiaries. There can be no assurance that creditors of such subsidiaries would not bring attachment or foreclosure actions or that any such actions could be settled on favorable terms. A number of such creditor actions may result in the bankruptcy of certain subsidiaries. However, Tiger International believes that there would be no grounds for consolidating Tiger International or its assets with the bankruptcy estates of such subsidiaries in the event such bankruptcies were commenced. Further, Tiger International does not believe that there were any transfers to it which could be set aside under the Bankruptcy Code or comparable state statutes in the event of such bankruptcies. For a discussion of possible claims relating to tax benefit accounts see "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

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

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

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

TIGER RECENT FINANCIAL PERFORMANCE AND LIQUIDITY

During the years 1984, 1985 and 1986 Tiger experienced net losses of \$88,940,000 (\$4.13 per share), \$72,687,000 (\$2.69 per share) and \$45,063,000 (\$1.45 per share), respectively. In 1985 and 1986, Tiger reported losses from continuing operations of \$57,187,000 and \$45,063,000; in 1984, Tiger reported income from continuing operations of \$44,205,000. Tiger's stockholders' equity decreased from \$84,536,000 at December 31, 1983 to \$1,961,000 at December 31, 1984 and decreased to a deficit of \$4,462,000 at December 31, 1985 and a deficit of \$43,160,000 at December 31, 1986. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Tiger International's cash requirements for 1987 are estimated to be approximately \$9.7 million. At December 31, 1986, Tiger International had cash balances of approximately \$8.7 million. Warren is free from restrictions limiting dividends and advances to Tiger International. During 1986, Tiger International received \$9 million, in cash, from Warren and in 1987 Tiger International expects to receive additional cash from Warren. As a result, Tiger International anticipates no liquidity problems during 1987.

Tiger International's cash requirements in each of the years 1988 and 1989 will be in excess of \$80 million due to payments required under the New Tiger International Note. Flying Tigers is presently prohibited from providing funds to Tiger International under the terms of the Flying Tigers Restructuring Agreements, and Flying Tigers will continue to be subject to substantial restrictions on its ability to pay dividends and advance funds to Tiger International upon the successful completion of the proposed refinancing of Flying Tigers discussed above under "History of Financial Restructuring — Flying Tigers." Tiger International may not be able to meet its future debt service and other cash requirements with funds from Flying Tigers and Warren. If Tiger International were unable to obtain sufficient funds from its subsidiaries to meet its cash obligations in 1988 and 1989, it may be necessary for Tiger International to attempt to refinance its indebtedness, seek additional capital or sell stock or assets of its subsidiaries. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

Item 2. PROPERTIES.

General

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

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

Flying Tigers' Aircraft Fleet

Flying Tigers now operates (i) 18 B-747 freighter aircraft, which is approximately one-fourth of the world's civilian B-747 freighter capacity, (ii) two B-747 passenger aircraft, which are held for use under MAC, (iii) six DC-8-73 freighter aircraft and (iv) 11 B-727 freighter aircraft, which are leased under operating leases. In addition to its operating fleet as of March 26, 1987, Flying Tigers leased five B-727-100F aircraft, all of which were subleased to other air carriers and one B-727-100 passenger aircraft which is being held available for sublease. In January 1987, Flying Tigers entered into an operating lease for the six DC-8-73 aircraft which were delivered to Flying Tigers from January through March 1987 and integrated into the operating fleet upon delivery.

The following table illustrates the composition of Flying Tigers' operating fleet at March 26, 1987:

	Aircraft Under		Aircraft Owned	Total
	Operating Leases	Capital Leases		
B-747-100F	—	—	7	7
B-747-200F	—	5	5	10
B-747-200CF.....	1	—	—	1
B-747-200P*.....	2	—	—	2
DC-8-73.....	6	—	—	6
B-727-100F	11	—	—	11

* Passenger aircraft held for use under the MAC contract.

Substantially all of Flying Tigers' operating fleet (other than aircraft subject to operating leases) is currently encumbered by equipment trust certificates, capital leases or similar obligations.

The operating leases expire during the period September 1987 to September 1992, and the capital leases expire during the period July 1990 to January 2001. Most of the operating and capital leases have renewal options of various duration. Flying Tigers has options to purchase at each lease expiration date the five B-747-200F aircraft subject to capital leases and all B-727-100 aircraft subject to operating leases, all for fair market value, subject, in the case of certain B-727-100 aircraft, to a maximum price. Flying Tigers has an option, exercisable in 1987, to purchase the six DC-8-73 aircraft at specified prices at the end of the second through fifth years of the lease.

New Terminal Facility

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

Item 3. LEGAL PROCEEDINGS.

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

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

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

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

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

During the fourth quarter of the fiscal year ended December 31, 1986, no matters were submitted to a vote of security holders of Tiger International, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

Each officer is appointed by the Board of Directors of Tiger International and serves at its pleasure.

The following table provides certain information as of March 19, 1987, concerning those persons who serve as executive officers of Tiger International.

<u>Name</u>	<u>Title</u>	<u>Age</u>
Stephen M. Wolf	Chairman of the Board, President and Chief Executive Officer(1)	45
Robert J. Harter, Jr.	Senior Vice President, General Counsel and Secretary(2)	42
Larry G. Morris	Senior Vice President — Chief Financial Officer(3)	48
Joseph K. McDonnell	Vice President — Controller and Treasurer(4)	43

- (1) Mr. Wolf was elected Chairman of the Board, President and Chief Executive Officer of Flying Tigers and a director of Tiger International on August 8, 1986. On January 22, 1987, Mr. Wolf was elected Chairman of the Board, President and Chief Executive Officer of Tiger International. Mr. Wolf formerly served as President, Chief Executive Officer and a director of Republic Airlines, Inc. ("Republic") from April, 1985 to August 4, 1986, when Republic was acquired by NWA, Inc. Mr. Wolf was President, Chief Operating Officer and a director of Republic from April 1984 to April 1985, and was Executive Vice President of Republic from February 1984 to April 1984. Between December 1982 and September 1983, Mr. Wolf was President, Chief Operating Officer and a director of Continental Airlines Corporation (which filed for Chapter 11 reorganization under the federal bankruptcy laws in September 1983, after Mr. Wolf had resigned as an officer and director). Mr. Wolf is a director of the Air Transport Association of America ("ATA") and a member of the Executive Committee of the International Air Transport Association ("IATA").
- (2) Mr. Harter was promoted to Senior Vice President on June 28, 1985. Prior to such promotion, Mr. Harter had been Vice President, General Counsel and Secretary since July 1983; Vice President — Administration since April 1982; Vice President — Law since July 1979; Secretary since June 1980; and Associate General Counsel from April 1978 to June 1979.
- (3) Mr. Morris was elected Senior Vice President-Chief Financial Officer of Tiger International in October 1986. From January 1986, until October 1986 he was Senior Vice President-Finance and Administration. From 1983 until December 1985, he was Senior Vice President, Finance and Administration-Electronics, Defense and Telecommunications Group of Penn Central Corporation (formerly GK Technologies, Inc.) Greenwich, Connecticut. During the 1980-1982 period, he held corporate Senior Vice President positions at Penn Central Corporation and GK Technologies, Inc., Mr. Morris is also Senior Vice President-Chief Financial Officer of Flying Tigers.
- (4) Before becoming Vice President — Controller and Treasurer in October 1985, Mr. McDonnell had been Vice President-Controller since February 1984; Controller since June 1983; Assistant Controller since October 1980; and Director of Accounting from 1977 to October 1980.

Part II

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

The common stock of Tiger International (the "Common Stock") is traded on the New York, Midwest and Pacific Stock Exchanges and was held as of March 26, 1987, by approximately 18,186 holders of record. The following table sets forth the high and low sales prices for the Common Stock on the consolidated transaction reporting system for the indicated periods:

	<u>High</u>	<u>Low</u>
1985		
First Quarter	\$10½	\$6¼
Second Quarter	10½	6½
Third Quarter.....	8¾	5¾
Fourth Quarter.....	8½	6
1986		
First Quarter	9¾	7¾
Second Quarter	8¾	6
Third Quarter.....	7¾	4¾
Fourth Quarter.....	9¼	3¾
1987		
First Quarter (through March 26, 1987)	13¼	7¾

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

Tiger International has not paid a cash dividend since the fourth quarter of 1981. Due to losses incurred by subsidiaries, provisions in certain subsidiaries' bank credit agreements, indentures and restructuring agreements restricting or prohibiting payment by subsidiaries of dividends to Tiger International and the limitation on advances under the restructuring agreements, dividends on the Common Stock are not currently being paid. In addition, agreements entered into by Tiger International in connection with the North American and Flying Tigers Restructuring Agreements prohibit the payment by Tiger International of dividends (other than dividends in Common Stock) or other distributions on or with respect to its outstanding Common Stock until all obligations owed to the creditors who are parties to such restructuring agreements have been paid. The North American restructuring agreements are not presently expected to be terminated, nor dividends to be paid, until at least 1989. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 4 — Long Term Debt" of "Notes to Consolidated Financial Statements."

Item 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for Tiger International and its subsidiaries for each of the five years ended December 31, 1986 (in thousands, except per share data):

	1986	1985	1984	1983	1982
Results of Operations					
Revenues from Continuing Operations	\$1,110,948	\$1,147,045	\$1,209,890	\$1,056,868	\$ 945,861
Income (Loss) from Continuing Operations	\$ (45,063)	\$ (57,187)	\$ 44,205	\$ (84,988)	\$ (63,821)
Net Loss(1)	\$ (45,063)	\$ (72,687)	\$ (88,940)	\$ (222,840)	\$ (136,223)
Income (Loss) Per Common Share From Continuing Operations	\$ (1.45)	\$ (2.11)	\$ 2.05	\$ (4.71)	\$ (3.77)
Loss Per Share(1)	\$ (1.45)	\$ (2.69)	\$ (4.13)	\$ (12.34)	\$ (8.04)
Cash Dividends Declared Per Common Share	\$ —	\$ —	\$ —	\$ —	\$ —
Working Capital Provided (Used) by Continuing Operations(2)	\$ 69,307	\$ 17,331	\$ 105,163	\$ 9,003	\$ (67,795)
Financial Position					
Total Assets(3)	\$ 883,457	\$ 956,118	\$1,026,728	\$1,113,766	\$2,440,619
Long-Term Obligations(3)	\$ 652,218	\$ 674,633	\$ 603,058	\$ 691,892	\$1,632,849
Stockholders' Equity (Deficit)	\$ (43,160)	\$ (4,462)	\$ 1,961	\$ 84,536	\$ 283,166
Book Value Per Common Share....	\$ (1.37)	\$ (.15)	\$.09	\$ 4.16	\$ 16.72

(1) 1983 includes an extraordinary gain of \$19.8 million (\$1.10 per share) from an exchange of debt for other securities.

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

(3) 1982 includes assets and liabilities associated with discontinued operations. See "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

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

Summary

Tiger International, Inc. ("Tiger International") is a holding company that has investments in operating companies providing air cargo transportation and trucking services. Tiger International's principal subsidiaries are The Flying Tiger Line Inc. ("Flying Tigers") and Warren Transport, Inc. ("Warren"). Tiger International and its subsidiaries are referred to herein as Tiger.

Operating losses, combined with funds required for business acquisitions and equipment additions, had the effect of adversely affecting liquidity while reducing Tiger's equity from \$419.4 million at December 31, 1981, to a deficit of \$43.2 million at December 31, 1986.

Tiger reported a net loss of \$45.1 million in 1986 compared to a net loss of \$72.7 million in 1985 and a net loss of \$88.9 million in 1984. From continuing operations, Tiger reported a loss of \$45.1 million in 1986 compared to a loss of \$57.2 million in 1985 and income of \$44.2 million in 1984.

In February 1987, Flying Tigers filed a pre-effective amendment to a registration statement with the Securities and Exchange Commission ("SEC") and proposes to refinance approximately \$140 million of its debt through the sale of equipment trust certificates. Concurrently, Flying Tigers proposes to refinance approximately \$150 million of capitalized lease obligations.

In November and December 1986, Flying Tigers entered into agreements in principle with substantially all of its unionized employees providing for reduced salaries, work rule changes and other cost reduction measures. In addition, Flying Tigers eliminated certain management and sales positions and implemented certain wage and other cost reduction programs with respect to its non-union staff.

Until January 7, 1985, Hall's Motor Transit Company ("Hall's") was a wholly owned subsidiary of Tiger International. On January 7, 1985, Hall's completed a financial restructuring pursuant to which (i) Hall's obtained a new \$5 million credit facility, and (ii) Tiger International sold 75% of its equity interest in Hall's to Hall's Acquisition Corp., a corporation owned by certain members of Hall's existing management group. In connection with such financial restructuring, Hall's agreed to reaffirm its existing \$10.5 million obligation to Tiger International (the "Hall's Note"), secured by a lien on Hall's assets subordinate to that of the lenders providing credit facilities to Hall's. Tiger International accounted for this business as a discontinued operation effective December 31, 1984. As of December 13, 1985, Tiger International transferred its remaining 25% interest in Hall's to Hall's Acquisition Corp. and wrote off the Hall's Note as a charge to discontinued operations.

In March 1986, Tiger International reached a settlement with both North American Car Corporation ("North American") and TigerAir, Inc. ("TigerAir") regarding their respective claims under tax allocation agreements. No cash payments were required by Tiger International. Also, in 1986, North American finalized the sale of its railcar fleet and other assets to General Electric Credit Corporation ("GECC") for approximately \$420 million.

In May 1985, Tiger International issued 8,050,000 shares of Common Stock and finalized a settlement of its \$145.2 million obligation to North American and issued a new note payable (the "New Tiger International Note") to North American.

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.

Through subsidiaries of Tiger Leasing Group, Inc. ("Tiger Leasing Group"), Tiger previously engaged in the railcar and aviation services businesses and other leasing activities. In December 1983, a transaction was completed under which GECC took over the management and operation of the railcar leasing and repair business of North American, the largest subsidiary of Tiger Leasing Group. In addition, GECC was given an option to purchase the remainder of North American's railcar fleet. Also in 1983, North American restructured its indebtedness with certain of its creditors (the "North American Restructuring Agreement"). As a result of a decision to liquidate the North American railcar fleet, through the option given to GECC or otherwise, and the North American Restructuring Agreement, Tiger accounted for these activities as a discontinued operation effective December 31, 1983. Also, Tiger International announced its decision to sell or liquidate all of Tiger Leasing Group's other operations and, accordingly, these operations were accounted for as discontinued effective December 31, 1983.

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

Liquidity

Working capital provided by operations amounted to \$69.3 million in 1986 compared to \$17.3 million in 1985. Working capital used in operations amounted to \$38.9 million in 1984. Working capital provided by continuing operations were \$69.3 million in 1986 compared to \$17.3 million in 1985 and \$105.2 million in 1984. In addition, proceeds from the sale of assets by Flying Tigers were \$23.3 million in 1985 and \$69.7 million in 1984. Asset sales in 1986 were not significant.

In connection with the North American Restructuring Agreement, Tiger International issued a promissory note to North American in the principal amount of \$132 million, representing advances previously made by North American to Tiger International. This promissory note was held by certain lenders of North American as security for the repayment of North American's debt. At December 31, 1983, Tiger International considered this obligation to be a contingent liability because management believed that

sufficient cash would be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, this obligation, which had a maturity date of January 1991 and an interest rate of 7%, became immediately due and payable. In late 1984, Tiger recorded the \$132 million obligation plus accrued interest as a liability. Another promissory note payable to North American, in the principal amount of \$900,000 (for advances made in 1984) also became due and payable. At December 31, 1984, the notes payable to North American, including accrued interest, totalled \$145.2 million.

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

In May 1985, the Bankruptcy Court approved a settlement of Tiger International's notes payable to North American, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was used to pay accrued interest and to reduce the principal balances on Tiger International's notes to North American. Tiger International retained approximately \$10 million of the proceeds for general corporate purposes.

Subsequently, Tiger International executed the New Tiger International Note payable to North American for the remaining principal balance of \$96.9 million. At December 31, 1986, the outstanding balance of the New Tiger International Note, including accrued and capitalized interest, was \$118.9 million. See "Note 1 — Discontinued Operations — North American" of "Notes to Consolidated Financial Statements" for a description of the terms of the New Tiger International Note.

As a result of the filing by North American of a voluntary petition in reorganization under Chapter 11 of the Bankruptcy Code and certain provisions of debt restructuring agreements between Flying Tigers and certain of its creditors ("Flying Tigers Restructuring Agreements"), North American and Flying Tigers were thereafter prohibited from making advances to Tiger International (see below).

Tiger International's cash needs for 1987 are approximately \$9.7 million. At December 31, 1986, Tiger International had cash resources of approximately \$8.7 million. Warren is free from restrictions limiting dividends and advances to Tiger International. During 1986, Tiger International received \$9 million, in cash, from Warren and in 1987 expects to receive additional cash. As a result, Tiger International anticipates no liquidity problems during 1987. Flying Tigers intends to refinance a significant portion of its long-term obligations (see below). In the planned refinancing, Flying Tigers' Restructuring Agreements will be terminated, and Flying Tigers will be permitted to pay dividends and make advances to Tiger International. However, such dividends and advances will be limited. As a result, Tiger International may not be able to meet its future debt service requirements with funds from Flying Tigers and Warren. Therefore, no assurance can be given that Tiger International will have sufficient funds to satisfy its cash requirements for 1988 and thereafter. Tiger International estimates its cash requirements in each of the years 1988 and 1989 will be in excess of \$80 million. If Tiger International were unable to obtain sufficient funds from its subsidiaries to meet its cash obligations, it may be necessary for Tiger International to attempt to refinance its indebtedness, seek additional capital or sell stock or assets of its subsidiaries.

During September and October, 1986, in a series of meetings, management of Flying Tigers advised employees of the need for substantial current cost reductions as an initial step to restoring Flying Tigers as a viable air cargo competitor. Management also indicated that Flying Tigers needs to refinance its long-term debt and requires a new marketing strategy to reverse its eroding worldwide market position that has resulted from new low cost competitors and an inability to finance capital expenditures on new aircraft.

In November and December 1986, Flying Tigers entered into agreements in principle providing for reduced salaries, work rule changes and other cost reduction measures with substantially all of its union employees. These agreements will provide Flying Tigers with increases in productivity and reductions in

labor costs, based on 1986 labor costs, of approximately \$58 million annually through May 1990. In addition, in December 1986, Flying Tigers implemented certain wage and other cost reductions with respect to its nonunion staff and eliminated approximately 124 management and sales positions, which will provide Flying Tigers with additional savings. In return for such savings, Flying Tigers agreed in principle to grant to participating employees a profit participation, warrants to purchase approximately 1.8 million shares of Flying Tigers' common stock at \$1.00 per share and the right to elect one member to Flying Tigers' Board of Directors. The warrants are exercisable between December 1, 1989 and May 31, 1990. If the warrants are exercised, Tiger International's ownership will be reduced to 90% of Flying Tigers' outstanding common stock. Under certain circumstances, the above warrants may be converted into warrants and/or Common Stock of Tiger International. See "Item 1 — Business — Air Cargo Operations — Flying Tigers — Employee Relations", for further details.

Flying Tigers, with its available cash on hand of \$143.2 million, together with the anticipated savings from the economic cost reduction plans, anticipates no liquidity problems in 1987. In addition, Flying Tigers has a one billion yen (approximately \$6.3 million based on the yen-to-dollar exchange rate at December 31, 1986) line of credit with a Japanese bank. This agreement is secured by Japanese trade accounts receivable and expires on January 31, 1988. As of December 31, 1986, there were no borrowings outstanding under this agreement.

In December 1983, Flying Tigers finalized debt restructuring agreements with its creditors. These restructuring agreements provided for, among other things, 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 are payable in 20 quarterly installments of approximately \$2.4 million; the first such installment became due and was paid on July 2, 1985. In addition to stated interest, Flying Tigers may be required to pay annually in each of the years 1986 through 1990 contingent interest if certain earnings levels are achieved. The cumulative amount of such contingent interest may not exceed \$20 million. Flying Tigers did not achieve the 1985 and 1986 earnings levels to cause contingent interest payments to be required in 1986 and 1987. The Flying Tigers Restructuring Agreements also require that 80% of the aggregate net proceeds from sales of assets be paid to the participating creditors to reduce the outstanding amount of deferred principal.

The Flying Tigers Restructuring Agreements contain strict financial covenants and substantially all previously unencumbered assets have been pledged to secure the obligations thereunder and generally prohibit Flying Tigers from incurring new indebtedness for borrowed money.

In February 1987, Flying Tigers filed a pre-effective amendment to a registration statement with the SEC and intends to refinance approximately \$140 million of its debt through the sale of equipment trust certificates. In addition, Flying Tigers intends to refinance approximately \$150 million of capitalized lease obligations. The Flying Tiger Restructuring Agreements would be terminated upon the successful completion of the proposed refinancing. However, Flying Tigers ability to supplement cash on hand and cash from operations in the future will continue to be limited by certain contractual restrictions including, among other things, (i) limitations on Flying Tigers' ability to incur additional indebtedness for borrowed funds and to sell shares of common stock and (ii) the fact that most of Flying Tigers aircraft will continue to be subject to liens securing existing principal and interest obligations. Under the terms of Flying Tigers' Restructuring Agreements, Flying Tigers has had high debt service costs. The planned refinancing of Flying Tigers' debt and capital lease obligations would reduce Flying Tigers principal and interest obligations in the near term and improve liquidity. The termination of Flying Tigers' Restructuring Agreements in the proposed refinancing would terminate Flying Tigers' obligation to pay contingent interest. Flying Tigers would pay a premium of \$5 million to settle and terminate the contingent interest obligation. In addition, the termination of Flying Tigers Restructuring Agreements would eliminate certain restrictive operating covenants. Flying Tigers would, however, continue to be subject to a high degree of financial leverage and, with the exception of the yen line of credit described above, would not have available to it any significant committed credit facilities. (See "Note 11 — Subsequent Events" of "Notes to Consolidated Financial Statements".)

Upon the successful completion of the proposed refinancing and the termination of Flying Tigers' Restructuring Agreements, Flying Tigers would be permitted to pay dividends and make advances to Tiger International, but the provisions of certain continuing and new debt obligations would limit such dividends and advances.

In September 1983, Tiger International completed an exchange offer, whereby debentures were exchanged for new securities consisting of 11½% Sinking Fund Debentures due April 1, 1995 ("New 11½% Debentures") and 8⅝% Senior Subordinated Debentures due July 1, 1995 ("New 8⅝% Debentures"), Common Stock and warrants to purchase Common Stock. The New 11½% Debentures and the New 8⅝% Debentures give Tiger International the option to satisfy both principal (including sinking fund obligations) and interest requirements in cash or in Common Stock. Tiger International elected to satisfy its interest obligations on the New 11½% Debentures and the New 8⅝% Debentures in 1986 (\$6.5 million), 1985 (\$6.5 million) and 1984 (\$6.5 million) by delivering an aggregate of 1,031,791, 921,768 and 1,139,738 shares, respectively, of Common Stock.

Also in 1983, TigerAir and TE&S, both subsidiaries of Tiger Leasing Group, finalized debt restructuring agreements with their creditors. However, as a result of the filings by North American and Tiger Leasing Group of voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code in December 1984, North American, Tiger Leasing Group, TigerAir and TE&S are in default under their restructuring agreements. In addition the proceeds from the sale of North American's railcar fleet was not sufficient to pay off all of North American's obligations. The Tiger Leasing Group and North American bankruptcy proceedings could result in unsatisfied creditor claims of up to \$300 million after the sale of their assets and completion of the bankruptcy proceedings. See "Note 1 — Discontinued Operations" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements" with regard to other contingencies.

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

Capital Resources

Capital expenditures were \$10 million in 1986 compared to \$27.3 million in 1985 and \$48.6 million in 1984. At December 31, 1986, Tiger had no significant future purchase commitments.

In January 1987, Flying Tigers entered into an operating lease for the use of six McDonnell Douglas DC-8-73 aircraft. Such aircraft will enable Flying Tigers to improve its load factor on certain routes, to reallocate currently underutilized B-747 aircraft and to service additional routes.

Results of Operations

Continuing Operations Overview

Revenues from continuing operations in 1986 were \$1,110.9 million compared to \$1,147 million in 1985 and \$1,209.9 million in 1984.

Losses from continuing operations were \$45.1 million in 1986 compared to \$57.2 million in 1985 and income of \$44.2 million in 1984.

Air Cargo

Flying Tigers' revenues for 1986 were \$1,074.3 million, a 3% decrease from the 1985 revenues of \$1,109 million, and a 8% decrease from Flying Tigers' 1984 revenues of \$1,171 million. Flying Tigers reported a pretax loss of \$18.6 million in 1986 compared to a pretax loss of \$44.2 million in 1985 and a pretax profit of \$60.8 million in 1984. Included in the results for 1986 is a \$27.5 million transaction loss relating to debt obligations payable in Japanese yen. Included in the results for 1985 are pretax gains of \$12.6 million from the sale of DC-8 aircraft, engines and spare parts and the sale of leasehold improvements. In addition, 1985 results include approximately \$13.0 million of reserves, most of which relate to increases in engine overhaul costs, and a \$14.1 million transaction loss relating to debt obligations payable in

Japanese yen. Included in the results for 1984 is a pretax gain of \$16.4 million on the sale of DC-8 aircraft. Beginning in January 1987, certain of Flying Tigers' Japanese customers entered into firm yen-denominated commitments to purchase a minimum level of cargo services from Flying Tigers over the next five years. Such yen-denominated revenue commitments are part of hedging transaction involving the yen-denominated debt. As a result, gains and losses on the yen-denominated debt resulting from the fluctuation of the yen-to-dollar exchange rates will be deferred and amortized as an adjustment to revenues over the remaining life of the debt rather than being recognized entirely in the current period.

Flying Tigers' major services include domestic, transpacific, transatlantic and Latin American scheduled cargo services and Military Airlift Command ("MAC") and commercial charters. Scheduled service revenues in 1986 were \$884.6 million, down from \$926.5 million in 1985. Scheduled service revenues were \$1,008 million in 1984. The transpacific market accounted for 67%, 66% and 70% of Flying Tigers' total scheduled capacity in 1986, 1985 and 1984, respectively.

In 1986, scheduled service revenues decreased \$41.8 million (5%) compared to 1985, mainly due to reduced revenues in the domestic, transatlantic and Latin American markets. These declines were partially offset by improvements in the transpacific market where revenues increased 10% or \$55.6 million. Revenues in the domestic market decreased 27% (\$57.3 million) as a result of a 22% decrease in volumes, primarily in the airport-to-airport segment, and a 9% decrease in yields occurring largely in the door-to-door segment. The declines in domestic volumes and yields resulted from excess capacity in the domestic marketplace, the fact that certain former customers began or increased flying of their own aircraft, and a shift in the product mix to freight requiring second-day delivery. Revenues in the transatlantic market were down 20% (\$21.5 million) on a 18% decline in revenue ton miles. The reduction in transatlantic revenue ton miles was the result of a decline in traffic to the United States, which Flying Tigers believes was caused by the weakening of the U.S. dollar abroad. In addition, there was a lower number of frequencies as a result of Flying Tigers having one less aircraft in its fleet. Transpacific revenue ton miles increased 3% and yields improved 7%. The improved yields are primarily the result of the strengthening of the Japanese yen. Transpacific load factors increased 5% even though transpacific capacity was reduced by 2%. Revenues in the Latin American market decreased 29% from 1985 levels reflecting a reduction of service to that market.

The decrease in 1985 scheduled service revenues from 1984 was primarily the result of a weakened transpacific market where revenues were down 17% (\$109.2 million). This decrease in transpacific revenues was principally in U.S. bound traffic from Taiwan, Republic of Korea and Japan and was primarily attributable to the apparel and electronics markets. Both of these markets experienced significant inventory accumulation in the fourth quarter of 1984. The decline in the transpacific market was partially offset by improvements in the transatlantic and Latin American markets. In 1985 the transatlantic market had a 7% (\$7 million) increase in revenues associated with a 10% increase in revenue ton miles. Latin American revenues in 1985 increased 55% (\$22.6 million) on a 39% increase in revenue ton miles. Domestic revenue ton miles declined 5% in 1985. However, as a result of increased volumes in the door-to-door market and improved yields in the airport-to-airport market, domestic revenues in 1985 did not decline significantly from 1984 levels.

Scheduled service revenues in 1984 increased over 1983 levels primarily as the result of a strong transpacific market and the redeployment of aircraft to this market. In October 1983 Flying Tigers reduced flight frequency across the Atlantic by 50% and established two European hubs, one located in London and one in Frankfurt. Scheduled flights to France and Italy were replaced, and scheduled flights from Switzerland were supplemented, by a trucking network operating out of the hubs. The new approach reduced fixed costs in Europe and allowed Flying Tigers to redeploy aircraft to the Asian market where demand was strong. As a result of this redeployment of aircraft and the strong demand, 1984 revenue ton miles increased 28% in the transpacific market, but declined 33% in the transatlantic market. In September 1983, Flying Tigers began weekly scheduled service to Australia. An additional frequency was added in July 1984 to meet increased demand. In addition, the redeployment of aircraft enabled Flying Tigers to expand its operations in Latin America, where a substantial increase in revenue ton miles was realized. In 1984 domestic revenues increased 11% (\$20.4 million) from 1983 levels while volumes decreased 10%. The

increase in revenues was the result of continued growth in the door-to-door market where average domestic yields increased significantly.

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

MAC revenues were \$113.5 million in 1986 compared to \$105.7 million in 1985 and \$104.4 million in 1984. The increase in 1986 is due to Flying Tigers operating one extra passenger aircraft for MAC during 1986. This increase in MAC passenger flying was offset, in part, by a 19% reduction in MAC revenue cargo ton miles. Commercial cargo charter revenues were \$46.7 million in 1986 compared to \$56.1 million in 1985 and \$42.6 in 1984. The decrease in 1986 was the result of fewer charters from the United States and Europe to the transpacific market. The increase in 1985 commercial cargo charter revenues is partly the result of increased availability of aircraft resulting from excess capacity on the scheduled service routes, especially in the transpacific area. 1984 commercial cargo charter revenues declined 33% in 1984 from 1983 levels.

Total operating expenses in 1986 decreased \$79.3 million (7%) compared to 1985. This decline is due in large part to a significant reduction in the cost of fuel. During 1986 fuel and oil costs decreased \$81.1 million (31%) compared to 1985, primarily due to reductions in the cost per gallon of fuel. Other flying operations expenses decreased \$19 million (10%) as a result of a \$28.4 million savings from reduced contract flying provided by other carriers due to reductions in freight volumes and the expiration of such contracts. These savings were partially offset by a \$5.2 million increase in crew costs resulting from contract rate increases and by a \$2.1 million increase in aircraft insurance costs. Ground operations costs increased \$15.4 million (5%) due to a \$6.1 million increase in union labor costs and a \$7.8 million increase in the costs of landing and handling of aircraft. These increases were offset in part, by reductions in freight forwarding. Maintenance costs increased \$14.1 million (12%) due to increased overhaul costs. Sales, advertising and publicity expenses declined \$14.9 million (14%) as a result of reduced commissions paid to agents and forwarders and a reduction in labor costs.

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

In 1984 operating expenses increased 6% or \$58.4 million over 1983. However, as a percentage of revenues, operating expenses in 1984 were 91% compared to 98% in 1983. Total fuel and oil costs increased \$5.9 million (2%) due to an 8% increase in total miles flown in 1984 partially offset by a decrease in the average price per gallon of fuel by 5 cents from 1983. Other flying operations increased \$25.1 million (18%) due to increased crew costs which were necessary to support the additional flying and rental of Boeing 727 aircraft used to replace DC-8 aircraft. Ground operations increased \$28.7 million (11%) due to expansion of operations associated with the door-to-door delivery service and increased international volumes. Maintenance expenses increased due to increased flying of B-747 aircraft primarily in the transpacific market.

Trucking — Warren

Warren operates as a specialized truckload hauler of heavy machinery and other specialized equipment for both the farm and construction industries. During 1982, Warren also expanded its operations into hauling truckload shipments of general commodities, in particular glass, and glass products, rubber products, building materials and paper and paper products. Warren's operating ratio was 95.7% in 1986

compared to 93.9% in 1985 and 94.1% in 1984. Warren handled 402 million ton miles in 1986, 407 million ton miles in 1985 and 432 million ton miles in 1984. Revenue per ton was \$79.51 in 1986 compared to \$79.76 in 1985 and \$76.24 in 1984. Warren's revenues for 1986 were \$36.6 million compared to \$38.0 million in 1985 and \$38.6 million in 1984. Pretax income was \$2.1 million in 1986 compared to \$3.2 million in 1985 and \$3.3 million in 1984. Warren has been able to maintain its profitability level as a result of controlling its variable expenses in relationship to its lower revenues. However, the decrease in 1986 pretax results is due to reduced revenues caused by the continued decline in U.S. farm machinery sales and significant increases in insurance costs.

Discontinued Operations

Trucking — Hall's

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

Railcar Services

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

Impact of Inflation

Inflation has not had a significant effect on the results of operations of Tiger in recent years. However, based upon the current appraisal values of B-747 aircraft, if it were necessary for Tiger to replace its fleet, depreciation expense would be higher.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Tiger International, Inc.

We have examined the accompanying consolidated balance sheet of Tiger International, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the year then ended. Our examination was 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. The consolidated financial statements of Tiger International, Inc. and subsidiaries for the years ended December 31, 1985 and 1984 were examined by other auditors whose report dated March 26, 1986 expressed an unqualified opinion on those statements.

In our opinion, the 1986 statements mentioned above present fairly the consolidated financial position of Tiger International, Inc. and subsidiaries at December 31, 1986 and the consolidated results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Los Angeles, California
March 26, 1987

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheets of Tiger International, Inc. (a Delaware corporation) and subsidiaries (collectively "Tiger") as of December 31, 1985, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the two years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

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

Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. ("Tiger International") and its subsidiaries (collectively "Tiger"). All significant intercompany accounts and transactions have been eliminated.

On January 7, 1985, Tiger International sold 75% of its equity interest in Hall's Motor Transit Company ("Hall's") and accounted for this operation as a discontinued operation effective December 31, 1984. As of December 13, 1985, Tiger International transferred its remaining 25% equity interest in Hall's to the majority shareholder of Hall's. The railcar services segment ("North American") and other leasing businesses were accounted for as discontinued operations at December 31, 1983. Accordingly, the results of operations of these businesses have been segregated in the Consolidated Statements of Operations. In addition, footnote information for 1986 does not include the accounts of these businesses except as specifically indicated. The balance sheets at December 31, 1986 and 1985 do not include the accounts of the discontinued businesses.

Foreign Currency Transactions

Monetary assets and liabilities of foreign operations have been translated at exchange rates as of the balance sheet dates. Property and equipment are translated at the prevailing exchange rates on the dates of acquisition. Revenues and expenses are translated at the monthly rates prevailing during the year. Depreciation and amortization are translated at the historical rates effective on the dates of acquisition of the underlying assets. Transaction gains and losses are recorded in income as incurred.

Prior to 1985, Tiger deferred gains and losses resulting from the effects of changes in exchange rates on certain long-term debt obligations payable in Japanese yen, because the obligations were entered into as a hedge of yen-denominated revenues. As of December 31, 1984, gains of \$6,506,000 were deferred.

As a result of the net decline in the yen-to-U.S. dollar exchange rate between January 1, 1983 and December 31, 1985, the dollar cash flows expected, at the latter date, to repay fully the unpaid balances of such long-term yen-denominated obligations increased by \$14,111,000 over the dollar cash flows expected with regard to such obligations as of January 1, 1983, (the \$20,617,000 sum of such \$14,111,000 and the foregoing \$6,506,000 of deferred gain as of December 31, 1984, constitutes the change in such expected cash flows that occurred during 1985). In view of the magnitude of the foregoing increase and developments in 1985 pertaining to the competitive environment in which the foregoing yen-denominated revenues are generated, Tiger ceased accounting for such obligations as a hedge against such revenues. In 1986, the yen-to-U.S. dollar exchange rate continued to decline such that the dollar cash flows required to repay the yen-denominated obligations as of December 31, 1986, increased an additional \$27,491,000 (of which \$24,237,000 is related to the long-term portion) compared to December 31, 1985. Accordingly, for the years ended December 31, 1986 and 1985, Tiger recorded foreign exchange losses of \$27,491,000 and \$14,111,000, respectively, relating to such obligations. Such losses have been included in the caption "Foreign exchange losses, net" in the Consolidated Statements of Operations.

Beginning in January 1987, certain of Flying Tigers' Japanese customers entered into firm yen-denominated commitments to purchase a minimum level of cargo services from Flying Tigers over the next five years. Such yen-denominated revenue commitments are part of a hedging transaction involving the yen-denominated debt which correspondingly has a remaining life of five years. As a result, gains and losses on the yen-denominated debt resulting from the fluctuation of the yen-to-dollar exchange rates will be deferred and amortized as an adjustment to revenues over the remaining life of the debt rather than being recognized entirely in the current period.

Inventories

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

Property and Equipment

Expenditures for additions and major improvements, replacements or renewals are capitalized. Assets retired or otherwise disposed of are eliminated from the accounts along with the related accumulated depreciation, and gains and losses are included in income. Maintenance expense includes provisions for aircraft airframe and aircraft engine overhauls accrued by a charge to expense on the basis of hours flown; the actual overhaul cost is charged to the related reserve when incurred. Expenditures for repairs and minor renewals are charged to expense as incurred. The capitalized cost of aircraft and other related equipment includes interest incurred prior to the time such assets are placed in service.

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

Depreciation of property and equipment, including assets under capital lease, is provided primarily on a straight-line basis over the estimated useful lives of the various assets as follows: airframes and engines — 5 to 20 years (0% to 15% salvage value); trucks — 5 to 8 years; other — 2 to 30 years.

Intangibles

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

Income Taxes and Tax Benefits

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

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

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

Earnings Per Share

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

Fully diluted earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period computed as described above and assuming the conversion, where dilutive, of convertible debt into Common Stock at the beginning of the period or at issuance date. Interest expense on the convertible debt, net of income taxes, is added back to net income for purposes of the calculation. Fully diluted earnings per share amounts are not presented for the years ended December 31, 1986, 1985 and 1984. In 1986 and 1985 they are anti-dilutive and in 1984 they are not materially dilutive.

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

	For the Years Ended December 31		
	1986	1985	1984
Revenues:			
Operating revenues	\$1,110,948	\$1,147,045	\$1,209,890
Costs and Expenses:			
Costs of operations	836,664	907,756	875,525
Selling, general and administrative	151,133	158,980	160,762
Depreciation and amortization	59,258	58,424	65,880
	<u>1,047,055</u>	<u>1,125,160</u>	<u>1,102,167</u>
Income from operations	63,893	21,885	107,723
Other income (expense):			
Gain on sale of equipment and facilities	2,357	12,662	16,591
Interest expense	(83,480)	(85,710)	(78,847)
Interest capitalized	26	88	986
Foreign exchange losses, net	(27,256)	(14,292)	(7,412)
Other	(603)	8,180	10,064
	<u>(108,956)</u>	<u>(79,072)</u>	<u>(58,618)</u>
Income (loss) from continuing operations before income taxes...	(45,063)	(57,187)	49,105
Income tax provision	—	—	4,900
Income (Loss) From Continuing Operations	(45,063)	(57,187)	44,205
Discontinued operations:			
Loss from operations of discontinued businesses, less applicable tax benefit of \$-0-, \$-0- and \$(4,900)	—	—	(14,878)
Provision for loss on disposal of discontinued operations	—	(15,500)	(118,267)
	<u>—</u>	<u>(15,500)</u>	<u>(133,145)</u>
Net Loss	<u>\$ (45,063)</u>	<u>\$ (72,687)</u>	<u>\$ (88,940)</u>
Income (loss) per share			
— Continuing operations	\$ (1.45)	\$ (2.11)	\$ 2.05
— Discontinued operations	—	(.58)	(6.18)
Loss Per Share	<u>\$ (1.45)</u>	<u>\$ (2.69)</u>	<u>\$ (4.13)</u>
Shares used in computation of income (loss) per share	<u>31,095</u>	<u>27,053</u>	<u>21,518</u>

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1986	1985
	(In thousands)	
A S S E T S		
Current Assets:		
Cash, including certificates of deposit	\$ 36,396	\$ 50,115
Short-term interest bearing investments at cost, which approximates market value.....	117,105	90,523
Receivables, net	138,256	156,371
Inventories	15,959	14,504
Prepaid expenses and other	8,424	11,372
Total Current Assets	316,140	322,885
Property and Equipment:		
Equipment used in operations	822,218	820,065
Buildings and leasehold improvements	51,869	50,163
Terminal facilities and other	77,919	75,598
Equipment acquisitions in process.....	797	2,558
	952,803	948,384
Less accumulated depreciation and amortization	452,435	385,622
	500,368	562,762
Other Assets:		
Investments, other receivables and deferred charges.....	13,702	15,180
Cost in excess of fair value of acquired businesses, net	53,247	55,291
	66,949	70,471
Total Assets.....	\$883,457	\$956,118

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1986	1985
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term obligations	\$ 59,150	\$ 58,462
Accounts payable and accrued liabilities.....	<u>159,720</u>	<u>172,131</u>
Total Current Liabilities	<u>218,870</u>	<u>230,593</u>
Long-term Obligations:		
Notes payable and equipment obligations.....	269,785	294,910
Note payable to North American	118,921	107,245
Subordinated debt.....	26,627	25,628
Capital lease obligations	<u>236,885</u>	<u>246,850</u>
	<u>652,218</u>	<u>674,633</u>
Deferred Credits:		
Overhaul liability — leased flight equipment	17,000	17,220
Other.....	<u>36,557</u>	<u>35,968</u>
	<u>53,557</u>	<u>53,188</u>
Commitments and Contingencies		
Minority Stockholders' Equity	<u>1,972</u>	<u>2,166</u>
Stockholders' Equity:		
Common stock, \$1 par value		
Authorized — 50,000,000 shares;		
outstanding — 31,773,868 and 30,772,387 shares.....	31,774	30,772
Additional paid-in capital	319,596	314,082
Accumulated deficit	<u>(391,316)</u>	<u>(346,253)</u>
	(39,946)	(1,399)
Less treasury stock, at cost (279,031 and 255,306 shares)	3,214	3,063
Total Stockholders' Equity.....	<u>(43,160)</u>	<u>(4,462)</u>
Total Liabilities and Stockholders' Equity	<u>\$883,457</u>	<u>\$956,118</u>

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three years ended December 31, 1986

	<u>\$1 Par Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit (In thousands)</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at December 31, 1983.....	\$20,508	\$250,998	\$(184,626)	\$(2,344)	\$ 84,536
Net loss	—	—	(88,940)	—	(88,940)
Issuance of Common Stock in lieu of cash interest payments	<u>1,203</u>	<u>5,313</u>	<u>—</u>	<u>(151)(1)</u>	<u>6,365</u>
Balance at December 31, 1984.....	21,711	256,311	(273,566)	(2,495)	1,961
Net loss	—	—	(72,687)	—	(72,687)
Issuance of Common Stock upon conversion of Depository Convertible Preferred Stock	8,050	51,854	—	—	59,904
Issuance of Common Stock in lieu of cash interest payments	969	5,542	—	(151)(1)	6,360
Issuance of Common Stock upon conversion of debentures by an affiliate	<u>42</u>	<u>375</u>	<u>—</u>	<u>(417)(2)</u>	<u>—</u>
Balance at December 31, 1985.....	30,772	314,082	(346,253)	(3,063)	(4,462)
Net loss	—	—	(45,063)	—	(45,063)
Issuance of Common Stock in lieu of cash interest payments	<u>1,002</u>	<u>5,514</u>	<u>—</u>	<u>(151)(1)</u>	<u>6,365</u>
Balance at December 31, 1986.....	<u>\$31,774</u>	<u>\$319,596</u>	<u>\$(391,316)</u>	<u>\$(3,214)</u>	<u>\$ (43,160)</u>

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

(2) Represents Common Stock issued to Flying Tigers on the conversion of 5% Convertible Subordinated Debentures.

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

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

	For the Years Ended December 31		
	1986	1985	1984
	(In thousands)		
Source of Funds:			
Continuing operations			
Income (loss) from continuing operations	\$ (45,063)	\$ (57,187)	\$ 44,205
Items not involving working capital—			
Depreciation and amortization	59,258	58,424	65,880
Deferred income taxes	—	—	4,900
Gain on sale of equipment used in operations	(2,357)	(12,662)	(16,591)
Overhaul reserves, net	13,865	(1,143)	4,508
Deferred interest payable to North American	11,676	10,334	—
Foreign exchange loss on long-term portion of yen-denominated debt	24,237	14,111	—
Other	7,691	5,454	2,261
Working capital provided by continuing operations	<u>69,307</u>	<u>17,331</u>	<u>105,163</u>
Discontinued operations			
Loss from discontinued operations	—	(15,500)	(133,145)
Items not involving working capital—			
Depreciation and amortization	—	—	9,124
Other	—	15,500	(20,006)
Working capital used by discontinued operations	<u>—</u>	<u>—</u>	<u>(144,027)</u>
Total working capital provided (used) by operations	69,307	17,331	(38,864)
Retirement of property and equipment	925	2,092	43,983
Proceeds from sale of aircraft, engines, aircraft parts and facilities	2,395	23,278	69,652
Proceeds from debt financing	389	—	9,703
Refinancing of note payable to North American	—	96,911	—
Issuance of common stock and warrants	6,365	66,264	6,365
Working capital of discontinued businesses	—	—	3,649
Total Source of Funds	<u>79,381</u>	<u>205,876</u>	<u>94,488</u>
Application of Funds:			
Additions to long-term receivables	—	—	10,500
Additions to property and equipment	10,012	27,288	48,614
Reductions of long-term obligations	61,495	58,381	79,730
Other	2,896	10,323	(16,715)
Total Application of Funds	<u>74,403</u>	<u>95,992</u>	<u>122,129</u>
Increase (Decrease) in Working Capital	<u>\$ 4,978</u>	<u>\$ 109,884</u>	<u>\$ (27,641)</u>
Changes in Components of Working Capital:			
Cash, including certificates of deposit	\$ (13,719)	\$ (84,515)	\$ 93,683
Short-term interest bearing investments	26,582	66,350	22,516
Receivables, net	(18,115)	(11,900)	(19,825)
Inventories	1,455	(2,525)	(7,497)
Prepaid expenses and other	(2,948)	(894)	2,836
Increase (Decrease) in Current Assets	<u>(6,745)</u>	<u>(33,484)</u>	<u>91,713</u>
Note payable to North American	—	(132,151)	132,151
Current portion of long-term obligations	688	(402)	9,867
Accounts payable and accrued liabilities	(12,411)	(10,815)	(22,664)
Increase (Decrease) in Current Liabilities	<u>(11,723)</u>	<u>(143,368)</u>	<u>119,354</u>
Increase (Decrease) in Working Capital	<u>\$ 4,978</u>	<u>\$ 109,884</u>	<u>\$ (27,641)</u>

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

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

Note 1 — Discontinued Operations

Summary

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

	For the Years Ended December 31	
	1985	1984
	(In thousands)	
Hall's.....	\$(15,500)	\$ (20,578)
North American.....	—	(141,951)
Tiger Leasing.....	—	24,484
	(15,500)	(138,045)
Income tax benefit.....	—	(4,900)
	<u>\$(15,500)</u>	<u>\$(133,145)</u>

Hall's Motor Transit

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

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

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

Under MEPPAA, withdrawal liability may be imposed on an employer that withdraws from a multiemployer pension plan, and such withdrawing employer's MEPPAA withdrawal liability may be asserted jointly and severally against any corporation that is a member of the controlled group of corporations that includes the withdrawing employer corporation. Until January 7, 1985, Tiger International, Flying Tigers, Warren's Transport, Inc. and all other subsidiaries of Tiger International (except for

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

Hall's, the "Tiger International Companies") were members of the controlled group of corporations that included Hall's. As of that date, no MEPPAA withdrawal by Hall's had occurred. At December 29, 1984, Hall's audited financial statements disclosed a contingent MEPPAA withdrawal liability of approximately \$40 million. Because Tiger International has not been involved in the management of Hall's since January 7, 1985, Tiger International does not have any current information concerning the amount of Hall's MEPPAA withdrawal liability but estimates that various multiemployer plans have filed approximately \$36 million in MEPPAA withdrawal claims in the Hall's bankruptcy.

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

If, however, Tiger International were held to have MEPPAA withdrawal liability for Hall's withdrawal, Flying Tigers would have joint and several liability with Tiger International. Under MEPPAA, if damages are assessed, they may include the withdrawal liability and interest thereon, attorneys' fees and costs and penalties. The management of Tiger International believes that, absent any default in the payment of a MEPPAA judgment, any MEPPAA judgment could be paid with interest, by monthly payments to the multiemployer plans and that the amount of such monthly payments would be approximately \$1 million per month, but such payments would be refunded if the Tiger International Companies eventually prevail in establishing that they have no MEPPAA withdrawal liability. In addition, it is not known yet whether the Tiger International Companies could be required to make interim withdrawal liability payments pending final resolution of the withdrawal liability (if any) of the Tiger International Companies.

Many of the multiemployer plans with claims against Hall's have asserted that the Tiger International Companies are liable for these claims. Tiger International and Flying Tigers intend to resist aggressively imposition of MEPPAA withdrawal liability against the Tiger International Companies and to interpose all appropriate defenses to the imposition of such liability. In order to resolve the question of the potential MEPPAA liability of the Tiger International Companies, on July 3, 1986, the Tiger International Companies filed a class action in the Federal District Court of Delaware naming all of the multiemployer plans of Hall's as defendants. The Tiger International Companies are seeking a declaratory judgment that the Tiger International Companies are not liable for the MEPPAA withdrawal liability of Hall's.

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

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

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

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

	For the Year Ended December 31 1984
	(In thousands)
Revenues	\$191,255
Costs and expenses	201,233
Loss before income taxes	\$ (9,978)

North American

In December 1983, a transaction (the "GECC Management Transaction") was completed under which General Electric Credit Corporation ("GECC") took over the management and operation of the railcar leasing and repair business of North American Car Corporation ("North American"), the largest subsidiary of Tiger Leasing Group Inc. ("Tiger Leasing Group"). In addition, GECC was given an option to purchase the remainder of North American's railcar fleet. As a result of a decision 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 1983 restructuring of North American's indebtedness, North American entered into the Amended and Restated Master Credit Terms Agreement among North American, certain bank lenders to North American (the "North American Bank Lenders") and a certain bank as collateral agent for the North American Bank Lenders (the "Collateral Agent"), dated December 6, 1983 (the "North American Restructuring Agreement"). In connection with the North American Restructuring Agreement, Tiger International issued a promissory note to North American in the principal amount of \$132 million, representing advances previously made by North American to Tiger International. The promissory note was held by the North American Bank Lenders as security for the repayment of North American's debt. At December 31, 1983, Tiger International considered this obligation to be a contingent liability because management believed that sufficient cash would be provided from the North American railcar fleet liquidation to repay North American's outstanding indebtedness. Effective September 30, 1984, due to an alleged default under North American's Restructuring Agreement, Tiger recorded the \$132 million obligation plus \$9.8 million of accrued interest as a liability and established a \$132 million investment in North American. The interest was charged to operations as a loss from discontinued operations. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court ("Bankruptcy Court"). As a result, the \$132 million note, which had a maturity date of January 1991 and an interest rate of 7%, became immediately due and payable and another promissory note, payable to North American, in the principal amount of \$900,000 (for advances made to Tiger International during 1984) also became due and payable (the two promissory notes are hereinafter referred to as the "Tiger International Notes"). At December 31, 1984, Tiger International's obligations to North American under the Tiger International Notes totaled

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

approximately \$145.2 million, of which approximately \$12.1 million represented interest. At December 31, 1984, Tiger International wrote off its \$132 million investment in North American.

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

In May 1985 the Bankruptcy Court approved the settlement of the Tiger International Notes, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was paid in cash to North American (the "Tiger Note Cash Proceeds") to pay accrued interest and to reduce the principal balances on the Tiger International Notes.

Under the terms of the settlement, Tiger International then issued a new promissory note payable to North American for the remaining principal balance of \$96.9 million, bearing interest at 2% over the prime rate (the "New Tiger International Note"). The New Tiger International Note is secured by a pledge by Tiger International (the "Stock Pledge") of 47% of the common stock of Flying Tigers (the "Pledged Shares"). Tiger International is not required to make any interest or principal payments until June 30, 1988. Unpaid interest is to be capitalized, and 50% of such interest and 50% of the outstanding principal balance is due and payable on June 30, 1988. Thereafter, current interest accrued is payable quarterly with the remaining capitalized interest and principal balance outstanding being due and payable on June 30, 1989. However, Tiger International will be required to make prepayments of principal and interest upon the occurrence of certain events (see "Note 4 — Long-Term Debt"). If prepayments of principal are made prior to June 30, 1987, then a like amount that would otherwise be due and payable on June 30, 1989, shall be extended to become due and payable on June 30, 1990. At December 31, 1986, the amount payable under the New Tiger International Note, including accrued and capitalized interest, was \$118.9 million.

At December 31, 1985, North American's assets consisted of operating assets, principally its railcar fleet, the Tiger Note Cash Proceeds and the New Tiger International Note. In addition, at December 31, 1985, North American's financial statements included an amount due from Tiger International under a tax allocation agreement that set forth the basis for the sharing of tax benefits and provisions, and for the settling of intercompany balances, in connection with the filing of Tiger's consolidated federal income tax returns.

The amount due under the tax allocation agreement (the "Tax Benefit Account"), accumulated over the years for which North American has been included in such consolidated tax returns. The amount recorded in the Tax Benefit Account was \$79.9 million at December 31, 1985.

In 1986 North American sold its railcar fleet and other assets to GECC for approximately \$420 million. It is estimated that the sale will result in a taxable gain of approximately \$215 million for federal income tax purposes. A substantial portion of this gain will be offset against Tiger's consolidated net operating losses ("NOL") exclusive of those of North American. The tax effect of this utilization by North American of its affiliates' NOL will be applied by Tiger International against the \$79.9 million amount referred to above.

Pursuant to a settlement agreement between Tiger International and North American regarding their respective claims under the tax allocation agreement, approved by the Bankruptcy Court on March 31, 1986, Tiger International (and certain of its subsidiaries) and North American (and its subsidiaries) exchanged mutual releases of all claims which each might have against the other under the tax allocation agreement or the Tax Benefit Account. No cash payments were required by either party. Tiger International agreed that it would take no action that would prevent North American from utilizing the net operating

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

losses of other members of the affiliated group to shelter the taxable income created by the disposition of North American's assets.

In 1986, as part of an overall settlement of all claims which the North American Bank Lenders asserted against North American, North American transferred the Tiger Note Cash Proceeds, the New Tiger International Note, and the security represented by the Stock Pledge and the Pledged Shares to the Collateral Agent in partial satisfaction of North American's obligations under the North American Restructuring Agreement.

See "Note 7 — Contingencies and Legal Actions" for other possible claims resulting from the bankruptcy of North American.

Other Leasing Operations

Tiger's other leasing operations were also discontinued at December 31, 1983.

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

At December 31, 1985, TigerAir, Inc. ("TigerAir"), an indirect subsidiary of Tiger Leasing Group also carried a tax benefit account aggregating approximately \$15.2 million arising from allocation of consolidated federal income taxes. In December 1986, TigerAir sold a DC-10-30 aircraft. The tax gain resulting from this sale will, for the most part, be offset against Tiger NOL exclusive of those of TigerAir. The tax effect of this utilization by TigerAir of its affiliates' NOL will be applied by Tiger International against the \$15.2 million amount referred to above. Tiger International and TigerAir executed a settlement agreement regarding their mutual claims under the tax allocation agreement similar to that between Tiger International and North American discussed above.

The other leasing operations also carry tax benefits accounts of approximately \$16 million. The accounts accumulated over the years for which the other leasing companies were included in the consolidated federal income tax returns. The accounts include net operating losses, investment tax credits and foreign tax credits that have been, or were expected to be, utilized to reduce taxes otherwise payable in respect of income of members, other than the other leasing companies, of the Tiger consolidated tax reporting group. Such accounts could result in claims for cash payment of all or a significant portion of such accounts. However, unlike North American and TigerAir, the other leasing operations are not likely to generate enough taxable income as a result of the disposition of their assets to effect a settlement of their accounts through the use of net operating losses of other members of the affiliated group to shelter their income. Though it is not possible to give any assurance as to the ultimate outcome of any such claims, Tiger's position is that no payment by it should be required to settle such accounts.

Note 2 — Acquisitions and Dispositions

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

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

In January 1987, Flying Tigers entered into an operating lease for six DC-8-63 aircraft which are scheduled for delivery from January through March 1987. The leases contain purchase options, exercisable in 1987, at specific prices at the end of the second through fifth years of the lease.

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

Note 3 — Business Segment and Geographic Data

Tiger is engaged primarily in two businesses: air cargo and specialized trucking. Air cargo and trucking services are provided in the United States. International air cargo operations are conducted primarily between cities in the United States and points in Asia, Europe, Latin America, the Middle East and Australia.

Segment data	Revenues	Pretax Results Before Interest Expense	Interest Expense Net	Pretax Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
				(In thousands)			
1986							
Air Cargo.....	\$1,074,336	\$ 42,689	\$ 61,334	\$ (18,645)	\$ 846,328	\$ 8,437	\$ 57,817
Trucking.....	36,612	2,129	5	2,124	25,673	1,499	1,145
Other.....	—	(6,427)	22,115	(28,542)	11,456	76	296
Continuing Operations....	<u>\$1,110,948</u>	<u>\$ 38,391</u>	<u>\$ 83,454</u>	<u>\$ (45,063)</u>	<u>\$ 883,457</u>	<u>\$ 10,012</u>	<u>\$ 59,258</u>
1985							
Air Cargo.....	\$1,109,022	\$ 20,225	\$ 64,457	\$ (44,232)	\$ 911,452	\$ 26,510	\$ 56,880
Trucking.....	38,023	3,207	4	3,203	32,454	772	1,213
Other.....	—	5,003	21,161	(16,158)	12,212	6	331
Continuing Operations....	1,147,045	28,435	85,622	(57,187)	956,118	27,288	58,424
Discontinued Operations.	—	(15,500)	—	(15,500)	—	—	—
	<u>\$1,147,045</u>	<u>\$ 12,935</u>	<u>\$ 85,622</u>	<u>\$ (72,687)</u>	<u>\$ 956,118</u>	<u>\$ 27,288</u>	<u>\$ 58,424</u>
1984							
Air Cargo.....	\$1,171,017	\$ 125,638	\$ 64,855	\$ 60,783	\$ 978,494	\$ 46,097	\$ 64,274
Trucking.....	39,453	2,923	5	2,918	30,307	1,503	1,268
Other.....	(580)	(1,595)	13,001	(14,596)	17,927	9	338
Continuing Operations....	1,209,890	126,966	77,861	49,105	1,026,728	47,609	65,880
Discontinued Operations.	191,255	(125,106)	12,939	(138,045)	—	1,005	9,124
	<u>\$1,401,145</u>	<u>\$ 1,860</u>	<u>\$ 90,800</u>	<u>\$ (88,940)</u>	<u>\$1,026,728</u>	<u>\$ 48,614</u>	<u>\$ 75,004</u>

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

All significant identifiable assets are located in the United States. Revenues from the United States Government were \$145,640,000, \$144,613,000 and \$143,775,000 for the years ended December 31, 1986, 1985 and 1984, respectively. These revenues were for services performed primarily for the Military Airlift Command of the United States Air Force and the United States Postal Service.

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

	For the Years Ended December 31		
	1986	1985	1984
	(In thousands)		
Scheduled Cargo Operations			
Domestic.....	\$ 155,601	\$ 212,929	\$ 214,872
Transpacific.....	599,781	544,177	653,395
Transatlantic.....	83,848	105,368	98,367
Latin America.....	45,409	63,988	41,402
Total Scheduled Cargo Operations.....	884,639	926,462	1,008,036
Commercial Charter.....	46,682	56,132	42,605
Military Airlift Command.....	113,528	105,680	104,411
Other.....	29,487	20,748	15,965
Total Air Cargo Revenues.....	<u>\$1,074,336</u>	<u>\$1,109,022</u>	<u>\$1,171,017</u>

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

Note 4 — Long-Term Debt

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

	December 31	
	1986	1985
	(In thousands)	
Notes Payable and Equipment Obligations:		
Tiger International, Inc.		
11½% Debentures due April 1995, net of imputed interest (effective rate 20.7%)	\$ 20,750	\$ 19,839
11½% Debentures due October 1995, net of imputed interest (effective rate 13.0%)	14,107	13,937
Note payable to North American (Prime + 2%)	118,921	107,245
Subsidiaries		
9% to 12% and prime + 2% equipment trust certificates due 1987 to 1997 (average rate 10.0% in 1986)	109,177	123,460
10.56% to 12% master sales agreements (payable in yen) due 1987 to 1992	119,401	107,547
12.5% to 13.5% conditional sale agreement due 1987 to 1990	1,450	5,233
6% to 14.5% and prime + 2% promissory notes due 1987 to 1990 (average rate 10.1% in 1986)	5,962	10,115
Term notes at prime + ¼% and prime + 2% due 1987 to 1990 (average rate of 8.6% in 1986)	49,084	63,839
	438,852	451,215
Less current portion	50,146	49,060
	<u>\$388,706</u>	<u>\$402,155</u>
Subordinated Debt:		
Tiger International, Inc.		
8¾% Senior Subordinated Debentures due July 1995, net of imputed interest (effective rate 19.2%)	\$ 22,190	\$ 21,191
8¾% Convertible Subordinated Debentures due July 2005	4,437	4,437
Subsidiaries (net of imputed interest)		
5% Convertible Subordinated Debentures due April 1986	—	2,490
	26,627	28,118
Less current portion	—	2,490
	<u>\$ 26,627</u>	<u>\$ 25,628</u>

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

Scheduled Maturities

As of December 31, 1986, principal scheduled maturities of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in "Note 5 — Commitments") are as follows (in thousands):

<u>Year</u>	<u>Long-term Debt</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
1987	\$ 50,146	\$ 9,004	\$ 59,150
1988	115,164	10,148	125,312
1989	114,552	10,942	125,494
1990	42,614	7,845	50,459
1991	59,721	9,524	69,245
Later Years	83,282	198,426	281,708
Total	<u>\$465,479</u>	<u>\$245,889</u>	<u>\$711,368</u>

Tiger International, Inc. (Parent)

The terms of the 11½% Sinking Fund Debentures due April 1, 1995, (the "New 11½% Debentures"), \$28.4 million in aggregate outstanding principal amount, and the 8⅞% Senior Subordinated Debentures due July 1, 1995, (the "New 8⅞% Debentures"), \$36.0 million in aggregate outstanding principal amount, (the New 11½% Debentures and the New 8⅞% Debentures are hereinafter referred to as the "New Debentures") give Tiger International the option to satisfy both principal (including sinking fund obligations) and interest requirements in cash or in Common Stock. Tiger International elected to satisfy its interest obligations on the New Debentures in 1986 (\$6.5 million), 1985 (\$6.5 million) and 1984 (\$6.5 million) by delivering 1,031,791, 921,768 and 1,139,738 shares, respectively, of common stock. Minor amounts were paid in cash for fractional shares.

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

As a mandatory sinking fund for the retirement of the New 8⅞% Debentures, Tiger International is required to deposit prior to July 1 in each year commencing in 1988 and ending in 1994, an amount, in legal tender or Common Stock, sufficient to redeem not less than 5% of the aggregate principal amount of New 8⅞% Debentures originally issued. Tiger International may deliver outstanding New 8⅞% Debentures and apply as a credit New 8⅞% 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 11½% Sinking Fund Debentures due October 1, 1995 (the "Old 11½% Debentures"), \$14.6 million in aggregate outstanding principal amount, were originally issued in connection with the acquisition of Seaboard World Airlines ("Seaboard"). As a mandatory sinking fund for the retirement of the Old 11½% Debentures, Tiger International is required to deposit prior to October 1, in each year commencing in 1986 and ending in 1994, an amount sufficient to redeem not less than 10% of the aggregate amount of Old 11½% Debentures outstanding at October 1, 1986. Tiger International may deliver outstanding Old 11½% Debentures and apply as a credit Old 11½% Debentures which have been redeemed at the election of Tiger International or through optional sinking fund payments in satisfaction of all or part of such mandatory sinking fund payment requirement. Tiger International has acquired through an exchange offer sufficient

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
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Old 11½% Debentures to meet the mandatory sinking fund requirement for the years 1987 through 1992 and partially for the year 1993.

The \$4.4 million outstanding principal amount of 8½% Convertible Subordinate Debentures due July 1, 2005 (the "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 Old 8½% Debentures, Tiger International is required to deposit prior to July 1 in each year, commencing in 1990 and ending in 2004, an amount sufficient to redeem not less than \$3 million and not more than \$6 million principal amount of Old 8½% Debentures. Tiger International may deliver outstanding Old 8½% Debentures and apply as a credit Old 8½% 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 an exchange offer sufficient Old 8½% Debentures to meet the mandatory sinking fund requirement for all years.

The New Tiger International Note in principal amount of \$118.9 million is secured by a pledge by Tiger International of 47% of the common stock of Flying Tigers presently outstanding (the "Pledged Shares") and requires prepayments of principal and interest upon certain events. If Flying Tigers pays any dividends on its common stock or Tiger International sells any of the Pledged Shares, 100% of any dividend payments allocable to the Pledged Shares or proceeds of the sale shall be applied first to interest and then to principal, in the order of maturity. Further, to the extent Tiger International receives net cash proceeds from any other source, including, but not limited to, sales of shares of common stock of Flying Tigers other than the Pledged Shares, dividends from Flying Tigers allocable to shares other than the Pledged Shares, dividends from any of Tiger International's other subsidiaries, or sales of its equity or debt securities, 60% of all proceeds received in any year in excess of \$10 million are required to be applied to payment of the note, first to interest and then to principal, in the order of maturity. Under the terms of the 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 upon a default under certain other agreements of Tiger International and Flying Tigers (see "Note 1 — Discontinued Operations — North American" for further information).

Subsidiaries

During December 1983, Flying Tigers and substantially all of its private lenders executed restructuring agreements whereby defaults on approximately \$588 million principal amount of indebtedness were waived or suspended. The Flying Tigers Restructuring Agreements provided for the deferral, until July 2, 1985, of approximately \$48 million of principal and interest otherwise payable in 1983 and 1984. The deferred amounts are payable in 20 quarterly installments of approximately \$2.4 million which commenced July 2, 1985. In addition to stated interest, Flying Tigers has agreed to pay annually in each of the years 1986 through 1990 contingent interest if certain earnings levels are achieved. The cumulative amount of such contingent interest may not exceed \$20 million. Flying Tigers did not achieve the 1986 or 1985 earnings level to cause contingent interest payments to be required in 1987 or 1986.

A Flying Tigers debt agreement requires the maintenance of compensating balances or fees in lieu thereof. At December 31, 1986, approximately \$3.4 million of cash, the use of which was unrestricted, was intended to meet the compensating balance requirement.

See "Note 11 — Subsequent Events" for information relating to a proposed refinancing of Flying Tigers' debt.

Pursuant to an exchange offer, completed in April 1984, Flying Tigers exchanged \$2.5 million of debt for 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock. As a result of this exchange offer, Tiger International's ownership of Flying Tigers' common

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

stock has been reduced to 99%, of which 47.5% has been pledged to North American, which in turn pledged the Pledged Shares to the Collateral Agent for North American's lenders.

Restrictions on Cash, Dividend Payments and Assets Secured by Debt

At December 31, 1986, Flying Tigers' cash balance was \$143.2 million. However, under the Flying Tigers Restructuring Agreements, Flying Tigers is presently prohibited from providing funds to Tiger International. Also, the Flying Tigers Restructuring Agreements require that 80% of the aggregate net proceeds from sales of assets be paid to the participating creditors to reduce the outstanding amounts of deferred principal and interest. In addition, the Flying Tigers Restructuring Agreements contain strict financial covenants and substantially all previously unencumbered assets have been pledged to secure the obligations thereunder. (See "Note 11 — Subsequent Events") Warren Transport is free from restrictions limiting dividends and advances to Tiger International.

Note 5 — Commitments

Leases

At December 31, 1986, Tiger was lessee under long-term leases on aircraft and engines, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase options on most of the leased equipment. Rentals during the renewal option periods are generally at rates that are as favorable as for the initial lease periods. Under most equipment leases, Tiger is obligated for the cost of maintaining and operating the equipment.

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

	1986	1985
	(In thousands)	
Equipment used in operations.....	\$268,869	\$268,869
Less accumulated amortization.....	93,777	78,822
	\$175,092	\$190,047

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, 1986, 1985 and 1984 was \$55,535,000, \$55,587,000 and \$44,797,000, respectively.

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

Scheduled Minimum Future Lease Payments: At December 31, 1986, scheduled minimum future lease payments due under capital leases and non-cancellable operating leases having initial or remaining terms of one year or more are as follows (in thousands):

<u>Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1987.....	\$ 37,460	\$ 50,556
1988.....	38,169	47,967
1989.....	38,255	47,016
1990.....	34,542	41,789
1991.....	35,685	38,382
Later years	<u>341,381</u>	<u>134,033</u>
Total minimum lease payments.....	525,492	<u>\$359,743</u>
Less amount representing interest	<u>279,603</u>	
Present value of net minimum future lease payments.....	245,889	
Less current portion.....	<u>9,004</u>	
Long-term capital lease obligations.....	<u>\$236,885</u>	

Minimum payments under non-cancellable operating leases have not been reduced by minimum sublease rentals of \$25,735,000 due in the future under non-cancellable subleases.

Purchase Commitments

At December 31, 1986, Tiger had no significant future purchase commitments.

Guarantees

At December 31, 1986, Tiger was contingently liable under outstanding guarantees in the amount of \$24,466,000, 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, 1986.

Note 6 — Capital Stock

Common Stock

At December 31, 1986, Tiger International had reserved the following number of shares of Common Stock for possible future issuance:

Key Employees Incentive Stock Option Plan.....	750,000
Conversion of Convertible Subordinated Debentures.....	600,000
Exercise of Common Stock Warrants.....	4,950,000
Non-Statutory Stock Options.....	<u>1,500,000</u>
	<u>7,800,000</u>

Stock Option Plan

During 1981, the stockholders approved a Key Employees Incentive Stock Option Plan (the "Plan") under which options may be granted covering no more than 750,000 shares of Common Stock. The option price is the market value on the date of grant. The options granted are exercisable from 1987 to 1997.

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

A summary of changes in stock options under the Plan for the three years ended December 31, 1986, is as follows:

	Number of Shares	Option Price Per Share
Outstanding at December 31, 1983	340,666	\$9.25-14.13
Granted	387,776	6.13- 8.00
Exercised	—	—
Cancelled or expired	<u>87,936</u>	<u>9.25-14.13</u>
Outstanding at December 31, 1984	640,506	6.13-14.13
Granted	—	—
Exercised	—	—
Cancelled or expired	<u>87,050</u>	<u>8.00-12.38</u>
Outstanding at December 31, 1985	553,456	6.13-14.13
Granted	107,000	5.75- 8.00
Exercised	—	—
Cancelled or expired	<u>172,700</u>	<u>6.50-14.13</u>
Outstanding at December 31, 1986	<u>487,756</u>	<u>\$5.75-12.38</u>

The aggregate purchase price of shares subject to outstanding options granted under the Plan was \$4,294,000 at December 31, 1986, \$5,014,000 at December 31, 1985, \$5,932,000 at December 31, 1984. At December 31, 1986, all stock options are exercisable.

In January 1987, options to purchase 200,500 shares of Common Stock were granted under the Plan at a price of \$8.875 per share, the market value on the date of grant.

Non-Statutory Stock Options

As an inducement essential to Mr. Jensen's employment as President and Chief Executive Officer of Tiger International, the Board of Directors granted Mr. Jensen a Non-Statutory Stock Option to purchase 1,000,000 shares of Common Stock at \$7 per share, the market value of the Common Stock on the date of the grant. On August 8, 1986, the Board of Directors granted Mr. Jensen a Non-Statutory Stock Option to purchase 250,000 shares of Common Stock at \$5.25 per share (the market value on the date of the grant). These Stock Options were exercisable at any time on or after August 8, 1986, to and including August 7, 1996. On January 22, 1987, Mr. Jensen was succeeded by Mr. Wolf as Chairman of the Board, President, Chief Executive Officer and a director of Tiger International. Pursuant to an agreement dated March 26, 1987 ("Agreement") between Tiger International and Mr. Jensen, Mr. Jensen agreed that he would not exercise the stock option granted to Mr. Jensen on August 8, 1986 in whole or in part and would permit it to expire unexercised. Further, pursuant to the Agreement, the stock option granted to Mr. Jensen on August 28, 1985 to acquire 1,000,000 shares of Tiger's common stock at a price of \$7.00 per share was amended to reduce the number of shares subject to the option to 562,500. This amended stock option is exercisable through March 25, 1991. Under certain circumstances, Mr. Jensen may also transfer his rights under this stock option to an underwriter and has the right to request the registration of the sale of the shares acquired upon the exercise of his stock option.

As an inducement essential to Mr. Wolf accepting employment with Flying Tigers, the Board of Directors of Tiger International granted Mr. Wolf a stock option to purchase 250,000 shares of Common Stock at \$5.25 per share (the market value on the date of grant). In addition, the Board of Directors of Flying Tigers granted Mr. Wolf a stock option to purchase 1,000,000 shares of Flying Tiger's Common Stock at \$5.45 per share (the fair value on the date of grant). Mr. Wolf's stock options are exercisable in three installments through August 8, 1996. The first installment representing 25% of the shares covered by

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
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each option is exercisable immediately; the second installment representing 25% of the shares covered by each option is exercisable on the first anniversary of the date of such options; and the third installment representing 50% of the shares covered by each option is exercisable after August 8, 1988. Under certain circumstances, Mr. Wolf may also transfer his rights under his stock options to an underwriter and has the right to request the registration of the sale of the shares acquired upon exercise of his stock options. Mr. Wolf was elected a director of Tiger International on August 8, 1986 and Chairman of the Board, President, and Chief Executive Officer of Tiger International on January 22, 1987.

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 Tigers) to purchase Common Stock at \$12.50 per share, subject to adjustment. The warrants can be exercised at any time on or after January 1, 1984, through June 30, 1988, subject to certain call provisions. The warrant holder may elect to pay all or part of the exercise price by surrender of New Debentures to the Warrant Agent which shall be credited at the principal amount thereof plus accrued interest. (See "Note 4 — Long-Term Debt.")

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

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

In 1986, Flying Tigers entered into agreements in principal with substantially all of its unionized employees providing for reduced wages, work rule changes and other cost reduction measures. In addition, management and clerical employees participated in cost reduction programs. In return for such savings, Flying Tigers agreed in principal to grant to participating employees a profit participation, warrants to purchase approximately 1.8 million shares of Flying Tigers' Common Stock, and the right to designate one member of Flying Tigers' Board of Directors. In the event there is no active market for the common stock of Flying Tigers, Tiger International may be required to issue substitute warrants to purchase 1.8 million shares of Tiger International Common Stock or issue 1.8 million shares of Tiger International Common Stock.

Note 7 — Contingencies and Legal Actions

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

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On March 5, 1987, North American and the Official Committee of Unsecured Creditors representing certain unsecured creditors of North American in the North American bankruptcy proceedings delivered to Tiger International a draft complaint marked "Draft for Settlement Discussion Purposes Only" (the "draft complaint") asserting claims against Tiger International and certain former directors of North American, some of whom were also directors of Tiger International. The draft complaint focuses on various transfers of funds from North American to Tiger International (including the advances by North American to Tiger International evidenced by the Tiger International Notes), the North American Restructuring Agreement and the GECC Management Transaction referred to in "Note 1 — Discontinued Operations — North American". Though no lawsuit has yet been filed in respect of these claims, the draft complaint states that the claims against Tiger International would be based on the principal theories that:

- (1) the funds transfers were intended to defraud creditors of North American;
- (2) the funds transfers were made without fair consideration in the face of North American's insolvency, or themselves rendered North American insolvent;
- (3) Tiger International controlled and dominated North American and, in so doing, grossly abused North American's property and assets and separate corporate existence for the benefit of Tiger International and its other subsidiaries as reflected in the foregoing funds transfers, the GECC Management Transaction and the North American Restructuring Agreement referred to in "Note 1 — Discontinued Operations — North American";
- (4) Tiger International violated the Racketeer Influenced and Corrupt Organizations provisions of the Organized Crime Control Act of 1970 by causing the funds transfers; and
- (5) the foregoing transfers and transactions involved breaches of fiduciary duty owed by Tiger International to North American.

These claims against Tiger International assert that the foregoing transfers aggregate approximately \$217 million, and seek payment of that amount by Tiger International to North American, as well as (i) interest accruing on the funds transfers from the dates thereof, (ii) additional substantial sums to compensate North American for consequential damages caused by the alleged misconduct including, but not limited to, an amount sufficient to pay all unsatisfied creditors claims allowed in the North American bankruptcy proceedings and (iii) at least \$300 million in punitive damages.

The \$217 million of alleged transfers (which includes the \$133 million in advances represented by the Tiger International Notes) is net of an alleged \$20 million credit for a reduction in the amount required to be paid by North American to the North American Bank Lenders but no credit is given for the Tiger Note Cash Proceeds (approximately \$49.9 million), the New Tiger International Note (approximately \$96.9 million in principal amount), or the security for repayment of the New Tiger International Note (the Stock Pledge and the Pledged Shares), all of which were transferred by North American to the Collateral Agent in partial satisfaction of North American's obligations to the North American Bank Lenders.

If a complaint is filed, Tiger International will defend vigorously against the foregoing claims. Preliminary discussions regarding the possible settlement of these claims against Tiger International have taken place. Though no assurances can be given as to whether a settlement will be reached or, if so, as to the terms thereof, or, failing a settlement, as to the outcome of any litigation that might be instituted in respect of such claims, the management of Tiger International believes that it has meritorious defenses against the claims.

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

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

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

The current complaint supersedes a complaint against North American that was stayed as a result of North American's bankruptcy proceedings in December 1984. As of March 19, 1987, no discovery has been conducted. The suit seeks compensatory damages against Tiger International of over \$30 million and punitive damages against Tiger International of approximately \$60 million. Tiger International intends to defend vigorously against the claims in this lawsuit.

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

The *Hunter-Keith* suit involves two consolidated actions. *Hunter-Keith* is a syndicator of transportation equipment. *Hunter-Keith* filed a first action on June 9, 1983, against North American seeking specific performance of an agreement to purchase certain pressure-differential railcars from North American (the "specific performance action"). Plaintiff obtained a temporary restraining order against the sale by North American of either the railcars or the right to manage the railcars.

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

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

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

Plaintiff's amended complaint against Tiger International alleges four causes of action, two of which claim that Tiger International has alter ego liability for North American's alleged obligations to plaintiff. The alter ego claims assert that Tiger International and North American had interlocking managements; that Tiger International controlled North American; that Tiger International transferred more than \$300 million to Tiger International from North American; and that Tiger International otherwise mismanaged North American. The third cause of action alleges interference with contractual or prospective contractual advantage. The fourth cause of action alleges that Tiger International is a co-conspirator with GECC, North American and North American's former president in violating the antitrust laws by promoting

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
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GECC's monopolization of the management of pressure differential railcars. On the alter ego causes of action the plaintiff seeks payment of any damages in the specific performance action against North American; in the interference with contractual or prospective contractual advantage cause of action, plaintiff seeks approximately \$38,000,000; and on the antitrust cause of action, plaintiff seeks damages of \$38,000,000 to \$47,000,000, trebled. Tiger International intends to defend vigorously against the claims in this action.

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

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

Note 8 — Retirement Plans

Tiger maintains retirement plans for substantially all of its union and nonunion employees. The total employer cost for all pension plans was \$17,002,000 in 1986, \$13,651,000 in 1985 and \$9,846,000 in 1984. Of these amounts, \$13,809,000 in 1986, \$11,240,000 in 1985 and \$8,088,000 in 1984 were for union employee plans. The total costs include amortization of unfunded prior service costs over periods from 25 to 40 years. Tiger's policy is to fund part of the pension costs in the year in which they are accrued and the remainder in the following year.

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.

	As of January 1	
	1986	1985
	(In thousands)	
Actuarial present value of accumulated plan benefits		
Vested.....	\$224,585	\$190,340
Non-vested.....	32,743	30,676
	<u>\$257,328</u>	<u>\$221,016</u>
Net plan assets including Company balance sheet accruals for benefits.....	<u>\$256,954</u>	<u>\$223,970</u>

The assumed rates of return on investments used to determine accumulated plan benefit information are adjusted annually to reflect changes in the rates set by the Pension Benefit Guaranty Corporation ("PBGC"). The PBGC rates were 4% to 8.75% and 4% to 9.75% as of January 1, 1986 and 1985, respectively. In 1985 and 1984, benefits were increased for certain of Tiger's plans pursuant to agreements with its labor unions. The assumption for valuation earnings used to calculate disability and survivor benefits for certain of the plans was decreased in 1985 and increased in 1986 to reflect amendments to the union contracts. In 1986, the method of calculating future spousal and disability benefits was changed from charging all such benefits to the past service liability to allocating them between past service liability and future normal cost. These changes did not significantly affect pension expenses in the years 1984 or 1985 and increased pension expenses \$1,710,000 in 1986. These changes increased the actuarial present value of accumulated plan benefits by approximately \$13,204,000 in 1986 and \$1,243,000 in 1985.

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

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insurance benefits is recognized as an expense as claims are paid. For the years ended December 31, 1986, 1985, and 1984, these costs were not significant.

Tiger has a discretionary Executive Incentive Plan, approved by the stockholders in 1976. Amounts awarded under the plan for 1984 were \$714,000. No amounts were awarded for 1986 and 1985.

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

Tiger has not made a final determination of the effects which the anticipated changes in accounting may have on Tiger's financial position and results of operations.

Note 9 — Income Taxes

There was no income tax benefit recorded for the losses incurred in 1986 and 1985 because prior years received all tax benefits arising from the reversal of all available domestic deferred income taxes not previously reduced by tax credits. The 1984 provision of \$4,900,000 for income taxes associated with income from continuing operations primarily consists of deferred Federal income tax less the application of investment tax credits of approximately \$20,800,000. The 1984 loss from discontinued operations received an income tax benefit of \$4,900,000.

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

	<u>1986</u>	<u>1985</u>	<u>1984</u>
United States Federal income tax rate	(46.0%)	(46.0%)	46.0%
Investment tax credits	—	—	(42.4)
Permanent differences between book and tax income	—	—	4.0
Book losses not benefitted	46.0	46.0	—
State income taxes, net of Federal tax benefit, and other	—	—	2.4
Income tax provision (benefit) effective rate	<u>— %</u>	<u>— %</u>	<u>10.0%</u>

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

In 1986 and 1985, the principal timing differences relate to depreciation, differing treatment of book reserves and the recognition of various other income and expense items in different financial reporting and tax years. In 1984, the principal timing differences related to the aforementioned items and expenses recognized for financial reporting purposes but deferred for tax purposes relating to the recording of the North American liability and the Hall's sale as discussed in "Note 1 — Discontinued Operations."

For Federal income tax purposes, Tiger files a consolidated income tax return, and at December 31, 1986, the Tiger International tax consolidated group remains substantially unchanged from December 31, 1985. At December 31, 1986, and pending completion and filing of the consolidated tax return, Tiger estimates that it has available for Federal income tax purposes, in 1987 and subsequent years, net operating loss carryforwards ("NOL's") in excess of \$260 million and investment tax credits ("ITC's") of approximately \$44 million. None of the NOL's expire prior to 1997. The ITC's expire beginning in 1989. For financial statement purposes, Tiger has NOL's in excess of \$275 million and ITC's of approximately \$24 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, there are NOL's of approximately \$23,000,000 (for financial statement purposes only) and ITC's of approximately \$11,000,000 (for financial statement and Federal income tax purposes) which were acquired in connection with the acquisition of Seaboard. The ITC's expire primarily in 1993. To the extent such carryforwards are utilized for financial statement purposes in the future, the cost in excess of the fair value of net assets acquired will be adjusted to reflect the income tax benefit derived. All ITC's are subject to reduction of up to 35% under provisions of the Tax Reform Act of 1986.

Tiger's Federal income tax returns for the years 1977 through 1981 have been examined, and certain adjustments have been proposed by the Internal Revenue Service. A petition for redetermination of certain deficiencies asserted against Tiger by the Internal Revenue Service is presently pending in the United States Tax Court. The amounts at issue include approximately \$8,000,000 of investment tax credit claimed by Flying Tigers in 1977 in connection with the modification of certain used B-747 aircraft. The Internal Revenue Service has answered the petition, generally denying all of Tiger's allegations, but has not engaged in any discovery or filed any motions. As a consequence, the resolution of this issue is dependent on a number of factual matters which have not as yet been fully developed. Since the outcome will be dependent upon determinations to be made by the trier of fact, it is not possible to predict the outcome of any such litigation with certainty and no assurance can be given that Tiger will prevail in such litigation. However, in the opinion of management, adequate provision has been made for all income tax liabilities.

Note 10 — Details of Certain Accounts

Supplemental Consolidated Balance Sheet Information

	December 31	
	1986	1985
	(In thousands)	
Receivables, Net:		
Trade	\$149,617	\$169,415
Other	2,926	3,868
Less allowance for doubtful accounts and revenue adjustments	<u>(14,287)</u>	<u>(16,912)</u>
Receivables, net	<u>\$138,256</u>	<u>\$156,371</u>
Accounts Payable and Accrued Liabilities:		
Accounts payable	\$ 58,265	\$ 73,748
Accrued liabilities		
Payroll	8,291	9,886
Vacations	19,341	20,583
Interest	16,934	21,665
Income taxes	70	70
Taxes other than payroll and income taxes	15,565	3,784
Pensions	8,290	8,009
Other	<u>32,964</u>	<u>34,386</u>
Accounts Payable and Accrued Liabilities	<u>\$159,720</u>	<u>\$172,131</u>

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

Supplemental Consolidated Statement of Operations Information

	<u>1986</u>	<u>1985</u> (In thousands)	<u>1984</u>
Maintenance and repairs	<u>\$128,862</u>	<u>\$114,757</u>	<u>\$95,631</u>
Taxes other than payroll and income taxes.....	<u>\$ 15,736</u>	<u>\$ 9,486</u>	<u>\$ 7,937</u>
Amortization of cost in excess of fair value of acquired businesses	<u>\$ 1,608</u>	<u>\$ 1,608</u>	<u>\$ 1,608</u>
Advertising costs.....	<u>\$ 6,303</u>	<u>\$ 6,909</u>	<u>\$ 9,859</u>

Note 11 — Subsequent Events

As part of a proposed refinancing of its indebtedness, Flying Tigers filed a Pre-effective Amendment No. 2 to a Registration Statement on Form S-1 with the Securities and Exchange Commission on February 23, 1987. Flying Tigers proposes to sell approximately \$90,000,000 First Priority Trust Certificates due 1997 and \$50,000,000 Second Priority Trust Certificates due 1999 (collectively, the "Trust Certificates").

The proceeds of the sale of the Trust Certificates would be used to repay a substantial portion of Flying Tiger's indebtedness and capital lease obligations by prepaying in full certain of Flying Tigers' private equipment trust agreements, prepaying a portion of the principal amounts owed under certain of Flying Tigers' term notes, paying in full all principal and lease payments deferred by the Flying Tigers Restructuring Agreements and paying to certain creditors under the Flying Tigers Restructuring Agreements a premium of \$5,000,000 to settle in full and terminate the right of such creditors under the Flying Tigers Restructuring Agreements to receive contingent interest based on Flying Tigers' profits in the years 1985 through 1989. The Trust Certificates would be secured by title to four used B-747-200F aircraft owned by Flying Tigers.

Concurrent with the consummation of the sale of the Trust Certificates, approximately \$150,356,000 of purchase money indebtedness of the owner of four B-747-200F aircraft and four spare engines leased by Flying Tigers under capital leases is proposed to be refinanced by the owner of such equipment. The proposed refinancing would decrease the cost to Flying Tigers of leasing such equipment.

The application of the Trust Certificate proceeds as described above would repay a substantial portion of the Flying Tigers' indebtedness that is presently subject to the Flying Tigers Restructuring Agreements, which will be terminated concurrently with the repayment of such indebtedness. Such termination, the repayment of indebtedness and the refinancing thereof with the proceeds of the Trust Certificates is intended to reduce Flying Tigers' principal obligations due in the near future, to relieve Flying Tigers from the requirement under the Flying Tigers Restructuring Agreements to make quarterly payments of both deferred and matured principal and interest and contingent interest and to remove certain operational and other restrictions imposed on Flying Tigers by the Flying Tigers Restructuring Agreements.

After the termination of Flying Tigers' Restructuring Agreements, Flying Tigers' will be permitted to pay dividends and make advances to Tiger International, but the provisions of certain continuing and new debt obligations will limit such dividends and advances.

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

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands except per share data)			
1986				
Revenues	<u>\$263,173</u>	<u>\$261,336</u>	<u>\$286,613</u>	<u>\$299,826</u>
Net Income (Loss).....	<u>\$(34,156)</u>	<u>\$(22,830)</u>	<u>\$ 1,524</u>	<u>\$ 10,399</u>
Income (Loss) Per Share	<u>\$ (1.11)</u>	<u>\$ (.74)</u>	<u>\$.05</u>	<u>\$.33</u>
1985				
Revenues	<u>\$269,971</u>	<u>\$279,246</u>	<u>\$283,883</u>	<u>\$313,945</u>
Loss from Continuing Operations	<u>\$ (4,725)</u>	<u>\$(10,165)</u>	<u>\$(23,266)</u>	<u>\$(19,031)</u>
Loss from Discontinued Operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,500)</u>
Net Loss	<u>\$ (4,725)</u>	<u>\$(10,165)</u>	<u>\$(23,266)</u>	<u>\$(34,531)</u>
Loss Per Share —				
Continuing	<u>\$ (.21)</u>	<u>\$ (.40)</u>	<u>\$ (.77)</u>	<u>\$ (.62)</u>
Discontinued	<u>—</u>	<u>—</u>	<u>—</u>	<u>(.51)</u>
Total	<u>\$ (.21)</u>	<u>\$ (.40)</u>	<u>\$ (.77)</u>	<u>\$ (1.13)</u>
1984				
Revenues	<u>\$276,309</u>	<u>\$293,623</u>	<u>\$313,321</u>	<u>\$326,637</u>
Income (Loss) from Continuing Operations.....	<u>\$ (3,047)</u>	<u>\$ 2,384</u>	<u>\$ 16,507</u>	<u>\$ 28,361</u>
Loss from Discontinued Operations	<u>(3,949)</u>	<u>(1,690)</u>	<u>(6,903)</u>	<u>(120,603)</u>
Income (Loss) Before Extraordinary Item	<u>(6,996)</u>	<u>694</u>	<u>9,604</u>	<u>(92,242)</u>
Extraordinary Item	<u>—</u>	<u>—</u>	<u>3,100</u>	<u>(3,100)</u>
Net Income (Loss).....	<u>\$ (6,996)</u>	<u>\$ 694</u>	<u>\$ 12,704</u>	<u>\$(95,342)</u>
Income (Loss) Per Share —				
Continuing	<u>\$ (.15)</u>	<u>\$.11</u>	<u>\$.78</u>	<u>\$ 1.32</u>
Discontinued	<u>(.19)</u>	<u>(.08)</u>	<u>(.33)</u>	<u>(5.61)</u>
Extraordinary Item	<u>(.34)</u>	<u>.03</u>	<u>.45</u>	<u>(4.29)</u>
Total	<u>\$ (.34)</u>	<u>\$.03</u>	<u>\$.60</u>	<u>\$ (4.43)</u>

Continuing Operations

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

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 carry-forwards. The fourth quarter of 1984 includes pretax gains of \$3,300,000 from the sale of DC-8 aircraft.

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

The first, second and third quarters of 1986 includes losses on yen-denominated debt of \$13,200,000, \$10,000,000 and \$7,000,000, respectively. The fourth quarter of 1986 includes \$2,700,000 million gain on yen-denominated debt.

Discontinued Operations

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

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

Item 9. Disagreements on Accounting and Financial Disclosure.

A report of Form 8-K was filed with the SEC on April 11, 1986 covering a change in Tiger's certifying accountant. The change was not a result of a disagreement with such certifying accountant.

Part III

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

Part IV

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

(a) Financial Statement Schedules and Exhibits Filed

<u>Financial Statement Schedules</u>	<u>Page</u>
Reports of Certified Public Accountants on Financial Statements Schedules.....	66
Schedule III — Condensed Parent Company Financial Data	68
Schedule V — Property and Equipment.....	71
Schedule VI — Accumulated Depreciation and Amortization of Property and Equipment	72
Schedule VIII — Valuation and Qualifying Accounts and Reserves	73

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

Exhibit
Number

Description of Exhibit

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

Exhibit
Number

Description of Exhibit

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

**Exhibit
Number**

Description of Exhibit

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

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

* This document, which was filed with the Securities & Exchange Commission as an exhibit to Tiger International's Annual Report on Form 10K for the year ended December 31, 1985, is hereby incorporated by reference.

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

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger International during the last quarter of the fiscal year ended December 31, 1986.

* This document, which was filed with the Securities & Exchange Commission as an exhibit to Tiger International's Annual Report on Form 10K for the year ended December 31, 1985, is hereby incorporated by reference.

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

The Board of Directors and Stockholders
of Tiger International, Inc.

In connection with our examination of the consolidated financial statements of Tiger International, Inc. and subsidiaries at December 31, 1986 and for the year then ended, we have also examined the consolidated schedules included in this Form 10-K as listed in Item 14(a).

In our opinion, the consolidated schedules mentioned above present fairly the information required to be stated therein.

ARTHUR YOUNG & COMPANY

Los Angeles, California
March 26, 1987

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

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

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

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

TIGER INTERNATIONAL, INC.
SCHEDULE III — CONDENSED PARENT COMPANY FINANCIAL DATA
CONDENSED STATEMENT OF OPERATIONS AND STATEMENT OF
CHANGES IN FINANCIAL POSITION

	For the Years Ended December 31		
	1986	1985	1984
	(In thousands)		
Condensed Statement of Operations:			
Revenues	\$ 779	\$ 988	\$ 840
Costs and expenses	29,515	17,606	15,009
Deferred income tax provision (benefit), net	(1,191)	(1,667)	3,387
	<u>28,324</u>	<u>15,939</u>	<u>18,396</u>
Loss before equity in earnings (losses) of subsidiaries	(27,545)	(14,951)	(17,556)
Equity in earnings (losses) of consolidated subsidiaries	(17,518)	(42,236)	61,761
Income (loss) from continuing operations	(45,063)	(57,187)	44,205
Losses and provision for losses on disposal of discontinued subsidiaries	—	(15,500)	(133,145)
Net loss	<u>\$ (45,063)</u>	<u>\$ (72,687)</u>	<u>\$ (88,940)</u>
Condensed Statement of Changes in Financial Position:			
Source of Funds			
Net loss	\$ (45,063)	\$ (72,687)	\$ (88,940)
Equity in (earnings) losses of consolidated subsidiaries	17,518	42,236	(61,761)
Other, net	<u>13,351</u>	<u>2,052</u>	<u>695</u>
Funds used by continuing operations	(14,194)	(28,399)	(150,006)
Equity of discontinued subsidiaries	—	15,500	(3,906)
Funds used by Parent Company operations	(14,194)	(12,899)	(153,912)
Refinancing of Note Payable to North American Car	—	96,911	—
Dividends and return of capital from subsidiary	11,974	—	—
Proceeds from issuance of stock and debt	<u>6,516</u>	<u>67,896</u>	<u>6,516</u>
Funds Provided (Used)	<u>4,296</u>	<u>151,908</u>	<u>(147,396)</u>
Application of Funds			
Increase (decrease) in investments, notes, advances or other	<u>4,298</u>	<u>(124)</u>	<u>(2,481)</u>
Funds Applied	4,298	(124)	(2,481)
Net increase (decrease) in working capital	<u>\$ (2)</u>	<u>\$ 152,032</u>	<u>\$ (144,915)</u>

See accompanying notes to condensed parent company financial data.

TIGER INTERNATIONAL, INC.
CONDENSED BALANCE SHEET

A S S E T S

	December 31	
	1986	1985
	(In thousands)	
Cash.....	\$ 8,695	\$ 9,223
Other current assets.....	91	176
	<u>8,786</u>	<u>9,399</u>
Investments in subsidiaries:		
The Flying Tiger Line Inc.	197,816	216,267
Warren Transport, Inc.	18,830	29,871
	<u>216,646</u>	<u>246,138</u>
Property and equipment, net.....	318	938
Investments and other.....	2,353	1,875
	<u>\$228,103</u>	<u>\$258,350</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities.....	\$ 4,510	\$ 5,121
Long-term obligations:		
Debentures(1).....	63,385	61,305
Note Payable to North American.....	118,921	107,245
	<u>182,306</u>	<u>168,550</u>
Net payables to subsidiaries:		
The Flying Tiger Line Inc.	74,946	74,855
Warren Transport, Inc.	(863)	2,974
	<u>74,083</u>	<u>77,829</u>
Deferred credits and other.....	8,343	9,442
Stockholders' equity(2).....	(41,139)	(2,592)
	<u>\$228,103</u>	<u>\$258,350</u>

(1) Includes \$837,000 of New 11½% Debentures and \$1,064,000 of Old 11½% Debentures held by Flying Tigers at December 31, 1986 and 1985.

(2) Includes Common Stock at a cost of \$2,021,000 and \$1,870,000 at December 31, 1986 and 1985 held by Flying Tigers.

See accompanying notes to condensed parent company financial data.

TIGER INTERNATIONAL, INC.

Notes to Condensed Parent Company Financial Data

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

At December 31, 1986, Warren Transport is free from restrictions limiting dividends and advances to Tiger International. In connection with the debt restructuring agreements, The Flying Tiger Line Inc. is prohibited from advancing funds to Tiger International, Inc. See "Note 4 — Long-Term Debt" and "Note 11 — Subsequent Events" of "Notes to Consolidated Financial Statements."

Cash Dividends Paid to Parent From Consolidated Subsidiaries

During the year ended December 31, 1986, Tiger International received \$12.0 million in dividends and return of capital from Warren Transport. Tiger did not receive dividends from any other subsidiary in 1986. During the years ended December 31, 1985 and 1984, Tiger International did not receive any dividends from its subsidiaries.

Parent Company Debt

Included in parent company long-term obligations is \$14.1 million of 11½% Debentures due October 1995 and \$20.8 million of 11½% Debentures due April 1995 issued in connection with the acquisition of Seaboard World Airlines. Tiger's investment in Seaboard World Airlines was contributed to The Flying Tiger Line Inc. in October 1980. For further information on the parent company long-term debt, see "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements."

New Tax Sharing Agreement

Subject to the obtaining of any required lenders' consents, Tiger International and Flying Tigers entered into a new tax sharing agreement ("New Tax Sharing Agreement") to replace an existing tax allocation agreement. In addition, Flying Tigers agreed to settle any past obligation of Tiger International to Flying Tigers with respect to the tax allocation agreement and to settle certain intercompany notes.

The settlement of the tax allocation agreement and certain intercompany notes will be accomplished by the payment by Tiger International to Flying Tigers of \$74,946,000 of Tiger International's notes ("New Tiger Notes"). Subsequent to the completion of the proposed refinancing and the termination of the Flying Tigers' Restructuring Agreements, it is contemplated that Flying Tigers will declare a dividend to its stockholders of the New Tiger Notes. Upon payment of the New Tiger Notes dividend, Tiger International and Flying Tigers will have no further obligation to each other under the tax allocation agreement or the intercompany notes.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE V — PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1986

	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other(1)	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$ 916,360	\$ 9,245	\$108,603	\$ (3,825)	\$ 813,177
Equipment used in trucking operations.....	54,583	1,425	8,294	(41,061)	6,653
	970,943	10,670	116,897	(44,886)	819,830
Buildings and leasehold improvements.....	88,690	5,399	2,831	(37,307)	53,951
Terminal facilities and other.....	81,715	2,778	5,073	(5,919)	73,501
Construction in process.....	28,884	29,767	56,070	—	2,581
	<u>\$1,170,232</u>	<u>\$48,614</u>	<u>\$180,871</u>	<u>\$ (88,112)</u>	<u>\$ 949,863</u>
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$ 813,177	\$17,230	\$ 19,201	\$ 1,678	\$ 812,884
Equipment used in trucking operations.....	6,653	394	37	171	7,181
	819,830	17,624	19,238	1,849	820,065
Buildings and leasehold improvements.....	53,951	2,234	6,024	2	50,163
Terminal facilities and other.....	73,501	3,499	1,406	4	75,598
Equipment acquisitions in process.....	2,581	3,931	3,944	(10)	2,558
	<u>\$ 949,863</u>	<u>\$27,288</u>	<u>\$ 30,612</u>	<u>\$ 1,845</u>	<u>\$ 948,384</u>
Year Ended December 31, 1986					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$ 812,884	\$ 4,012	\$ 3,583	\$ 585	\$ 813,898
Equipment used in trucking operations.....	7,181	1,142	74	71	8,320
	820,065	5,154	3,657	656	822,218
Buildings and leasehold improvements.....	50,163	2,403	697	—	51,869
Terminal facilities and other.....	75,598	3,911	1,059	(531)	77,919
Equipment acquisitions in process.....	2,558	(1,456)	305	—	797
	<u>\$ 948,384</u>	<u>\$10,012</u>	<u>\$ 5,718</u>	<u>\$ 125</u>	<u>\$ 952,803</u>

(1) Includes \$88 million related to discontinued operations for 1984.

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

For the Three Years Ended December 31, 1986

	Balance at Beginning of Period	Additions	Retirements or Sales (In thousands)	Transfers, Adjustments and Other(1)	Balance at End of Period
Year Ended December 31, 1984					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$309,541	\$ 53,900	\$ 78,405	\$ 4,011	\$289,047
Equipment used in trucking operations.....	27,248	7,577	2,474	(29,484)	2,867
	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>
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$289,047	\$ 47,940	\$ 19,084	\$ (2,394)	\$315,509
Equipment used in trucking operations.....	2,867	592	4	—	3,455
	291,914	48,532	19,088	(2,394)	318,964
Buildings and leasehold improvements	19,891	2,795	1,914	—	20,772
Terminal facilities and other	41,376	5,489	974	(5)	45,886
	<u>\$353,181</u>	<u>\$ 56,816</u>	<u>\$ 21,976</u>	<u>\$ (2,399)</u>	<u>\$385,622</u>
Year Ended December 31, 1986					
Equipment used in operations:					
Equipment used in air cargo operations.....	\$315,509	\$ 49,253	\$ 3,314	\$ 14,085	\$375,533
Equipment used in trucking operations.....	3,455	481	—	—	3,936
	318,964	49,734	3,314	14,085	379,469
Buildings and leasehold improvements	20,772	2,564	646	—	22,690
Terminal facilities and other	45,886	5,352	795	(167)	50,276
	<u>\$385,622</u>	<u>\$ 57,650</u>	<u>\$ 4,755</u>	<u>\$ 13,918</u>	<u>\$452,435</u>

(1) Includes \$39 million related to discontinued operations for 1984.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Three Years Ended December 31, 1986

	<u>Allowance for Doubtful Accounts and Revenue Adjustments</u>	<u>Inventories Allowance</u> <small>(In thousands)</small>	<u>Aircraft Overhaul Reserves</u>
Balance at December 31, 1983.....	\$ 9,891	\$ 4,943	\$ 48,693
Additions (deductions) —			
Provisions charged to costs and expenses.....	31,205	2,235	43,836
Amounts charged to reserve.....	(28,819)	—	(39,328)
Transfers to discontinued operations.....	(325)	—	—
Other	—	—	(4,588)(1)
Balance at December 31, 1984.....	<u>11,952</u>	<u>7,178</u>	<u>48,613</u>
Additions (deductions) —			
Provisions charged to costs and expenses.....	32,166	686	57,157
Amounts charged to reserve.....	(27,206)	(2,028)	(58,300)
Other	—	—	1,678
Balance at December 31, 1985.....	<u>16,912</u>	<u>5,836</u>	<u>49,148</u>
Additions (deductions) —			
Provisions charged to costs and expenses.....	27,757	858	73,876
Amounts charged to reserve.....	(30,382)	(498)	(60,011)
Balance at December 31, 1986.....	<u>\$ 14,287</u>	<u>\$ 6,196</u>	<u>\$ 63,013(2)</u>

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

(2) Includes \$46,013,000 classified in accumulated depreciation and \$17,000,000 classified as other deferred credits.

SIGNATURES

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

TIGER INTERNATIONAL, INC.
(Registrant)

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

Date: March 26, 1987

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
STEPHEN M. WOLF Stephen M. Wolf	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 26, 1987
LARRY G. MORRIS Larry G. Morris	Senior Vice President — Chief Financial Officer (Principal Financial Officer)	March 26, 1987
JOSEPH K. McDONNELL Joseph K. McDonnell	Vice President — Controller and Treasurer (Principal Accounting Officer)	March 26, 1987
KELLY H. BURKE Kelly H. Burke	Director	March 26, 1987
GERALD R. FORD Gerald R. Ford	Director	March 26, 1987
LOWELL C. FREIBERG Lowell C. Freiberg	Director	March 26, 1987
CHARLES LUCKMAN Charles Luckman	Director	March 26, 1987
CHARLES T. MANATT Charles T. Manatt	Director	March 26, 1987

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>WILLIAM E. McKENNA</u> William E. McKenna	Director	March 26, 1987
<u>STEPHEN M. PECK</u> Stephen M. Peck	Director	March 26, 1987
<u>William F. Schmeid</u>	Director	March , 1987
<u>SAUL P. STEINBERG</u> Saul P. Steinberg	Director	March 26, 1987
<u>RALPH STRANGIS</u> Ralph Strangis	Director	March 26, 1987

Officers

Tiger International, Inc.

Stephen M. Wolf	Chairman of the Board, President and Chief Executive Officer
Robert J. Harter, Jr.	Senior Vice President – General Counsel and Secretary
Larry G. Morris	Senior Vice President – Chief Financial Officer
Joseph K. McDonnell	Vice President – Controller and Treasurer

The Flying Tiger Line Inc.

Stephen M. Wolf	Chairman of the Board, President and Chief Executive Officer
James A. Cronin	Senior Vice President – Marketing
Ronald D. Marasco	Senior Vice President – Operations
Larry G. Morris	Senior Vice President – Chief Financial Officer
Lawrence M. Nagin	Senior Vice President – Administration and General Counsel, Secretary
Paul A. Stokes	Senior Vice President – Pacific Division
Edwin H. Wallace	Senior Vice President – International Sales and Service
Thomas H. Barron	Vice President – Finance
Larry D. Goodwin	Vice President – Market Planning
Jack T. Kane	Vice President – Sales
Roy A. King	Vice President – Atlantic Division
Cyril D. Murphy	Vice President – International and Governmental Affairs
Donald E. Pritchett	Vice President – Flight Operations
Charles W. Thomson	Vice President – Human Resources

Warren Transport, Inc.

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

Directors

Tiger International, Inc.

The Flying Tiger Line Inc.

Stephen M. Wolf	Chairman of the Board, President and Chief Executive Officer – Tiger International, Inc. and The Flying Tiger Line Inc.
Lt. General (Ret.) Kelly H. Burke	Chairman of the Board – Stafford, Burke and Hecker (Aerospace Consulting Firm)
The Honorable Gerald R. Ford	Former President of the United States of America
Lowell C. Freiberg	Senior Vice President, Treasurer and Chief Financial Officer – Reliance Group Holdings, Inc. (Holding Company)
Charles Luckman	Founder – The Luckman Management Company (Architects)
Charles T. Manatt	Manatt, Phelps, Rothenberg & Phillips (Law Firm)
William E. McKenna	General Partner – McKenna Equities (Private Investment Company)
Stephen M. Peck	Senior Vice President and Chief Investment Officer – Reliance Group Holdings, Inc. (Holding Company)
William F. Schmied	President and Chief Operating Officer – The Singer Company (Diversified Manufacturing Company)
Saul P. Steinberg	Chairman of the Board and Chief Executive Officer – Reliance Group Holdings, Inc. and Reliance Group, Incorporated (Holding Companies)
Ralph Strangis	Founding Member – Kaplan, Strangis & Kaplan (Law Firm)

Tiger International, Inc.
7401 World Way West
Los Angeles, CA 90009



Financial Summary

For the year ended December 31,

(Amounts in thousands, except per share data)

	1987	1986
Revenues	\$1,231,896	\$1,110,948
Income (loss) from continuing operations	58,679	(45,063)
Loss from discontinued operations	(9,100)	—
Income (loss) before extraordinary credit	49,579	(45,063)
Extraordinary tax credit	8,200	—
Net Income (Loss)	\$ 57,779	\$ (45,063)
Income (loss) Per Share		
Continuing operations	\$ 1.61	\$ (1.45)
Discontinued operations	(.28)	—
	1.33	(1.45)
Extraordinary tax credit	.22	—
Net Income (Loss) Per Share	\$ 1.55	\$ (1.45)
Assets	\$ 995,812	\$ 883,457
Stockholders' equity	\$ 20,086	\$ (43,160)
Book value per common share	\$.63	\$ (1.37)

As a result of the record performance of The Flying Tiger Line, 1987 was an outstanding year for Tiger International. Record financial results in 1987 were highlighted by significant revenue growth and strong operating margins. Income from continuing operations was \$58,679,000, an increase of \$103,742,000 from the prior year. Revenues were \$1,231,896,000, an 11 percent increase over 1986. We begin 1988 well positioned to build upon the strong financial and marketing base which we have established over the past year and a half.

Flying Tigers' Record Results

The Flying Tiger Line achieved a record pretax profit of \$106,610,000 in 1987 on record revenues of \$1,191,680,000. Operating income was \$153,219,000 in 1987, a 12.9 percent margin, compared to \$70,240,000 in 1986, a 6.5 percent margin. The airline's higher margins were a result of both increased revenues and our company-wide effort to reduce costs.

Significant volume increases in Flying Tigers' major geographic markets reflected the general resurgence of American manufacturing. Flying Tigers' U.S. export volume grew by more than 14 percent, due primarily to a more competitive dollar, lower U.S. manufacturing costs and the lowering of foreign trade barriers. At the same time, Flying Tigers' eastbound transpacific and northbound Latin American markets enjoyed strong volume growth. Combined with our export growth, this resulted in higher systemwide load factors. Our prospects for generating increased revenues from new and existing customers in 1988 are excellent.

The addition of six DC-8 and one B-747 jetfreighter aircraft in 1987 allowed us to add frequency and capacity to meet growing international customer requirements, and to employ cost effective DC-8 aircraft in the United States and on lower density international routes.

Our Military Airlift Command (MAC) operations, one of the fastest growing segments of Flying Tigers' business, produced increased revenues in 1987. The interiors of our two B-747 passenger aircraft were completely refur-



James A. Cronin, III

bished, significantly upgrading the quality of this MAC service. Flying Tigers is the largest MAC contract air carrier for both freight and passengers.

Employee Partnership Program

The successful introduction of a long-range marketing strategy, the refinancing of Flying Tigers' debt and the Employee Partnership Program all contributed to these record profits and revenues at Flying Tigers.

Our success last year was a direct reflection of the commitment and concerted efforts of our 6,500 employees worldwide. Based on our 1987 financial results we distributed \$16.5 million to employees participating in the Employee Partnership Program.

Building on the Existing Base

We will continue to emphasize the delivery of superior service to our customers. Our marketing plan is based on developing programs that build revenues and increase customer satisfaction through consistently superior freight shipping and handling and the focused expansion of our global network.

These programs include:

- Introducing product and service improvements, both domestically and internationally, to increase revenues from present customers and attract new business;
- Raising service quality and reliability to higher levels;
- Introducing service to new geographic markets to take full advantage of the rapid growth in global trade;
- Developing our Columbus, Ohio, hub as a major international distribution center to further integrate our international and domestic network;
- Continuing to make capital investments in equipment and facilities; and
- Introducing further automation and information systems support for freight handling and control activities.

Review of Operations

Air Freight Operating Information

	1987	1986	1985
Scheduled Freight Service Revenue (\$000)			
United States	142,985	155,601	212,929
Pacific	689,407	599,781	544,177
Atlantic	82,010	83,848	105,368
Latin America	50,409	45,409	63,988
Total	964,811	884,639	926,462

Sources of Operating Revenues (Percent)

Scheduled Freight Operations	81	82	83
Military Airlift Command	13	11	10
Charter	4	4	5
Other	2	3	2

Airfreight service is an expanding business worldwide. Flying Tigers operates the world's most comprehensive all-freight air system. In the past year we added significant new

capacity consisting of six DC-8-73 and one B-747 jet-freighter aircraft, which are now in service in the U.S. and internationally. We operate the largest fleet of Boeing 747 jetfreighter aircraft in the world—19 airplanes—and also employ 11 B-727 freighters in addition to six DC-8-73s.

Competition in the Airfreight Industry

Competition in the worldwide airfreight marketplace is intense and will undoubtedly bring about a changing "mix" of players over the next few years. We have defined a market niche which we can both defend and expand, enabling us to maintain a market share leadership position overall and to increase our share in selected market segments.

Our goal is to provide consistently reliable and cost-effective freight handling services to shippers worldwide—regardless of their capacity, timing and destination requirements.

The underlying strength of worldwide airfreight transportation is that it represents an essential and uniquely positioned economic element in the increasingly global marketplace. We forecast a positive outlook for the industry over the next five years, largely because of the inherent demand for rapid freight shipping and delivery services, and the technological and management improvements which have been introduced by carriers in the past decade.

International Distribution Center

With the recent inauguration of direct service from Europe to our hub facility, we are establishing an international distribution center in Columbus, Ohio. The Columbus center offers a full range of services at one location to international shippers, including brokerage services, Department of Agriculture inspection and U.S. Customs clearance. The airport in Columbus is also designated as a "foreign trade zone," which is expected to significantly expand the facility's import-export business in coming years.

This direct service is a true innovation in that, for the first time, we are integrating a global distribution system with a domestic network, using an "inland port" as an international distribution center. We believe that a commercial center with an airport exclusively dedicated to airfreight, such as Columbus, Ohio, is more efficient than the traditional gateway cities.

**Commitment to
Quality**

Flying Tigers' 6,500 employees are committed to meeting our customers' global shipping requirements. Our goal is to provide consistent, superior service by maintaining standards of performance which give us a distinct competitive edge in the marketplace.



**Transpacific
Capabilities**

Circle T-marked Flying Tigers' jet-freighters serve the Far East at Tokyo's bustling Narita Airport (shown). As the airline's major western Pacific base, the facility serviced 2,449 flight operations and handled 311,083,200 pounds of airfreight in 1987.

Customer Support

Major customers employ on-site Flying Tigers' custom Key Information Air Cargo (KIAC) computerized shipment tracking system. The KIAC system (in background) provides up-to-the-minute information on schedules, freight location, U.S. Customs and other vital data, covering the most extensive airfreight route system in the world.



Reliability

Columbus, Ohio, our principal U.S. hub, which handled 10,000 flight operations and more than 300 million pounds of freight in its second year of operation, integrates Flying Tigers' international and domestic system.

The Columbus facility is increasing the efficiency of our airfreight operations and enhancing the services available to our international and domestic customers, while reducing costs and transit times.

Strong Marketing Thrust

The development of the Columbus center, combined with new products and improvements in existing services, will have far-reaching implications for our global network and our expanding domestic system.

International service enhancements in the 1987-88 period include the deployment of a newly acquired B-747-200 in October 1987—the 19th 747 freighter in our fleet; increased flights eastbound from Asia to the United States; new Bangkok, Thailand service; new Asia-to-Europe service; a joint venture for Asia-Canada service; the commencement of DC-8 weekend service to Europe and Asia; the inauguration of mid-week service eastbound from Europe to Asia, a segment of our fourth around-the-world service in these markets and direct service from Frankfurt, West Germany via Prestwick, Scotland into our Columbus hub and on to the Far East.

Our domestic system now reaches more than 50,000 locations with first-day delivery. Domestic service improvements in the past year include several new domestic schedules: 727 service to San Diego, California and Phoenix, Arizona; direct air service to Nashville, Tennessee and Richmond, Virginia; and, new DC-8 service in the United States.

In the first quarter of 1988, we have added new service from Europe and the United States to Auckland, New Zealand, increased frequencies from the United States to Australia, Asia-to-the United States and Europe. New service to Sri Lanka will begin later this year. Domestically, new service was commenced to Portland, Oregon and Peoria, Illinois.

Hiring and Upgrading Opportunities

The airline has undertaken extensive pilot hiring, training and upgrading over the past year, as the result of adding six DC-8 and one B-747 jumbo freighter aircraft to the fleet. More than 200 new pilots have joined the company during this period, bringing to 850 the total number of pilots in the group. Approximately 550 newly hired, recalled and upgraded pilots have undergone training since the DC-8s entered service in January 1987. Addition of the DC-8 air-

craft has also expanded job opportunities for employees in the fields of maintenance, engineering and operations throughout Flying Tigers' worldwide system.

The DC-8 aircraft provides a medium load capability on both domestic and international routes to augment our long haul 747 aircraft and the shorter range 727 aircraft fleet. This flexibility improves customer service, increases scheduling flexibility and reliability and provides a better match-up of market demand and capacity.

Additional Asian Base Under Development

Flying Tigers has signed a letter of intent concerning the development of an international airfreight facility at the New Chitose Airport in Hokkaido, Japan. When operational in 1990, the facility will accommodate additional Flying Tigers' operations and provide greater flexibility for the airline's operations at Tokyo's Narita Airport.

Information Systems Support

A high priority area in 1987 was the expansion of information systems support of the airline's marketing, customer service, telecommunications and operations functions. Among major programs underway are:

- The installation of KIAC (Key Information Air Cargo) terminals at major customer locations, giving customers direct access to Flying Tigers' unique information system. KIAC provides immediate shipment, location, scheduling, customs and a variety of other current information relating to customers' shipping requirements.
- A new planning and control information system for management called MICA (Management Information of Core Activities) has been developed and was implemented in February 1988. MICA will support selected core activities in the strategic decision-making, planning, control and operations areas of our business.
- Electronic Data Interchange (EDI), which moves documents electronically, has been extended to major customers.

Leadership in International Regulatory Positions

Flying Tigers has been a leader over the years in international regulatory matters.

A new joint study by U.S. Departments of Transportation and State recently concluded that: (1) Future air-freight policy-making must be separated from passenger-dominated air transportation issues; and (2) Such policies must be based on thorough economic evaluations of future exchanges of freight rights between the United States and foreign countries, and not on the trading of airfreight rights to secure passenger opportunities.

Based on its own initiatives and experience and the conclusions of the new joint study, Flying Tigers supports a fairer and more comprehensive international regulatory policy for the airfreight industry.

IATA Ranks Flying Tigers Number One Again

Over the past year and one half we have aggressively implemented programs to build revenues, reduce costs and strengthen our financial structure. Our company began a significant revitalization effort in the fourth quarter of 1986. We are confident that this ongoing effort will substantially strengthen our company's leading position in the global air-freight marketplace, and are encouraged by IATA's recent ranking of Flying Tigers as the largest international air-freight company, in terms of "freight ton miles," for the seventh year in a row.

Warren Transport

Warren Transport, our specialized trucking subsidiary, is a leading hauler of agricultural machinery in the United States. Warren continues to be profitable and successful in the turbulent over-the-road shipping marketplace. Warren Transport's revenues in 1987 were \$40,216,000, compared with \$36,612,000 in 1986. Pretax profits for the full year 1987 were \$2,528,000 compared to \$2,124,000 in 1986, an increase of 19 percent. To remain competitive, Warren has expanded its handling of construction materials and other commodities and has continued to strengthen its relationships with independent owner-operators, who are a vital part of Warren's service.

Major Past Issues Resolved

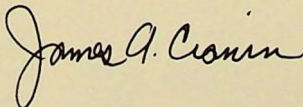
Based upon developments in current settlement negotiations, we can now reasonably estimate 1987 charges for the resolution of two litigation matters involving discontinued operations: one regarding transactions between the company and North American Car Corporation and a second involving Hall's Motor Transit Company and its multi-employer pension plans. Documentation of these settlements is expected to occur in the first quarter of 1988. Conclusion of the settlements will require certain court approvals and the satisfaction of other customary conditions.

In January 1988, we obtained the right to prepay the holders of certain indebtedness which originated with North American Car, at a significant discount. In March 1988, the net proceeds of a \$100 million financing and internally generated funds were used to prepay this obligation and to reduce Tiger International's outstanding debt by approximately \$35,000,000.

In connection with these developments, Tiger International recorded a provision of \$9.1 million (after tax), or \$.28 per share, as a charge to discontinued operations.

The company's financial position and outlook have been strengthened with the settlement of these matters, enabling us to focus entirely on the growth of our major subsidiaries, The Flying Tiger Line and Warren Transport.

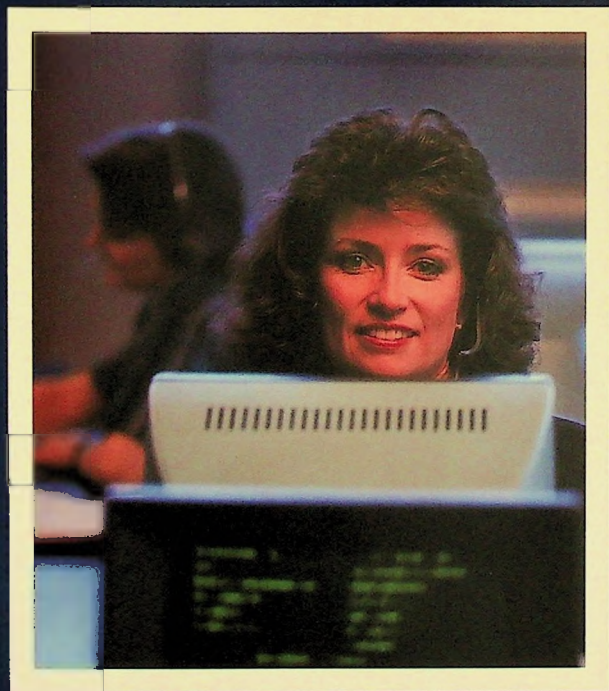
We thank our shareholders, customers and employees for their support in 1987. With Flying Tigers' improved market position, expanding geographic coverage and more competitive cost structure, we are enthusiastic about our ability to continue the progress we made in 1987.



James A. Cronin, III
President

Full Service

Flying Tigers' U.S. system, anchored by major facilities in Anchorage, Boston, Chicago, Los Angeles, Miami, New York and San Francisco, supports shipment of freight into and out of the world's largest single market — the United States. Our network serves 4,000 worldwide shipping points and 50,000 domestic U.S. locations on either next-day or deferred service basis.



Responsiveness

Superior customer service demands fast action and accurate responses to customers' requests. Flying Tigers' reputation for service depends on rapid employee response to complex customer shipping requirements. Information systems are designed to provide critical support to customer service, marketing, telecommunications, ground support and flight operations.

Officers

Tiger International

James A. Cronin, III
President

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

Larry G. Morris
Senior Vice President and Chief Financial Officer

Joseph K. McDonnell
Vice President, Contoller and Treasurer

Flying Tigers

James A. Cronin III
President and Chief Operating Officer

Ronald D. Marasco
Senior Vice President—Operations

Larry G. Morris
Senior Vice President and Chief Financial Officer

Lawrence M. Nagin
Senior Vice President—Administration,
General Counsel and Secretary

Paul A. Stokes
Senior Vice President—Pacific Division

Ned H. Wallace
Senior Vice President—International Sales and Service

Thomas H. Barron
Vice President—Finance

Michael P. Coffman
Vice President—Terminal Services

Frank L. Forster
Vice President—Maintenance and Engineering

Vance Fort
Vice President—International and Governmental Affairs

Jack T. Kane
Vice President—Sales

Roy A. King
Vice President—Atlantic Division

Cyril D. Murphy
Vice President—Market Planning

Donald E. Pritchett
Vice President—Flight Operations

Richard L. Smith
Vice President—Information Systems

Charles W. Thomson
Vice President—Human Resources

Warren Transport

Robert J. Molinaro
President and Chief Executive Officer

Harold C. Andrews
Senior Executive Vice President—Secretary and Treasurer

Kenneth R. Nelson
Executive Vice President—Director of Marketing

Howard E. Peterson
Executive Vice President—Controller

Richard L. Donnelly
Vice President—Director of Operations

Directors

Tiger International and Flying Tigers

James A. Cronin, III
President—Tiger International, Inc.
President and Chief Operating Officer—
The Flying Tiger Line Inc.

Lt. General (Ret.) Kelly H. Burke
Chairman of the Board—Stafford, Burke and Hecker
(Aerospace Consulting Firm)

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

Lowell C. Freiberg
Senior Vice President, Treasurer and Chief Financial
Officer—Reliance Group Holdings, Inc. (Holding
Company)

Charles T. Manatt
Founder and Senior Partner—Manatt, Phelps, Rothenberg
& Phillips (Law Firm)

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

Stephen M. Peck
Senior Vice President and Chief Investment Officer—
Reliance Group Holdings, Inc. (Holding Company)

William E. Schmied
Chairman of the Board and Chief Executive Officer—
The Singer Company (Diversified Manufacturing
Company)

Saul P. Steinberg
Chairman of the Board and Chief Executive Officer—
Reliance Group Holdings, Inc. and Reliance Group,
Incorporated (Holding Companies)

Ralph Strangis
Senior Partner—Strangis, Kaplan and Strangis (Law Firm)

Form 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1987 Commission file number 1-6457

Tiger International, Inc.

(Exact name of registrant as specified in its charter)

Delaware 95-2623176
*(State or other jurisdiction of incorporation (I.R.S. Employer Identification No.)
or organization)*

7401 World Way West, (213) 417-1081
Los Angeles, California 90009 *(Registrant's telephone number, including area code)*
(Address of principal executive offices)

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

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

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

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

On March 25, 1988, 26,310,649 shares of registrant's Common Stock, \$1 par value, were held by non-affiliates. It is estimated that as of March 25, 1988, the aggregate market value of such stock was \$371,637,917 based upon the average high and low sale prices on such date.

On March 25, 1988, 32,445,037 shares of Common Stock, \$1 par value, were outstanding.

Information called for by Part III is incorporated by reference from registrant's definitive proxy statement for registrant's 1988 annual meeting of stockholders, which meeting will involve the election of directors. The proxy statement will be filed with the Securities and Exchange Commission prior to April 30, 1988, pursuant to Regulation 14A.

Tiger International, Inc.

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ANNUAL REPORT ON FORM 10-K

Tiger International, Inc.
December 31, 1987

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** Incorporated by Reference from Registrant's Definitive Proxy Statement for Registrant's 1988 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 freight transportation and trucking businesses. Tiger International's principal executive offices are located at 7401 World Way West, Los Angeles, California 90009, and its telephone number is (213) 417-1081.

Tiger International's operating subsidiaries are The Flying Tiger Line Inc. ("Flying Tigers") and Warren Transport, Inc. ("Warren").

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

AIR FREIGHT OPERATIONS — FLYING TIGERS

Flying Tigers is a certificated air carrier primarily engaged in the common carriage of freight and mail over a worldwide route system integrating cities in the United States with Asia, Europe, the South Pacific, Latin America and the Middle East. Flying Tigers is the largest air freight carrier in the world as measured by freight revenue ton miles (one ton of revenue freight flown one mile) carried in 1986, based on statistics maintained by the International Air Transport Association ("IATA"), operates the largest fleet of B-747 freighter aircraft in the world and serves the largest scheduled worldwide route system of any all-freight air carrier.

Flying Tigers presently offers regularly scheduled service within the United States and throughout the world, as well as worldwide commercial charter service. Additionally, Flying Tigers provides both passenger and freight service to the Military Airlift Command ("MAC") and freight service to the United States Postal Service. Since 1975, MAC has granted Flying Tigers the largest annual contract of any air carrier to provide freight and passenger service to MAC. See "Item 1. Business — Air Freight Operations — Flying Tigers — Customers."

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

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

General

Flying Tigers transports freight primarily through its aircraft and trucking operations. Air freight service is provided by 19 B-747 aircraft, 6 DC-8-73 aircraft and 11 B-727 aircraft that are owned or leased and operated by Flying Tigers. In addition, Flying Tigers ships freight by other airlines pursuant to interline arrangements whereby Flying Tigers utilizes the belly and main cargo deck capacity of other scheduled airlines. Trucking services are provided by nonaffiliated trucking companies under contracts with Flying Tigers. Passenger service is provided to MAC primarily by two B-747 passenger aircraft leased and operated by Flying Tigers.

Airport-to-airport shipments by freight forwarders and brokers constitute the principal component of Flying Tigers' international operations. Flying Tigers' domestic operations are comprised of both door-to-door and airport-to-airport service. See "Item 1. Business — Air Freight Operations — Flying Tigers — Scheduled Operations." The principal door-to-door customers are direct shippers, and the principal airport-to-airport customers are freight forwarders and brokers. See "Item 1. Business — Air Freight Operations — Flying Tigers — Customers."

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

Scheduled Operations

As of March 25, 1988, Flying Tigers provided international scheduled air service for both freight and mail between cities in the United States and Asia, Europe, Latin America, the South Pacific and the Middle East.

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

As of March 25, 1988, Flying Tigers provided domestic scheduled air service for both freight and mail directly to airports in 36 United States cities and to San Juan, Puerto Rico.

Flying Tigers considers service to and from cities in the United States to be critical to its international operations. In an effort to enhance the integration of its domestic and international operations and to increase domestic revenues in 1987, Flying Tigers adjusted its flight schedules into and out of its central hub. Flying Tigers continually adjusts its operating and marketing emphasis on its international routes to improve the balance between inbound and outbound flights and to realign capacity to serve markets where the greatest demand for service exists. Flying Tigers intends to continue to utilize, to an increasing extent, trucking operators and interline arrangements to use the aircraft belly and main cargo deck capacity of other airlines in transporting freight both internationally and in the United States. However, Flying Tigers has decreased its usage of contract flying provided by other independent air carriers.

Flying Tigers is currently the largest United States air freight carrier serving the Asian market as measured by freight revenue ton miles. In recent years, the transpacific market has become increasingly significant to Flying Tigers' results of operations. The transpacific market accounted for \$544,177,000, \$599,781,000 and \$689,407,000 of Flying Tigers' revenues in 1985, 1986 and 1987, respectively. See "Item 1. Business — Air Freight Operations — Flying Tigers — Operating Information." In 1987, transpacific revenues increased 15%, reflecting an increase in revenue ton miles as demand increased both to and from that market. Transpacific revenues for the year ended December 31, 1986 increased by 10% from the transpacific revenues for 1985. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Flying Tigers expects that the transpacific market will continue to constitute its most significant business segment for the foreseeable future; however, there can be no assurance as to the level of future transpacific revenues, competition or results of operations. Flying Tigers intends to continue to devote a substantial portion of its resources to the transpacific market.

Flying Tigers expanded its route structure and improved directional balance in the transpacific market by launching B-747 scheduled service from the United States to Australia in 1983 and New Zealand in 1988. Flying Tigers offers charter service outbound from Australia and New Zealand to Asian markets. The integration of the South Pacific routes with previously existing transpacific routes enables Flying Tigers to generate additional revenue ton miles while positioning aircraft for the traditionally strong eastbound transpacific market. Further, in 1986, Flying Tigers expanded eastbound "around-the-world" scheduling whereby domestically originated freight is carried to the transatlantic market and the Middle East, European freight is carried to the Middle East and Asia and Asian freight is carried to the United States. In March 1987, consistent with Flying Tiger's marketing strategy to develop new markets, Flying Tigers added westbound "around-the-world" flights to service the growing Asia to Europe market while expanding capacity from Europe to the United

States. Flying Tigers is uniquely positioned to offer "around-the-world" freight service because it holds more authorizations to provide service to foreign countries than any other all-freight air carrier. Flying Tigers recently began offering airport-to-door service between Japan and the United States in addition to its traditional airport-to-airport service. Early in 1986, Flying Tigers began market testing an international airport-to-door service from Hong Kong to four major United States gateway cities. This service includes customs clearance in the United States and will be expanded to other international and domestic locations in 1988.

In October 1983, Flying Tigers established two European hubs, one located in London and the other in Frankfurt. Scheduled flights to France have been replaced by, and scheduled flights from Switzerland and Italy have been supplemented by, a high-speed trucking network connecting with the Frankfurt hub for international service.

Flying Tigers currently serves Latin America with scheduled service to and from cities in Brazil and Argentina. Latin American freight is well balanced between in-bound and out-bound destinations.

Comprehensive trade legislation is pending in Congress. If such legislation is enacted, import restrictions could be imposed on certain goods. Flying Tigers is unable to predict whether such trade legislation will be enacted or, if enacted, what effect such legislation would have on the business of Flying Tigers.

Flying Tigers' domestic door-to-door service is marketed directly to retail customers. In offering its domestic door-to-door service, Flying Tigers does not emphasize the express document segment of the domestic air freight market, but rather offers freight services to direct shippers of the type previously provided by the traditional freight forwarder. Flying Tigers is one of the few domestic air freight carriers that can transport freight shipments weighing in excess of 150 pounds. In its domestic operations, Flying Tigers currently offers both first-day and second-day delivery options and both guaranteed and nonguaranteed delivery times.

Flying Tigers has developed and has continued to expand its domestic trucking capabilities, which rely on nonaffiliated contract trucking services. Flying Tigers utilizes its trucking operations both to transport freight to and from airport terminal facilities and to transport freight from the shipper to the consignee. Flying Tigers operates an airfreight and trucking hub in Columbus, Ohio, which serves as Flying Tigers' principal domestic freight hub. The Columbus, Ohio air freight hub commenced operations in March 1986. In March 1987, the Columbus hub was designated part of a foreign trade zone by the Department of Commerce.

In 1985, 1986 and 1987, door-to-door service revenues represented 57%, 66% and 66% respectively, of all domestic scheduled service revenues. Although between 1983 and 1985 door-to-door revenues largely replaced the revenues lost in the declining airport-to-airport portion of Flying Tigers' domestic operations, overall domestic revenues did not increase significantly in such years. In 1986, total domestic revenues declined 27% from 1985 levels and in 1987 declined a further 8% from 1986 levels. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Military Airlift Command

The United States Air Force currently grants Flying Tigers the largest fixed MAC contract award of any air carrier. MAC contracts for both passenger and freight services are awarded annually on the basis of an airline's participation in the Civil Reserve Air Fleet ("CRAF"). Under CRAF, Flying Tigers has committed its entire B-747 aircraft fleet and its DC-8 aircraft fleet for use by the United States in certain national emergencies. If Flying Tigers' aircraft are requisitioned in such an emergency, Flying Tigers will be compensated by the United States for use of the aircraft.

Revenues from MAC charters were \$105,680,000 in 1985, \$113,528,000 in 1986 and \$155,841,000 in 1987. Flying Tigers was awarded MAC contracts, subject to expansion based upon

availability of aircraft, for the fiscal years commencing October 1984, 1985 and 1986 of \$60,833,000, \$74,377,000 and \$99,049,000, respectively. The increases in the fixed portion of the MAC contract reflect the fact that Flying Tigers' aircraft represented a greater portion of all aircraft committed to CRAF in that year. MAC changed to a calendar year basis effective January 1, 1988. Pending the final award for the fiscal year 1988, Flying Tigers is serving MAC on the basis of extension of the prior year's contract.

MAC contracts contain standard provisions that make them subject to renegotiation and to termination at the convenience of the United States.

Commercial Charters

Flying Tigers provides commercial freight charters throughout the world and thereby supplements the utilization of aircraft by the scheduled service markets. Total commercial charter operations generated revenues of \$56,132,000 in 1985, \$46,682,000 in 1986 and \$45,018,000 in 1987. Charter revenues in 1985 increased \$13,527,000 as compared to 1984. This increase reflects the increased availability of B-747 aircraft due to the decline in the demand for transpacific scheduled services. The decline in commercial charter revenues in 1986 compared to 1985 reflects a reduction of charters from the United States and Europe to the transpacific market and the reduction of one B-747 freighter aircraft from the fleet early in 1986. The decline in commercial charter revenues in 1987 reflects the lack of aircraft availability due to their use in the growing scheduled services and MAC markets. Charters to the transpacific market increased in 1987, allowing Flying Tigers to position aircraft for scheduled service return flights to the United States. However, charters from the United States to Japan are limited by the U.S.-Japan bilateral agreement. Charters to the transatlantic market have declined due to competition, demand and aircraft availability. In 1987, Flying Tigers received approval from the Department of Transportation ("DOT") for a joint venture previously approved by the General Administration of Civil Aviation of China ("CAAC"). This joint venture with CAAC provides for an exclusive worldwide agreement for B-747 charters into the Peoples Republic of China from points in the United States, Europe and Australia.

Operating Information

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

	For the Year Ended December 31,		
	1985	1986	1987
Revenues (000's)			
Scheduled Freight Operations			
Domestic	\$ 212,929	\$ 155,601	\$ 142,985
Transpacific	544,177	599,781	689,407
Transatlantic	105,368	83,848	82,010
Latin America	63,988	45,409	50,409
Total Scheduled Freight Operations	926,462	884,639	964,811
Commercial Charters	56,132	46,682	45,018
Military Airlift Command	105,680	113,528	155,841
Rentals, Service Sales and Other	20,748	29,487	26,010
Total Revenues	<u>\$1,109,022</u>	<u>\$1,074,336</u>	<u>\$1,191,680</u>
Scheduled Freight Capacity (000's) (available ton miles)			
Domestic	471,335	460,048	444,034
Transpacific	2,195,494	2,153,498	2,451,896
Transatlantic	458,390	409,116	407,453
Latin America	207,454	171,972	181,019
Total Scheduled Freight Services	<u>3,332,673</u>	<u>3,194,634</u>	<u>3,484,402</u>
Load Factor (percentages)			
Scheduled Freight Services	<u>67.9%</u>	<u>69.4%</u>	<u>73.0%</u>
Yield (revenue per revenue ton mile) (cents)			
Scheduled Freight Services	<u>41.0¢</u>	<u>39.9¢</u>	<u>38.0¢</u>
Revenue Per Pound (cents)			
Scheduled Freight Services	<u>98.1¢</u>	<u>105.1¢</u>	<u>105.3¢</u>

Customers

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

Flying Tigers' domestic freight customers are principally direct shippers. As a result of the 1978 deregulation of the domestic air freight business, Flying Tigers lost a significant amount of its traditional airport-to-airport business between 1982 and 1986 as certain of its former customers — freight forwarders, brokers and cargo agents such as UPS, Burlington Air-Express, Emery, Airborne and CF Airfreight — purchased or leased aircraft for use directly in their operations. Declining airport-to-airport revenues had been supplemented by revenues from door-to-door service provided directly to shippers, and overall domestic revenues generally increased between 1982 and 1985. However, in 1986 and 1987 domestic revenues declined 27% and 8%, respectively. See "Item 1. Business — Air Freight Operations — Flying Tigers — Scheduled Operations" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." The customer base for the domestic door-to-door service is principally comprised of medium-sized and large national accounts. Flying Tigers does not emphasize the express document segment of the market, but rather offers freight services to the direct shipper of the type previously provided by the traditional freight forwarder. Flying Tigers is one of the few domestic air freight carriers that can transport freight shipments in excess of 150 pounds.

Approximately 13% of Flying Tigers' business in 1985, 14% in 1986, and 16% in 1987, respectively, was attributable to two agencies of the United States Government: MAC and the United States Postal Service. No other customer constituted 10% or more of Flying Tigers' total revenues. MAC charter rates are determined by MAC based upon average costs for participating carriers. Prior to January 1, 1985, international and domestic service mail rates were established by the Civil Aeronautics Board ("CAB"). The Airline Deregulation Act of 1978 provided for the dissolution of the CAB on January 1, 1985; however, its remaining functions were transferred to and continued by the DOT. Since January 1, 1985, international mail rates have been established by the DOT. Domestic service rates are determined by a negotiating and bidding process with the United States Postal Service.

Fuel Costs

The cost of Flying Tigers' air freight operations is significantly influenced by the price of aviation fuel, which is a significant component of Flying Tigers' total operating costs. Currently, every \$.01 change in the price-per-gallon of fuel changes annual expenses by approximately \$3,200,000. The average cost-per-gallon of fuel dropped from \$.85 in 1985 to \$.60 in 1986 and \$.58 in 1987. Significant fuel price decreases were being realized throughout most of 1986 and early 1987. However, prices began to increase in the second half of 1987. No assurance can be given that fuel prices will maintain current levels or decline, or will not increase in the future. Moreover, the decrease in fuel prices is an industry-wide savings that benefits Flying Tigers' competitors as well. Accordingly, lower fuel prices may result in increased price competition. In addition, Flying Tigers may be unable to increase its prices in response to increases in fuel prices. The effect of changing crude oil prices on the price of aviation fuel is not experienced immediately, but rather only after the time necessary for refining and marketing. Flying Tigers has fuel supply contracts, most of which are one year in duration and provide for sales of fuel at market prices prevailing at the date of sale. Flying Tigers' fuel supply contracts provide for an amount of fuel currently estimated to be adequate for its anticipated needs. However, such contracts do not provide protection against price increases.

Domestic Regulation of Air Transport Industry

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

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

International Route Authorizations and Rates

Certificates of Public Convenience and Necessity previously issued by the CAB pursuant to Section 401 of the Federal Aviation Act (and issued by DOT since January 1, 1985) authorize Flying Tigers to operate its Asian, South Pacific, European and Middle Eastern routes. Flying Tigers holds exemption authority, which must be renewed periodically, issued pursuant to Section 416 of the Federal Aviation Act to operate its all-freight services to Brazil, Argentina, New Zealand and Canada. Subject to the foregoing and with the exception of Japan, Flying Tigers holds permanent certificate authority from the United States for all other international points it now serves. Flying Tigers' authority to serve Japan, first granted in 1968, was issued on a temporary basis and must be renewed periodically. In March 1988, Flying Tiger's authority to serve Japan was renewed for an additional five years. Flying Tigers will continue in the future to make timely application for all renewals and has no reason to believe that such renewals will not be granted.

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

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

Environmental Regulations

Flying Tigers must comply with the Aviation Safety and Noise Abatement Act enacted in 1980 and with engine emissions regulations promulgated under the Clean Air Act of 1970. Certain of the airports at which Flying Tigers operates have adopted noise abatement regulations which to date have not had a significant impact on Flying Tigers' overall operations.

Other Regulations

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

Competition

The air freight industry is highly competitive. Competition is based on a combination of factors, primarily price and such service-sensitive factors as the frequency and capacity of scheduled service, geographic coverage and reliability. Flying Tigers currently holds certificates of authority to serve

more foreign countries than any other United States air freight carrier. Flying Tigers' extensive scheduled international route structure enables it to offer single-carrier service to many international points not offered by its principal domestic all-freight competitors. With respect to international inbound and outbound air freight service, Flying Tigers' scheduled service to and from cities in the United States combined with its domestic air freight and trucking coverage enables it to offer shippers of international freight more extensive single-carrier service to a greater number of United States cities than most of its international competitors. However, in the international air freight market, many of Flying Tigers' competitors are government-owned, controlled or subsidized. As a result, such competitors may have greater resources, lower costs, less profit sensitivity and more favorable operating conditions in particular markets than Flying Tigers. In addition, many of Flying Tigers' foreign competitors have lower labor costs than Flying Tigers.

The transportation of international freight is generally governed by bilateral agreements between United States and the governments of the foreign countries. Such bilateral agreements regulate, among other things, competition. Competition has increased on routes between the United States and certain European and Asian countries because of the United States Government's "open skies" policies, which provided greater access to the United States market for foreign carriers based in countries that grant United States carriers reciprocal rights. Transatlantic competition is particularly intense, which has adversely affected revenues in that market. Flying Tigers has decided to reallocate some of its capacity from transatlantic to other international markets and to offer additional services, such as "around-the-world" flying from Europe to the Middle East and Asia, to improve its market position in the transatlantic market and to achieve a better balance of freight movement between markets. In certain other foreign countries, such as Japan, the right of such countries' air carriers to provide service into the United States and the right of a United States air carrier to service points in such foreign countries is controlled by bilateral agreements between the United States and such foreign countries. Accordingly, competition may be lessened in such foreign countries.

In May 1985, Nippon Cargo Airlines ("NCA"), a new Japanese all-cargo airline, initiated transpacific operations between Tokyo and San Francisco and New York. A majority of NCA is owned by Japanese steamship companies and air freight forwarders. NCA's fleet consists of four B-747 aircraft. NCA currently is operating nine scheduled roundtrip all-freight flights per week. NCA is permitted to fly only to San Francisco and New York. NCA's current scheduled service to the United States represents 12% of the total freight capacity provided by scheduled all-freight carriers transporting freight between Japan and the United States.

Pursuant to a memorandum of understanding between the governments of the United States and Japan, two additional U.S. carriers each were granted rights to one daily flight between the United States and Japan and will carry freight in the bellies of aircraft on such flights, and the DOT was authorized to select a United States carrier to commence small package service to Japan. Federal Express Corp. was selected for this service. Flying Tigers expects that in the future it will be subject to additional transpacific competition from both Japanese and United States air carriers.

Flying Tigers' major transpacific competitors are Japan Air Lines, Northwest Airlines, China Airlines, NCA, Singapore Airlines, Korean Air, United Airlines, Qantas Airways and Air New Zealand. Flying Tigers' major transatlantic competitors are Air France, Alitalia, British Airways, Cargolux, Emery Air Freight, Federal Express, KLM-Royal Dutch Airlines, Lufthansa, PanAm, Sabena, Scandinavian Airlines, Swissair and Trans World Airlines. In Latin America, Flying Tigers' major competitors are Varig, PanAm and Aerolineas Argentinas.

The Airline Deregulation Act of 1978 has promoted domestic competition by enabling carriers to enter and depart air freight routes with greater freedom, reducing the authority of the United States Government to control fares and enhancing the ability of persons not already engaged in aviation to commence operations without United States Government approval. Domestically, a number of airlines as well as freight transportation and forwarding companies, some of which were previously significant customers of Flying Tigers, have commenced or expanded operations in the air freight

market since deregulation, greatly increasing competition in that market. See "Item 1. Business — Air Freight Operations — Flying Tigers — Scheduled Operations."

In its domestic door-to-door delivery market, Flying Tigers competes primarily with Emery, UPS, Burlington Air-Express, CF Airfreight, Airborne and Federal Express. In the domestic airport-to-airport market, Flying Tigers competes with most of the major passenger air carriers, which transport freight not requiring main cargo deck capabilities in the bellies of their passenger aircraft.

Employee Relations

On March 1, 1988, Flying Tigers employed 6,445 persons, of which 5,684 were full-time employees and 761 were part-time employees; 731 of the employees were employed 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 passenger airline industry rather than to the nonunion environment of the air freight industry. In addition, certain of Flying Tigers' contracts with labor unions contain provisions necessary to comply with the labor laws of the various foreign countries in which Flying Tigers operates. Flying Tigers' labor contracts are for varying terms, generally thirty-six to forty-two months.

Flying Tigers' labor contracts are with the Air Line Pilots Association, International ("ALPA"), the International Association of Machinists AFL/CIO ("IAM") and the International Brotherhood of Teamsters ("IBT"), which represents flight attendants and ground school instructors. In November and December 1986, Flying Tigers entered into a memorandum of understanding with pilots represented by ALPA and letter agreements with employees represented by IAM and IBT, respectively, providing for wage concessions, work rule changes and other cost reduction measures. These agreements cover approximately 50% of Flying Tigers' employees, and with the exception of the ALPA agreement, which did not require ratification, were ratified by the respective members. These agreements will provide Flying Tigers with increases in productivity and reductions in labor costs of approximately \$58,000,000 annually through May 1990, based upon 1986 labor costs. In addition, in December 1986, Flying Tigers implemented certain wage and other reductions with respect to its nonunionized staff and eliminated approximately 124 management and sales positions resulting in additional cost savings.

To encourage the efforts of its employees by creating an ownership stake in Flying Tigers and to compensate participating employee groups for wage and other concessions and work rule changes that have been or will be made, Flying Tigers agreed to implement a program comprised of two basic components, an equity component and a profit sharing component. The equity component consists of the issuance of a master warrant to a trustee for the benefit of eligible participants representing 1,818,950 warrants exercisable into equivalent number of shares of Flying Tigers' common stock at an exercise price of \$1.00 per share during the period commencing on December 1, 1989 and ending May 31, 1990 ("Warrant"). However, Flying Tigers may exercise limited rights of redemption or substitution prior to such date. In the event there is no active market for the common stock of Flying Tigers, Tiger International may be required, under an agreement with Flying Tigers, to issue substitute warrants to purchase 1.8 million shares of Tiger International Common Stock or issue 1.8 million shares of Tiger International Common Stock. The profit sharing component consists of an agreement to pay eligible participants 15% of Flying Tigers' income (as defined in the agreement) in excess of \$10,000,000 for each of the years ending on December 31, 1987, 1988 and 1989 and in excess of \$4,166,000 for the five months ending on May 31, 1990. For the year ended December 31, 1987, Flying Tigers paid, in March 1988, \$16,516,000 under the terms of the profit sharing plan. In addition, Flying Tigers has agreed in principle to permit all employees participating in the Employee Partnership Program, collectively, to designate one member of Flying Tigers' Board of Directors.

Liquidity of Flying Tigers

With its cash and short-term investments of \$248,014,000 at December 31, 1987, Flying Tigers anticipates no liquidity problems in 1988. Nonetheless, Flying Tigers is subject to a high degree of

financial leverage. Flying Tigers' long-term indebtedness and capitalized lease obligations as of December 31, 1986 and December 31, 1987 aggregated approximately \$471,813,000 and \$473,199,000, respectively. Net stockholders' equity was \$124,842,000 and \$206,552,000 at December 31, 1986 and December 31, 1987, respectively. In April 1987 Flying Tigers refinanced a substantial portion of its indebtedness. In March 1988, Flying Tigers obtained a new \$50,000,000, unsecured line of credit to be used as an additional source of cash when and if necessary. See "Item 1. Business — Recent Developments — Flying Tigers." See also "Item 1. Business — Tiger Recent Financial Performance and Liquidity" and "Item 7. Management's Discussion and Analysis and Financial Condition and Results of Operations."

TRUCKING — WARREN

Warren, which was acquired in 1981, is primarily a specialized truckload hauler of heavy machinery and other commodities that require special equipment. 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 \$38,023,000 in 1985, \$36,612,000 in 1986 and \$40,216,000 in 1987. Warren handled 407 million ton-miles in 1985, 402 million ton miles in 1986 and 433 million ton miles in 1987. Warren's operating ratio was 93.9% in 1985, 95.7% in 1986 and 94.9% in 1987. A significant portion of Warren's business is performed for Deere and Company. As of December 31, 1987, Warren owned 23 tractors (switch only) and 1,277 semi-trailers. Warren leases truck tractors with drivers from owner-operators.

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

Regulation of the Motor Carrier Industry

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

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

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

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

Competition

The motor carrier industry is highly competitive. Warren competes with other motor common carriers, motor contract carriers, private carriers and railroads. The operating certificates and permits granted to Warren do not give it exclusive rights in any of the areas in which it does business. A substantial number of carriers operate within the same areas served by Warren. Further, the ICC, 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. However, some showing of public need must be made before these regulatory agencies will authorize service by additional carriers. The Motor Carrier Act of 1980 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, there can be no assurance that further rate increases will be sufficient to offset future increases in wages and expenses, or that rate increases will follow these increases promptly.

Cost and Availability of Fuel

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

TIGER EMPLOYEES

As of March 1, 1988, Tiger had approximately 6,600 employees.

DISCONTINUED OPERATIONS

Hall's Motor Transit Company

On March 10, 1986, Hall's filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

See "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements" for a discussion of a settlement of a claim alleged against Tiger International and its subsidiaries based on the withdrawal liability of Hall's under the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA").

Railcar Services

Through subsidiaries of Tiger Leasing Group, Inc. ("Tiger Leasing Group"), Tiger previously engaged in the railcar and aviation services businesses and other leasing activities. On December 5, 1984, Tiger Leasing Group and certain of its subsidiaries filed voluntary petitions for reorganization under the Bankruptcy Code. See "Item 1. Business — Tiger Leasing Group Chapter 11 Proceedings."

Tiger accounted for North American Car Corporation ("North American") as a discontinued operation effective December 31, 1983. On December 5, 1984, North American filed a voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code. See "Item 1. Business — Tiger Leasing Group Chapter 11 Proceedings," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements."

TIGER RECENT FINANCIAL PERFORMANCE AND LIQUIDITY

In 1987, Tiger reported net income of \$57,779,000 (\$1.55 per share). For the years 1985 and 1986 Tiger experienced net losses of \$72,687,000 (\$2.69 per share) and \$45,063,000 (\$1.45 per share), respectively. In 1987, Tiger reported income from continuing operations and before extraordinary credit of \$58,679,000; in 1985 and 1986, Tiger reported losses from continuing operations of \$57,187,000 and \$45,063,000, respectively. Tiger's stockholders' equity at December 31, 1987 was \$20,086,000. At December 31, 1986 stockholders' equity was a deficit of \$43,160,000 and at December 31, 1985 was a deficit of \$4,462,000. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Tiger International's cash requirements for 1988, excluding cash requirements associated with settlements relating to lawsuits involving discontinued operations and excluding the planned acquisition of the minority stockholders' interests in Flying Tigers, are estimated to be approximately \$30.0 million. See "Item 1. Recent Developments — Tiger International". At December 31, 1987, Tiger International had cash balances of approximately \$2.4 million. However, Tiger International anticipates satisfying all its 1988 cash requirements by application of dividends and tax payments it expects to receive from Flying Tigers. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Tiger International has not paid a dividend on its Common Stock since the fourth quarter of 1981 and is presently prohibited by the terms of its Senior Secured Extendable Reset Notes from paying dividends (other than dividends in Common Stock) until at least 1993.

RECENT DEVELOPMENTS

Tiger International

In May 1985, the Bankruptcy Court approved a settlement among Tiger International, North American and the North American Bank Lenders of Tiger International's obligations to North American under a promissory note in the original principal amount of \$132 million. As part of the settlement, Tiger International issued a new \$96.9 million promissory note to North American (the "Tiger International Note"). The Tiger International Note was secured by a pledge of 47% of the common stock of Flying Tigers. At December 31, 1987, the outstanding balance of the Tiger International Note, including accrued and capitalized interest, was \$131.7 million. In March 1988, Tiger International repaid this obligation, at a substantial discount, using cash and the proceeds from the issuance of \$100 million of Senior Secured Extendable Reset Notes. To secure performance of its obligations under the Senior Secured Extendable Reset Notes, Tiger International pledged 51% of the outstanding common stock of Flying Tigers. The terms of this financing are described in "Note 4 — Long-term Debt" of "Notes to Consolidated Financial Statements." See also "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

In the first quarter of 1988, Tiger International reached agreements in principle regarding settlements of (1) a lawsuit filed by North American against Tiger International in 1987, and (2) claims under the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA") asserted against Tiger International by Hall's multiemployer pension plans. (For more information regarding the foregoing settlements, see "Note 1 — Discontinued Operations — Hall's" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements.")

In the first quarter of 1988, the Boards of Directors of Tiger International and Flying Tigers approved a proposed transaction pursuant to which Tiger International would acquire the minority stockholders' interests in Flying Tigers. In connection with the proposed acquisition of the minority stockholders' interests in Flying Tigers, the Boards of Directors of Tiger International and Flying Tigers also approved a transaction pursuant to which Tiger International would acquire all of the outstanding warrants to purchase shares of Flying Tigers' common stock (other than those held by the employee groups of Flying Tigers).

Flying Tigers

Pursuant to certain agreements between Flying Tigers and its lenders (the "Flying Tigers Restructuring Agreements") defaults on approximately \$588,000,000 principal amount of indebtedness were waived or suspended, and principal and interest payments of approximately \$48,100,000 otherwise payable in 1983 and 1984 were deferred. As part of the Flying Tigers Restructuring Agreements, Flying Tigers agreed to pay its lenders up to \$20,000,000 of contingent interest, cumulatively, based upon earnings in the years 1985 through 1989 ("Contingent Interest"). Flying Tigers did not achieve the 1985 or 1986 earnings level that would have caused Contingent Interest payments to be required for those years. The principal and interest deferred under the Flying Tigers

Restructuring Agreements was payable over a five-year period that commenced on July 2, 1985. The Flying Tigers Restructuring Agreements also contained strict financial covenants concerning working capital, capital expenditures, net worth, additional borrowings and payment of cash dividends on common stock. Substantially all of Flying Tigers assets were pledged under the Flying Tigers Restructuring Agreements.

In April 1987, Flying Tigers completed a refinancing of a substantial portion of its outstanding indebtedness. As part of the refinancing, Flying Tigers sold approximately \$90,000,000 First Priority Trust Certificates due 1997 and \$50,000,000 Second Priority Trust Certificates due 1999 (collectively, the "Trust Certificates"). The Trust Certificates are secured by four used B-747-200F aircraft owned by Flying Tigers. Scheduled principal maturities of the Trust Certificates do not commence until April 1993.

As part of the refinancing, Flying Tigers paid to the creditors under the Flying Tigers Restructuring Agreements \$5,000,000 to settle in full and terminate the right of such creditors under the Flying Tigers Restructuring Agreements to receive Contingent Interest.

Concurrent with the consummation of the sale of the Trust Certificates, approximately \$143,703,000 of purchase money indebtedness of the owner of four B-747-200F aircraft and four spare engines leased by Flying Tigers under capital leases was refinanced by the owner of such equipment. The refinancing of the capital leases caused a reduction in the payments by Flying Tigers as a result of the reduced interest rate obtained in the refinancing.

The application of the Trust Certificate proceeds paid a substantial portion of the Flying Tigers' indebtedness that was subject to the Flying Tigers Restructuring Agreements, which were terminated concurrently with the repayment of such indebtedness. The effects of such termination, the repayment of indebtedness and the refinancing thereof with the proceeds of the Trust Certificates were intended (1) to reduce Flying Tigers' principal obligations due in the near future, (2) to relieve Flying Tigers from the requirement under the Flying Tigers Restructuring Agreements to make quarterly payments of both deferred and matured principal, deferred interest and contingent interest, and (3) to remove certain operational and other restrictions imposed on Flying Tigers by the Flying Tigers Restructuring Agreements.

In 1984, Flying Tigers completed exchange offers whereby debt was exchanged for 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock (collectively, the "Flying Tigers Exchange Offers"). The financial advisor to Flying Tigers also received warrants to purchase 50,000 shares of Flying Tigers' common stock as part of the Flying Tigers Exchange Offers. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

TIGER LEASING GROUP CHAPTER 11 PROCEEDINGS

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

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. For a discussion of claims asserted against Tiger International arising out of its relationship with the

Chapter 11 Companies see "Item 3. Legal Proceedings" and "Note 1 — Discontinued Operations" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements."

As a result of the Chapter 11 proceedings of the Chapter 11 Companies, payment defaults and failures to satisfy covenants of debt and other obligations, certain of the obligations of Tiger International's indirectly owned subsidiaries are currently in default, and the maturity dates either have been accelerated or are subject to acceleration by the respective lenders. Individual secured creditors of such subsidiaries whose debt is currently in default could foreclose on the equipment and other assets securing the lenders' respective obligations, could bring actions to attach assets of such subsidiaries or could commence proceedings under the Bankruptcy Code against such subsidiaries. There can be no assurance that creditors of such subsidiaries would not bring attachment or foreclosure actions or that any such actions could be settled on favorable terms. A number of such creditor actions may result in the bankruptcy of certain subsidiaries. However, Tiger International believes that there would be no grounds for consolidating Tiger International or its assets with the bankruptcy estates of such subsidiaries in the event such bankruptcies were commenced. Further, Tiger International does not believe that there were any transfers to it which could be set aside under the Bankruptcy Code or comparable state statutes in the event of such bankruptcies. For a discussion of possible claims relating to tax benefit accounts see "Note 1 — Discontinued Operations" of "Notes to Consolidated Financial Statements."

On October 18, 1985, National Equipment Rental Ltd. ("NER"), a subsidiary of Tiger Leasing Group, defaulted on its 5¼% Subordinated Debentures due 1988 because of non-payment of accrued interest. On March 20, 1986, certain creditors of NER filed a petition under Chapter 7 of the Bankruptcy Code. The hearing on the involuntary petition was postponed from time to time to permit negotiations between such creditors and NER. Such negotiations were ultimately unsuccessful, and, on June 24, 1987, NER filed a voluntary petition for reorganization under Chapter 11 of Title II of the Bankruptcy Code. NER does not have adequate assets to pay all its debt. Tiger International believes there are no grounds for consolidating its assets with the NER bankruptcy estate and that there were no transfers from NER to Tiger International which can be set aside under the Bankruptcy Code or comparable state statutes.

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

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

Item 2. PROPERTIES.

General

Tiger International leases its executive offices, which are located in Los Angeles, California, from Flying Tigers.

Flying Tigers' ground facilities are comprised principally of (a) leasehold improvements, including freight terminals, flight equipment maintenance facilities and sales and administrative offices, and (b) equipment used in servicing aircraft, conducting a worldwide communication system, in maintaining its flight and ground properties, and conducting sales, training and other administrative functions. Flying Tigers' headquarters and its principal maintenance and training bases are located on a 30-acre tract leased at Los Angeles International Airport. A maintenance hangar, general office building and flight training center have been constructed on this property by Flying Tigers. Flying Tiger's principal domestic air and trucking hub is located in Columbus, Ohio. The hub, which commenced full operations on March 3, 1986, incorporates specific design features to facilitate aircraft and freight handling as well as integrated truck hub operations.

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

Flying Tigers' Aircraft Fleet

Flying Tigers presently operates (i) 19 B-747 freighter aircraft, which is approximately one-fourth of the world's civilian B-747 freighter capacity, (ii) two B-747 passenger aircraft, which are held for use under MAC, (iii) six DC-8-73 freighter aircraft and (iv) 11 B-727-100 freighter aircraft, which are leased under operating leases. In addition to its operating fleet as of March 25, 1988, Flying Tigers leased six B-727-100F aircraft, all of which were subleased to other air carriers.

The following table illustrates the composition of Flying Tigers' operating fleet at March 25, 1988:

	Aircraft Under		Aircraft Owned	Total
	Operating Leases	Capital Leases		
B-747-100F	—	—	7	7
B-747-200F	1	5	5	11
B-747-200CF	1	—	—	1
B-747-200P*	2	—	—	2
DC-8-73	6	—	—	6
B-727-100F	11	—	—	11

* Passenger aircraft held for use under the MAC contract.

Substantially all of Flying Tigers' operating fleet (other than aircraft subject to operating leases) is currently encumbered by equipment trust certificates, capital leases or similar obligations.

The operating leases expire during the period December 1988 to November 1994, and the capital leases expire during the period July 1990 to January 2001. Most of the operating and capital leases have renewal options of various duration. Flying Tigers has options to purchase at each lease expiration date the five B-747-200F aircraft subject to capital leases and all B-727-100F aircraft subject to operating leases, all for fair market value, subject, in the case of certain B-727-100F aircraft, to a maximum price. Flying Tigers has an option, exercisable through November 1990, to purchase the B-747-200F aircraft and two spare engines on operating lease at specified prices from November 1991 through November 1994.

Item 3. LEGAL PROCEEDINGS.

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

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

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

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

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

During the fourth quarter of the fiscal year ended December 31, 1987, no matters were submitted to a vote of security holders of Tiger International, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

Each officer is appointed by the Board of Directors of Tiger International and serves at its pleasure.

The following table provides certain information as of March 25, 1988, concerning those persons who serve as executive officers of Tiger International.

<u>Name</u>	<u>Title</u>	<u>Age</u>
James A. Cronin III	President(1)	33
Robert J. Harter, Jr.	Senior Vice President, General Counsel and Secretary(2)	43
Larry G. Morris	Senior Vice President and Chief Financial Officer(3)	49
Joseph K. McDonnell	Vice President, Controller and Treasurer(4)	44

- (1) Mr. Cronin was elected President of Tiger International on December 12, 1987, succeeding Stephen M. Wolf, who voluntarily terminated his employment on that date. Mr. Cronin has also been President and Chief Operating Officer of Flying Tigers since September 22, 1987. Also on September 22, 1987, Mr. Cronin was elected to the Board of Directors of Tiger International and Flying Tigers. Prior to such promotion, Mr. Cronin had been Senior Vice President — Marketing of Flying Tigers since December 1986 and Senior Vice President — U.S. Division of Flying Tigers since July 1985. Mr. Cronin was Vice President of Tiger International from January 1985 to July 1985 and Assistant to the Chairman of Tiger International from July 1983 to July 1985. From June 1984 to January 1985, Mr. Cronin was President of Hall's Motor Transit Company, a former Tiger International affiliate (which filed for Chapter 11 reorganization under the federal bankruptcy laws in March 1986, fourteen months after Mr. Cronin had resigned as an officer). From June 1983 to June 1984, Mr. Cronin was President of TigerAir, Inc., a Tiger International affiliate. Prior to that, Mr. Cronin was Director — Strategic Planning with Tiger International from July 1982 to July 1983.
- (2) Mr. Harter was promoted to Senior Vice President on June 28, 1985. Prior to such promotion, Mr. Harter had been Vice President, General Counsel and Secretary since July 1983; Vice President — Administration since April 1982; Vice President — Law since July 1979; and Secretary since June 1980.
- (3) Mr. Morris was elected Senior Vice President and Chief Financial Officer of Tiger International in October 1986. From January 1986, until October 1986 he was Senior Vice President-Finance and Administration. From 1983 until December 1985, he was Senior Vice President, Finance and Administration-Electronics, Defense and Telecommunications Group of Penn Central Corporation (formerly GK Technologies, Inc.) Greenwich, Connecticut. During the 1980-1982 period, he held corporate Senior Vice President positions at Penn Central Corporation and GK Technologies, Inc. Mr. Morris is also Senior Vice President and Chief Financial Officer of Flying Tigers.
- (4) Before becoming Vice President, Controller and Treasurer in October 1985, Mr. McDonnell had been Vice President-Controller since February 1984; Controller since June 1983; and Assistant Controller since October 1980.

Part II

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

The common stock of Tiger International (the "Common Stock") is traded on the New York, Midwest and Pacific Stock Exchanges and was held as of March 25, 1988, by approximately 16,551 holders of record. The following table sets forth the high and low sales prices for the Common Stock on the consolidated transaction reporting system for the indicated periods:

	<u>High</u>	<u>Low</u>
1986		
First Quarter	\$ 9 ³ / ₈	\$ 7 ³ / ₈
Second Quarter	8 ⁵ / ₈	6
Third Quarter.....	7 ³ / ₈	4 ³ / ₈
Fourth Quarter.....	9 ³ / ₄	3 ⁵ / ₈
1987		
First Quarter	13 ¹ / ₈	7 ⁷ / ₈
Second Quarter	15	11 ¹ / ₄
Third Quarter.....	17 ³ / ₄	13 ³ / ₄
Fourth Quarter.....	17 ¹ / ₂	5 ³ / ₄
1988		
First Quarter (through March 25, 1988).....	15	9 ¹ / ₂

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

Tiger International has not paid a cash dividend since the fourth quarter of 1981. Provisions in Tiger International's Senior Secured Extendable Reset Notes 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 at least 1993. See "Note 4 — Long Term Debt" of "Notes to Consolidated Financial Statements."

Item 6. SELECTED FINANCIAL DATA.

The following table presents selected consolidated financial data for Tiger International and its subsidiaries for each of the five years ended December 31, 1987 (in thousands, except per share data):

	1983	1984	1985	1986	1987
Results of Operations					
Revenues from Continuing Operations.....	\$1,056,868	\$1,209,890	\$1,147,045	\$1,110,948	\$1,231,896
Income (Loss) from Continuing Operations	\$ (84,988)	\$ 44,205	\$ (57,187)	\$ (45,063)	\$ 58,679
Net Income (Loss)(1)	\$ (222,840)	\$ (88,940)	\$ (72,687)	\$ (45,063)	\$ 57,779
Income (Loss) Per Common Share From Continuing Operations.....	\$ (4.71)	\$ 2.05	\$ (2.11)	\$ (1.45)	\$ 1.61
Income (Loss) Per Share(1) ..	\$ (12.34)	\$ (4.13)	\$ (2.69)	\$ (1.45)	\$ 1.55
Cash Dividends Declared Per Common Share	\$ —	\$ —	\$ —	\$ —	\$ —
Working Capital Provided by Continuing Operations(2)	\$ 9,003	\$ 105,163	\$ 17,331	\$ 69,307	\$ 160,540
Financial Position					
Total Assets.....	\$1,113,766	\$1,026,728	\$ 956,118	\$ 883,457	\$ 995,812
Long-Term Obligations	\$ 691,892	\$ 603,058	\$ 674,633	\$ 652,218	\$ 632,251
Stockholders' Equity (Deficit)	\$ 84,536	\$ 1,961	\$ (4,462)	\$ (43,160)	\$ 20,086
Book Value Per Common Share.....	\$ 4.16	\$.09	\$ (.15)	\$ (1.37)	\$.63

(1) 1983 includes an extraordinary gain of \$19.8 million (\$1.10 per share) from an exchange of debt for other securities. 1987 includes an extraordinary tax credit of \$8.2 million (\$.22 per share) from the utilization of net operating loss carryforwards.

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

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

Summary

Tiger International, Inc. ("Tiger International") is a holding company that has investments in operating companies providing air freight transportation and trucking services. Tiger International's principal subsidiaries are The Flying Tiger Line Inc. ("Flying Tigers") and Warren Transport, Inc. ("Warren"). Tiger International and its subsidiaries are referred to herein as Tiger.

Tiger reported net income of \$57.8 million in 1987 compared to a net loss of \$45.1 million in 1986 and a net loss of \$72.7 million in 1985. From continuing operations, Tiger reported income of \$58.7 million in 1987 compared to a loss of \$45.1 million in 1986 and a loss of \$57.2 million in 1985.

In 1988, Tiger International reached agreements in principle providing for the settlement of two litigation matters involving discontinued operations: a lawsuit regarding transactions between Tiger International and North American Car Corporation ("North American") and a lawsuit regarding the alleged withdrawal by Hall's Motor Transit Company ("Hall's") from its multi-employer pension plans. Conclusion of the settlements will require certain court approvals and the satisfaction of other

customary conditions. Tiger International also reached an agreement with a group of banks holding the Tiger International Note, originally issued to North American in May 1985 as indicated below, whereby Tiger International became entitled to prepay the Tiger International Note at a significant discount. At December 31, 1987, the Tiger International Note had an approximate balance of \$131.7 million. In March 1988, Tiger International prepaid the Tiger International Note using cash and the proceeds from the issuance of \$100 million Senior Secured Extendable Reset Notes.

In April 1987, Flying Tigers refinanced approximately \$140 million of its debt through the sale of equipment trust certificates. Concurrently, Flying Tigers refinanced approximately \$143.7 million of capitalized lease obligations.

In November and December 1986, Flying Tigers entered into agreements with substantially all of its unionized employees providing for reduced salaries, work rule changes and other cost reduction measures. In addition, Flying Tigers eliminated certain management and sales positions and implemented certain wage and other cost reduction programs with respect to its non-union staff.

Until January 7, 1985, Hall's was a wholly owned subsidiary of Tiger International. On January 7, 1985, Hall's completed a financial restructuring pursuant to which (i) Hall's obtained a new \$5 million credit facility, and (ii) Tiger International sold 75% of its equity interest in Hall's to Hall's Acquisition Corp., a corporation owned by certain members of Hall's existing management group. In connection with such financial restructuring, Hall's agreed to reaffirm its existing \$10.5 million obligation to Tiger International (the "Hall's Note"), secured by a lien on Hall's assets subordinate to that of the lenders providing credit facilities to Hall's. Tiger International accounted for this business as a discontinued operation effective December 31, 1984. As of December 13, 1985, Tiger International transferred its remaining 25% interest in Hall's to Hall's Acquisition Corp. and wrote off the Hall's Note as a charge to discontinued operations.

In March 1986, Tiger International reached a settlement with both North American and TigerAir, Inc. ("TigerAir") regarding their respective claims under tax allocation agreements. No cash payments were required by Tiger International. Also, in 1986, North American finalized the sale of its railcar fleet and other assets.

In May 1985, Tiger International issued 8,050,000 shares of Common Stock, finalized a settlement of its \$145.2 million obligation to North American and issued a note payable (the "Tiger International Note") to North American. (See further discussion under "Liquidity" below).

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

Liquidity

Working capital provided by operations amounted to \$151.4 million in 1987 compared to \$69.3 million in 1986 and \$17.3 million in 1985. Working capital provided by continuing operations was \$160.5 million in 1987 compared to \$69.3 million in 1986 and \$17.3 million in 1985. In addition, proceeds from the sale of assets by Flying Tigers were \$23.3 million in 1985. Asset sales in 1987 and 1986 were not significant.

In connection with the North American Restructuring Agreement, Tiger International issued a promissory note to North American in the principal amount of \$132 million, representing advances previously made by North American to Tiger International. This promissory note was held by certain lenders of North American as security for the repayment of North American's debt. On December 5, 1984, North American filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, this obligation, which had a maturity date of January 1991 and an interest rate of 7%, became immediately due and payable. In late 1984, Tiger recorded the \$132 million obligation plus accrued interest as a liability. Another promissory note payable to North American, in the principal amount of \$900,000 (for advances made in 1984) also became due and payable. At

December 31, 1984, the notes payable to North American, including accrued interest, totalled \$145.2 million.

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

In May 1985, the Bankruptcy Court approved the settlement of Tiger International's notes payable to North American, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was used to pay accrued interest and to reduce the principal balances on Tiger International's notes to North American. Tiger International retained approximately \$10 million of the proceeds for general corporate purposes.

Subsequently, Tiger International executed a note payable to North American (the "Tiger International Note") for the remaining principal balance of \$96.9 million. At December 31, 1987, the outstanding balance of the Tiger International Note, including accrued and capitalized interest, was \$131.7 million.

In March 1988, Tiger International satisfied this obligation in full using cash and the proceeds from the issuance of \$100 million Senior Secured Extendable Reset Notes. See "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements" for a description of the terms of this indebtedness.

In addition, in the first quarter of 1988, Tiger International reached agreements in principle regarding settlements of (1) a lawsuit filed by North American against Tiger International in 1987, and (2) claims under the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA") asserted against Tiger International by Hall's multiemployer pension plans. (For more information regarding the foregoing settlements, see "Note 1 — Discontinued Operations — Hall's" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements.")

Excluding the above settlement costs and the planned acquisition of the minority stockholders' interest in Flying Tiger, Tiger International's cash needs for 1988 are approximately \$30.0 million. At December 31, 1987, Tiger International had cash of approximately \$2.4 million. Flying Tigers is permitted to pay dividends and make advances to Tiger International to the extent of 50% of cumulative net income subsequent to December 31, 1986 plus \$25 million. (See below for information relating to the refinancing of Flying Tigers' indebtedness.) In addition, under the terms of a tax sharing agreement between Tiger International and Flying Tigers, Flying Tigers is to calculate its taxable income as if it were a separate taxable entity and pay the resulting tax liability to Tiger International, subject to provisions pertaining to net operating loss carryforwards, investment tax carryforwards and certain other items. During 1987, Flying Tigers made a \$5.0 million prepayment of its estimated 1987 tax liability to Tiger International. At December 31, 1987, Flying Tigers had a remaining liability to Tiger International for unpaid taxes of \$17.2 million. In 1988, through March 25, Flying Tigers advanced approximately \$25 million to Tiger International, declared a cash dividend of approximately \$8.1 million to Tiger International and also paid its tax liability to Tiger International. A significant amount of these advances and dividends were used to pay off the Tiger International Note and to satisfy settlements relating to discontinued operations. Warren is free from restrictions limiting advances and dividends to Tiger International. As a result, Tiger International anticipates being able to meet its 1988 cash requirements with funds advanced by Flying Tigers and Warren in the form of cash advances, dividends or payments pursuant to a tax sharing agreement.

In November and December 1986, Flying Tigers entered into agreements in principle providing for reduced salaries, work rule changes and other cost reduction measures with substantially all of its union employees. These agreements will provide Flying Tigers with increases in productivity and reductions in labor costs, based on 1986 labor costs, of approximately \$58 million annually through

May 1990. In addition, in December 1986, Flying Tigers implemented certain wage and other cost reductions with respect to its nonunion staff and eliminated approximately 124 management and sales positions, which will provide Flying Tigers with additional savings. In return for such savings, Flying Tigers agreed to grant to participating employees a profit participation, warrants to purchase approximately 1.8 million shares of Flying Tigers' common stock at \$1.00 per share and the right to elect one member to Flying Tigers' Board of Directors. The warrants are exercisable between December 1, 1989 and May 31, 1990. If the warrants are exercised, Tiger International's ownership will be reduced to 90% of Flying Tigers' outstanding common stock. Under certain circumstances, the above warrants may be converted into warrants and/or Common Stock of Tiger International. In March 1988, Flying Tigers paid approximately \$16.5 million to its employees under the terms of the profit sharing plan for the year ended December 31, 1987. For further details see "Item 1 — Business — Air Freight Operations — Flying Tigers — Employee Relations."

Flying Tigers, with its available cash and short-term investments of \$248.0 million, anticipates no liquidity problems in 1988. In addition, Flying Tigers has a one billion yen (approximately \$8.3 million based on the yen-to-dollar exchange rate at December 31, 1987) line of credit with a Japanese bank. This agreement expires on March 31, 1989. As of December 31, 1987, there were no borrowings outstanding under this agreement. Flying Tigers remains subject to a high degree of financial leverage. Substantially all of the Flying Tigers' aircraft continue to be subject to liens securing principal and interest obligations. In March 1988, Flying Tigers obtained a new \$50.0 million unsecured line of credit to be used as an additional source of cash when and if necessary.

In April 1987, Flying Tigers completed a refinancing of a substantial portion of its outstanding indebtedness. As part of the refinancing, Flying Tigers sold approximately \$90 million First Priority Trust Certificates due 1997 and \$50 million Second Priority Trust Certificates due 1999 (collectively, the "Trust Certificates"). The Trust Certificates are secured by four used B-747-200F aircraft owned by Flying Tigers. Scheduled principal maturities of the Trust Certificates do not commence until April 1993.

As part of the refinancing, Flying Tigers paid to the creditors under the Flying Tigers Restructuring Agreements \$5 million to settle in full and terminate the right of such creditors under the Flying Tigers Restructuring Agreements to receive contingent interest based on Flying Tigers' profits in the years 1987 through 1989.

Concurrent with the consummation of the sale of the Trust Certificates, approximately \$143.7 million of purchase money indebtedness of the owner of four B-747-200F aircraft and four spare engines leased by Flying Tigers under capital leases was refinanced by the owner of such equipment. The refinancing of the capital leases caused a reduction in the payments by Flying Tigers as a result of the reduced interest rate obtained in the refinancing.

The application of the Trust Certificate proceeds paid a substantial portion of the Flying Tigers' indebtedness that was subject to the Flying Tigers Restructuring Agreements, which were terminated concurrently with the repayment of such indebtedness. The effects of such termination, the repayment of indebtedness and the refinancing thereof with the proceeds of the Trust Certificates were intended (1) to reduce Flying Tigers' principal obligations due in the near future, (2) to relieve Flying Tigers from the requirement under the Flying Tigers Restructuring Agreements to make quarterly payments of both deferred and matured principal, deferred interest and contingent interest, and (3) to remove certain operational and other restrictions imposed on Flying Tigers by the Flying Tigers Restructuring Agreements.

In September 1983, Tiger International completed an exchange offer, whereby debentures were exchanged for new securities consisting of 11½% Sinking Fund Debentures due April 1, 1995 ("New 11½% Debentures") and 8⅜% Senior Subordinated Debentures due July 1, 1995 ("New 8⅜% Debentures"), Common Stock and warrants to purchase Common Stock. The New 11½% Debentures and the New 8⅜% Debentures give Tiger International the option to satisfy both principal (including sinking fund obligations) and interest requirements in cash or in Common Stock. Tiger

International elected to satisfy its interest obligations on the New 11 $\frac{1}{2}$ % Debentures and the New 8 $\frac{3}{8}$ % Debentures in 1987, through July 1, 1987 (\$3.3 million), 1986 (\$6.5 million) and 1985 (\$6.5 million) by delivering an aggregate of 304,577, 1,031,791 and 921,768 shares, respectively, of Common Stock.

Also in 1983, TigerAir and TE&S, both subsidiaries of Tiger Leasing Group, finalized debt restructuring agreements with their creditors. However, as a result of the filings by North American and Tiger Leasing Group of voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code in December 1984, North American, Tiger Leasing Group, TigerAir and TE&S are in default under their restructuring agreements. In addition the proceeds from the sale of North American's railcar fleet was not sufficient to pay off all of North American's obligations. The Tiger Leasing Group and North American bankruptcy proceedings could result in unsatisfied creditor claims of up to \$300 million after the sale of their assets and completion of the bankruptcy proceedings. See "Note 1 — Discontinued Operations" and "Note 7 — Contingencies and Legal Actions" of "Notes to Consolidated Financial Statements" with regard to other contingencies.

As a result of the limitations in Tiger International's Senior Secured Extendable Reset Notes, absent an amendment or change in the terms thereof, Tiger International is prohibited from paying dividends (other than stock dividends) on its Common Stock prior to 1993.

Capital Resources

Capital expenditures were \$10.3 million in 1987 compared to \$10 million in 1986 and \$27.3 million in 1985. At December 31, 1987, Tiger had no significant future purchase commitments.

Results of Operations

Continuing Operations Overview

Revenues from continuing operations in 1987 were \$1,231.9 million compared to \$1,110.9 million in 1986 and \$1,147 million in 1985.

Income from continuing operations was \$58.7 million in 1987. Losses from continuing operations were \$45.1 million in 1986 compared to \$57.2 million in 1985.

Air Freight

Flying Tigers' revenues for 1987 were \$1,191.7 million, an 11% increase from the 1986 revenues of \$1,074.3 million. Flying Tigers' 1985 revenues were \$1,109 million. Flying Tigers reported a pretax profit of \$106.6 million in 1987 compared to a pretax loss of \$18.6 million in 1986 and a pretax loss of \$44.2 million in 1985. Included in the results for 1987 is a charge of \$5.0 million for contingent interest accrued under the terms of, and paid in the refinancing of Flying Tigers' Restructuring Agreements. Included in the results for 1986 is a \$27.5 million transaction loss relating to debt obligations payable in Japanese yen. Included in the results for 1985 are pretax gains of \$12.6 million from the sale of DC-8 aircraft, engines and spare parts and the sale of leasehold improvements and a \$14.1 million transaction loss on the yen denominated debt. Beginning in January 1987, certain of Flying Tigers' Japanese customers entered into firm yen-denominated commitments to purchase a minimum level of freight services from Flying Tigers over the next five years. Such yen-denominated revenue commitments are part of hedging transaction involving the yen-denominated debt. As a result, gains and losses on the yen-denominated debt resulting from the fluctuation of the yen-to-dollar exchange rates are deferred and amortized as an adjustment to revenues over the remaining life of the debt rather than being recognized entirely in the current period.

Flying Tigers' major services include domestic, transpacific, transatlantic and Latin American scheduled freight services and Military Airlift Command ("MAC") and commercial charters. Scheduled service revenues in 1987 were \$964.8 compared to \$884.6 million in 1986 and \$926.5 million in 1985.

In 1987, scheduled freight revenues increased \$80.2 million (9%) compared to 1986. The improvements in scheduled freight revenues occurred in the transpacific and Latin American markets. Transpacific revenues increased \$89.6 million (15%) reflecting an increase in revenue ton miles as demand increased both to and from that market. The weakening of the U.S. dollar combined with the expansion of eastbound flying and the addition of westbound "around the world" flying has resulted in substantial improvements in the balance of freight to the transpacific market versus freight from that market. Additionally, increases in revenue ton miles in the Latin American market resulted in an increase in revenues of \$5.0 million (11%) over last year. Revenues in the domestic market declined \$12.6 million (8%) as a result of decreases in both volumes and yields. The declines in domestic volumes resulted from intense competition and excess capacity in the domestic marketplace and the lingering effects of the loss of business caused by an announcement in late 1986 that Flying Tigers had been directed by its Board of Directors to immediately obtain formal offers for the purchase of all of its assets. The Board of Directors subsequently rescinded this directive. The decline in domestic yields was attributable to competitive pricing pressures in the door-to-door markets. Revenues in the transatlantic market were down \$1.8 million (2%) due to a decline in yields in that highly competitive market.

In 1986, scheduled service revenues decreased \$41.8 million (5%) compared to 1985, due to reduced revenues in the domestic, transatlantic and Latin American markets. These declines were partially offset by improvements in the transpacific market where revenues increased 10% or \$55.6 million. Revenues in the domestic market decreased 27% (\$57.3 million) as a result of a 22% decrease in volumes, primarily in the airport-to-airport segment, and a 9% decrease in yields occurring largely in the door-to-door segment. The declines in domestic volumes and yields resulted from excess capacity in the domestic marketplace, the fact that certain former customers began or increased flying of their own aircraft, and a shift in the product mix to freight requiring second-day delivery. Revenues in the transatlantic market were down 20% (\$21.5 million) on a 18% decline in revenue ton miles. The reduction in transatlantic revenue ton miles was the result of a decline in traffic to the United States, which Flying Tigers believes was caused by the weakening of the U.S. dollar abroad. In addition, there were fewer flight frequencies as a result of Flying Tigers having one less aircraft in its fleet. Revenues in the Latin American market decreased 29% from 1985 levels reflecting a reduction of service to that market. Transpacific revenue ton miles increased 3% and yields improved 7%. The improved yields are primarily the result of the strengthening of the Japanese yen. Transpacific load factors increased 5% even though transpacific capacity was reduced by 2%.

In 1985 scheduled service revenues decreased \$81.6 million (8%) compared to 1984. This decrease was primarily the result of a weakened transpacific market where revenues were down 17% (\$109.2 million). This decrease in transpacific revenues was principally in U.S. bound traffic from Taiwan, Republic of Korea and Japan and was primarily attributable to the apparel and electronics markets. Both of these markets experienced significant inventory accumulation in the fourth quarter of 1984. The decline in the transpacific market was partially offset by improvements in the transatlantic and Latin American markets. In 1985 the transatlantic market had a 7% (\$7 million) increase in revenues associated with a 10% increase in revenue ton miles. Latin American revenues in 1985 increased 55% (\$22.6 million) on a 39% increase in revenue ton miles. Domestic revenue ton miles declined 5% in 1985. However, as a result of increased volumes in the door-to-door market and improved yields in the airport-to-airport market, domestic revenues in 1985 did not decline significantly from 1984 levels.

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

MAC revenues were \$155.8 million in 1987 compared to \$113.5 million in 1986 and \$105.7 million in 1985. The increase in 1987 is due to increases in both MAC passenger and MAC freight

revenue ton miles as well as improvements in yields. The increase in 1986 is due to Flying Tigers operating one extra passenger aircraft for MAC during 1986. This increase in MAC passenger flying was offset, in part, by a 19% reduction in MAC revenue freight ton miles. Commercial charter revenues were \$45.0 million in 1987 compared to \$46.7 million in 1986 and \$56.1 million in 1985. The decrease in 1986 was the result of fewer charters from the United States and Europe to the transpacific market. In 1985 commercial charter revenues increased \$13.5 million as a result of increased availability of aircraft resulting from excess capacity on the scheduled service routes, especially in the transpacific area.

Income from operations for 1987 was \$153.2 million, an increase of \$83.0 million over 1986 operating income of \$70.2 million. In 1985, operating income was \$25.7 million. The increase in 1987 operating profits is due in large part to the increases in revenues, reductions in the cost of fuel compared to the first half of 1986 and to labor savings which resulted from the Employee Partnership Program initiated in December 1986. The Employee Partnership Program provides for salary reductions, work rule changes and other cost saving measures, along with provisions for profit sharing and stock ownership plans for all participating employees.

Total operating expenses in 1987 increased \$34.4 million (3%) to support the 11% increase in total operating revenues. The cost of flying operations increased \$30.0 million (18%) primarily as a result of the rentals of and the costs of flying the six DC-8 aircraft which were added to the fleet during the first quarter of 1987. These costs were offset, in part, by a \$24.1 million decrease in total crew costs. Such labor savings are net of the costs of hiring and training additional pilots to support the addition of the six DC-8 aircraft to the fleet. The cost of fuel and oil increased \$2.8 million (2%) due to a 6% increase in fuel consumed to support the increased flying which was offset, in part, by a 4% reduction in the average cost per gallon of fuel. The cost per gallon of fuel was declining significantly during the second and third quarters of 1986; however, fuel prices have increased during the third and fourth quarters of 1987 compared to prices paid during the first half of 1987. Ground operations decreased \$1.6 million due to a \$5.7 million net decrease in labor costs and reduced trucking and freight forwarding volumes. Such savings were offset in part by increases in the costs of fueling, landing and handling aircraft. Maintenance costs increased \$1.8 million (1%) due primarily to increased costs of B-747 overhauls and overhaul provisions for the added DC-8 flying, offset in part by reduced labor costs.

Total operating expenses in 1986 decreased \$79.3 million (7%) compared to 1985. This decline is due in large part to a significant reduction in the cost of fuel. During 1986 fuel and oil costs decreased \$81.1 million (31%) compared to 1985, primarily due to reductions in the cost per gallon of fuel. Other flying operations expenses decreased \$19 million (10%) as a result of a \$28.4 million savings from reduced contract flying provided by other carriers due to reductions in freight volumes and the expiration of such contracts. These savings were partially offset by a \$5.2 million increase in crew costs resulting from contract rate increases and by a \$2.1 million increase in aircraft insurance costs. Ground operations costs increased \$15.4 million (5%) due to a \$6.1 million increase in union labor costs and a \$7.8 million increase in the costs of landing and handling of aircraft. These increases were offset in part, by reductions in freight forwarding. Maintenance costs increased \$14.1 million (12%) due to increased overhaul costs. Sales, advertising and publicity expenses declined \$14.9 million (14%) as a result of reduced commissions paid to agents and forwarders and a reduction in labor costs.

Operating expenses during 1985 increased 2% or \$21.4 million over 1984. Total fuel and oil costs decreased \$19.6 million (7%) due to a decrease in the average price per gallon of fuel of 4 cents from 1984 combined with a 3% decrease in fuel consumption. Other flying operations expenses increased \$18.0 million (11%) due to increased purchased transportation and increased rental of Boeing 727 aircraft used to replace the DC-8 aircraft which were eliminated from the fleet. The Boeing 727 aircraft are being leased under operating leases, while the DC-8 aircraft were either owned or leased under capital leases. The increase in aircraft rentals was partially offset by a \$7.4 million (12%)

decrease in depreciation expense related to the DC-8 aircraft. Ground operations expenses increased \$15.0 million (5%) as a result of expansion of trucking and freight forwarding services used to replace DC-8 aircraft. Maintenance expenses increased \$19.7 million (20%) primarily as a result of increased engine overhaul costs and increased flying of B-747 aircraft.

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 parts and machinery, agriculture implements, tractors and building materials. Warren's operating ratio was 94.9% in 1987 compared to 95.7% in 1986 and 93.9% in 1985. Warren handled 433 million ton miles in 1987, 402 million ton miles in 1986 and 407 million ton miles in 1985. Revenue per ton was \$77.69 in 1987 compared to \$79.51 in 1986 and \$79.76 in 1985. Warren's revenues for 1987 were \$40.2 million compared to \$36.6 million in 1986 and \$38.0 million in 1985. Pretax income was \$2.5 million in 1987 compared to \$2.1 million in 1986 and \$3.2 million in 1985. Warren's revenues increased in 1987 due to the introduction of new products and an aggressive marketing plan. In addition, an improved operating ratio resulted in higher pretax earnings in 1987 compared to the prior year. In 1986, Warren was able to maintain its profitability level as a result of controlling its variable expenses in relationship to its lower revenues. The decrease in 1986 pretax results is due to reduced revenues caused by a decline in U.S. farm machinery sales and significant increases in insurance costs.

Discontinued Operations

In 1988, Tiger International reached agreements in principle pertaining to two litigation matters involving discontinued operations: a lawsuit regarding transactions between Tiger International and North American and a lawsuit regarding the alleged withdrawal by Hall's from its multi-employer pension plans. Conclusion of the settlements will require certain court approvals and the satisfaction of other customary conditions. Tiger International also reached an agreement with the holders of certain indebtedness which originated with North American whereby Tiger International became entitled to prepay the debt at a significant discount. At December 31, 1987, this indebtedness had an approximate balance of \$131.7 million. Tiger International arranged the financing of this prepayment during March 1988 (see "Liquidity" above). Based on the foregoing developments, Tiger International recorded, as of December 31, 1987, a pretax provision of \$15.0 million as a charge to discontinued operations.

Impact of Inflation

Inflation has not had a significant effect on the results of operations of Tiger in recent years. However, based upon the current appraisal values of B-747 aircraft, if it were necessary for Tiger to replace its fleet, depreciation expense would be higher.

Recent Accounting Changes

In 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. Tiger is not required to adopt this new standard until January 1, 1989. It is not believed that the new standard would have a material effect on Tigers' financial position and results of operations at December 31, 1987.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Tiger International, Inc.

We have examined the accompanying consolidated balance sheets of Tiger International, Inc. and subsidiaries at December 31, 1986 and 1987 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years then ended. 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. The consolidated financial statements of Tiger International, Inc. and subsidiaries for the year ended December 31, 1985 were examined by other auditors whose report dated March 26, 1986 expressed an unqualified opinion on those statements.

In our opinion, the 1986 and 1987 statements mentioned above present fairly the consolidated financial position of Tiger International, Inc. and subsidiaries at December 31, 1986 and 1987 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

Los Angeles, California
March 29, 1988

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of Tiger International, Inc. (a Delaware corporation) and subsidiaries (collectively "Tiger") as of December 31, 1985 and the related consolidated statement of operations, stockholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

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

Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. ("Tiger International") and its subsidiaries (collectively "Tiger"). All significant intercompany accounts and transactions have been eliminated.

In 1983 and 1984, respectively, Tiger discontinued operations of its railcar segment and other leasing businesses and Hall's Motor Transit Company ("Hall's") as more fully explained in Note 1 to the Consolidated Financial Statements.

Foreign Currency Transactions

Monetary assets and liabilities of foreign operations have been translated at exchange rates as of the balance sheet dates. Property and equipment are translated at the prevailing exchange rates on the dates of acquisition. Revenues and expenses are translated at the monthly rates prevailing during the year. Depreciation and amortization are translated at the historical rates effective on the dates of acquisition of the underlying assets. Excluding hedging transactions, as discussed below, transaction gains and losses are recorded in income as incurred.

In 1985 and 1986, transaction losses of \$14,111,000 and \$27,491,000, respectively, resulting from fluctuations in the yen/dollar exchange rate on certain long-term debt obligations payable in Japanese yen were included in the results of operations.

Beginning in January 1987, certain Japanese customers of The Flying Tiger Line Inc. ("Flying Tigers") entered into firm yen-denominated commitments to purchase a minimum level of freight services from Flying Tigers over the next five years. Such yen-denominated revenue commitments are part of a hedging transaction involving the yen-denominated debt which correspondingly had a remaining life of five years as of January 1987. As a result, gains and losses on the yen-denominated debt resulting from the fluctuation of the yen-to-dollar exchange rates (losses of \$24,021,000 at December 31, 1987) are being deferred and amortized as an adjustment to the related hedged revenues over the remaining life of the debt rather than being recognized entirely in the current period.

Inventories

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

Property and Equipment

Expenditures for additions and major improvements, replacements or renewals are capitalized. Assets retired or otherwise disposed of are eliminated from the accounts along with the related accumulated depreciation, and gains and losses are included in income. Certain aircraft components are depreciated under the composite method and no gain or loss is recognized upon unit retirements. Maintenance expense includes provisions for aircraft airframe and aircraft engine overhauls accrued by a charge to expense on the basis of hours flown; the actual overhaul cost is charged to the related reserve when incurred. Expenditures for repairs and minor renewals are charged to expense as incurred. The capitalized cost of aircraft and other related equipment includes interest incurred prior to the time such assets are placed in service.

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

Depreciation of property and equipment, including assets under capital lease, is provided primarily on a straight-line basis over the estimated useful lives of the various assets as follows: airframes and engines — 5 to 20 years (0% to 15% salvage value); trucks — 5 to 8 years; other — 2 to 30 years.

Intangibles

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

Income Taxes and Tax Benefits

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

Investment tax credit carryforwards are recognized as a reduction of the provisions for federal income taxes to the extent such credits are expected to be utilized against net deferred federal income taxes which reverse during the carryforward period.

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

In 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. Tiger is not required to adopt this new standard until January 1, 1989. It is not believed that the new standard would have a material effect on Tiger's financial position and results of operations at December 31, 1987.

Earnings Per Share

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

Fully diluted earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period computed as described above and assuming the conversion, where dilutive, of convertible debt into Common Stock at the beginning of the period or at issuance date. Interest expense on the convertible debt, net of income taxes, is added back to net income for purposes of the calculation. Fully diluted earnings per share amounts are not presented for the years ended December 31, 1985, 1986 and 1987. In 1985 and 1986 the computation was anti-dilutive and in 1987 are not materially dilutive.

For the year ended December 31, 1987, Tiger's earnings per share reflect the dilutive effect of outstanding options to purchase common stock of Flying Tigers and warrants Flying Tigers has agreed to issue to purchase its common stock. Accordingly, only Tiger International's proportionate share of Flying Tigers' earnings per share has been included in computing Tiger's earnings per share.

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

	For the Years Ended December 31		
	1985	1986	1987
Revenues:			
Operating revenues	\$1,147,045	\$1,110,948	\$1,231,896
Costs and Expenses:			
Costs of operations	907,756	836,664	872,709
Selling, general and administrative	158,980	151,133	155,731
Depreciation and amortization	58,424	59,258	58,187
	<u>1,125,160</u>	<u>1,047,055</u>	<u>1,086,627</u>
Income from operations	21,885	63,893	145,269
Other Income (Expense):			
Gain on sale of equipment and facilities	12,662	2,357	461
Interest expense	(85,710)	(83,480)	(83,830)
Interest capitalized	88	26	—
Foreign exchange gains (losses), net	(14,292)	(27,256)	1,519
Other, net	8,180	(603)	11,860
	<u>(79,072)</u>	<u>(108,956)</u>	<u>(69,990)</u>
Income (loss) from continuing operations before income taxes and before extraordinary credit	(57,187)	(45,063)	75,279
Income tax provision	—	—	16,600
Income (Loss) From Continuing Operations Before Extraordinary Credit	(57,187)	(45,063)	58,679
Discontinued Operations:			
Losses from discontinued operations less applicable tax benefit of \$5,900 in 1987	(15,500)	—	(9,100)
Income (Loss) Before Extraordinary Credit	(72,687)	(45,063)	49,579
Extraordinary tax credit	—	—	8,200
Net Income (Loss)	<u>\$ (72,687)</u>	<u>\$ (45,063)</u>	<u>\$ 57,779</u>
Income (loss) per share			
— Continuing operations	\$ (2.11)	\$ (1.45)	\$ 1.61
— Discontinued operations	(.58)	—	(.28)
	<u>(2.69)</u>	<u>(1.45)</u>	<u>1.33</u>
— Extraordinary tax credit	—	—	.22
Net Income (Loss) Per Share	<u>\$ (2.69)</u>	<u>\$ (1.45)</u>	<u>\$ 1.55</u>
Shares used in computation of income (loss) per share	<u>27,053</u>	<u>31,095</u>	<u>32,985</u>

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1986	1987
	(In thousands)	
A S S E T S		
Current Assets:		
Cash, including certificates of deposit.....	\$ 36,396	\$ 54,380
Short-term interest-bearing investments at cost, which approximates market value.....	117,105	200,315
Receivables, net	138,256	144,933
Inventories.....	15,959	18,137
Prepaid expenses and other	8,424	20,016
Total Current Assets	316,140	437,781
Property and Equipment:		
Equipment used in operations.....	822,218	822,988
Buildings and leasehold improvements.....	51,869	48,308
Terminal facilities and other.....	77,919	80,767
Equipment acquisitions in process	797	186
	952,803	952,249
Less accumulated depreciation and amortization.....	452,435	493,194
	500,368	459,055
Other Assets:		
Deposits, deferred charges and investments	13,702	47,772
Cost in excess of fair value of acquired businesses, net.....	53,247	51,204
	66,949	98,976
Total Assets	\$883,457	\$995,812

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	1986	1987
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term obligations.....	\$ 59,150	\$ 70,201
Accounts payable and accrued liabilities	159,720	191,983
Total Current Liabilities	<u>218,870</u>	<u>262,184</u>
Long-term Obligations:		
Notes payable and equipment obligations	269,785	288,576
Note payable to North American	118,921	100,000
Subordinated debt.....	26,627	25,869
Capital lease obligations.....	236,885	217,806
	<u>652,218</u>	<u>632,251</u>
Deferred Credits and Other Liabilities:		
Overhaul liability — leased flight equipment.....	17,000	29,589
Other.....	36,557	48,880
	<u>53,557</u>	<u>78,469</u>
Commitments and Contingencies		
Minority Stockholders' Equity.....	<u>1,972</u>	<u>2,822</u>
Stockholders' Equity:		
Common stock, \$1 par value		
Authorized — 50,000,000 shares;		
outstanding — 31,773,868 and 32,410,021 shares.....	31,774	32,410
Additional paid-in capital	319,596	324,503
Accumulated deficit	(391,316)	(333,537)
	(39,946)	23,376
Less treasury stock, at cost (279,031 and 286,291 shares).....	3,214	3,290
Total Stockholders' Equity (Deficit).....	<u>(43,160)</u>	<u>20,086</u>
Total Liabilities and Stockholders' Equity.....	<u>\$883,457</u>	<u>\$995,812</u>

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

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three years ended December 31, 1987

	<u>\$1 Par Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit (In thousands)</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at December 31, 1984.....	\$21,711	\$256,311	\$(273,566)	\$(2,495)	\$ 1,961
Net loss.....	—	—	(72,687)	—	(72,687)
Issuance of Common Stock upon conversion of Depository Convertible Preferred Stock	8,050	51,854	—	—	59,904
Issuance of Common Stock in lieu of cash interest payments...	969	5,542	—	(151)(1)	6,360
Issuance of Common Stock upon conversion of debentures by an affiliate.....	42	375	—	(417)(2)	—
Balance at December 31, 1985.....	<u>30,772</u>	<u>314,082</u>	<u>(346,253)</u>	<u>(3,063)</u>	<u>(4,462)</u>
Net loss.....	—	—	(45,063)	—	(45,063)
Issuance of Common Stock in lieu of cash interest payments...	<u>1,002</u>	<u>5,514</u>	—	(151)(1)	6,365
Balance at December 31, 1986.....	<u>31,774</u>	<u>319,596</u>	<u>(391,316)</u>	<u>(3,214)</u>	<u>(43,160)</u>
Net income.....	—	—	57,779	—	57,779
Issuance of Common Stock in lieu of cash interest payments...	557	4,251	—	(76)(1)	4,732
Issuance of Common Stock upon exercise of stock options and warrants	<u>79</u>	<u>656</u>	—	—	<u>735</u>
Balance at December 31, 1987.....	<u>\$32,410</u>	<u>\$324,503</u>	<u>\$(333,537)</u>	<u>\$(3,290)</u>	<u>\$ 20,086</u>

- (1) Represents Common Stock issued to Flying Tigers for interest on the New 11½% Debentures.
(2) Represents Common Stock issued to Flying Tigers on the conversion of 5% Convertible Subordinated Debentures.

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

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

	For the Years Ended December 31		
	1985	1986	1987
	(In thousands)		
Source of Funds:			
Continuing operations			
Income (loss) from continuing operations before extraordinary tax credit.....	\$ (57,187)	\$ (45,063)	\$ 58,679
Items not involving working capital—			
Depreciation and amortization	58,424	59,258	58,187
Gain on sale of equipment used in operations	(12,662)	(2,357)	(461)
Overhaul reserves, net	(1,143)	13,865	5,527
Deferred interest payable to North American.....	10,334	11,676	12,792
Foreign exchange loss on long-term portion of yen-denominated debt.....	14,111	24,237	—
Other	5,454	7,691	25,816
Working capital provided by continuing operations before extraordinary tax credit.....	17,331	69,307	160,540
Discontinued operations			
Loss from discontinued operations.....	(15,500)	—	(9,100)
Items not involving working capital.....	15,500	—	—
Working capital used by discontinued operations.....	—	—	(9,100)
Total working capital provided by operations before extraordinary tax credit	17,331	69,307	151,440
Extraordinary tax credit.....	—	—	8,200
Retirement of property and equipment.....	2,092	925	1,899
Proceeds from sale of aircraft, engines, aircraft parts and facilities.....	23,278	2,395	587
Proceeds from debt financing.....	—	389	140,000
Refinancing of note payable to North American	96,911	—	—
Issuance of common stock and warrants.....	66,264	6,365	5,467
Total Source of Funds	205,876	79,381	307,593
Application of Funds:			
Additions to property and equipment	27,288	10,012	10,289
Reductions of long-term obligations	58,381	61,495	170,903
Current portion of note payable to North American	—	—	31,713
Other	10,323	2,896	16,361
Total Application of Funds	95,992	74,403	229,266
Increase in Working Capital.....	\$ 109,884	\$ 4,978	\$ 78,327
Changes in Components of Working Capital:			
Cash, including certificates of deposit	\$ (84,515)	\$ (13,719)	\$ 17,984
Short-term interest-bearing investments	66,350	26,582	83,210
Receivables, net.....	(11,900)	(18,115)	6,677
Inventories	(2,525)	1,455	2,178
Prepaid expenses and other	(894)	(2,948)	11,592
Increase (Decrease) in Current Assets	(33,484)	(6,745)	121,641
Note payable to North American.....	(132,151)	—	—
Current portion of long-term obligations	(402)	688	11,051
Accounts payable and accrued liabilities.....	(10,815)	(12,411)	32,263
Increase (Decrease) in Current Liabilities.....	(143,368)	(11,723)	43,314
Increase in Working Capital.....	\$ 109,884	\$ 4,978	\$ 78,327

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

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

Note 1 — Discontinued Operations

Summary of 1988 Developments

In 1988, Tiger International reached agreements in principle providing for the settlement of two litigation matters involving discontinued operations: a lawsuit regarding transactions between Tiger International and North American and a lawsuit regarding the alleged liability for withdrawal by Hall's from its multi-employer pension plans. Conclusion of the settlements will require the execution of definitive documentation, certain court approvals and the satisfaction of other customary conditions. Tiger International also reached an agreement with the holders of certain indebtedness which originated with North American whereby Tiger International became entitled to prepay the debt at a significant discount. At December 31, 1987, this indebtedness had an approximate balance of \$131.7 million. Tiger International arranged the financing of this prepayment during March 1988 (see below). Based on the foregoing developments, Tiger International recorded, as of December 31, 1987, a pretax provision of \$15.0 million as a charge to discontinued operations.

Hall's Motor Transit

Tiger accounted for Hall's as a discontinued operation effective December 31, 1984, and as of December 31, 1985, Tiger International wrote off a \$10.5 million note receivable from Hall's as a charge to discontinued operations. Also effective December 31, 1985, Tiger recorded a \$5 million reserve relating to guarantees of Hall's workers' compensation obligations. On March 10, 1986, Hall's filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Pennsylvania. In connection with such filing, Hall's may have withdrawn from some or all of its multiemployer pension plans covered by the Multiemployer Pension Plan Amendments Act of 1980 ("MEPPAA"). Under MEPPAA, withdrawal liability may be imposed on an employer that withdraws from a multiemployer pension plan, and such withdrawing employer's MEPPAA withdrawal liability may be asserted jointly and severally against any corporation that is a member of the controlled group of corporations that includes the withdrawing employer corporation. The agreements in principle described above under "Summary of 1988 Developments" include an agreement between Tiger International and multiemployer pension plans holding substantially all of the alleged withdrawal claims that could be asserted against Tiger International.

North American

As of December 31, 1983, Tiger International accounted for North American Car Corporation ("North American"), the largest subsidiary of Tiger Leasing Group, Inc. ("Tiger Leasing Group"), as a discontinued operation. However, because of advances made by North American to Tiger International during 1983 and earlier, Tiger International had an obligation to North American. At December 31, 1984, this obligation was approximately \$145.2 million.

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

In May 1985 the Bankruptcy Court approved the settlement of Tiger International's obligation, and all outstanding shares of Depositary Stock were converted into shares of Tiger International Common Stock. Approximately \$49.9 million from the sale of the Depositary Stock was paid in cash to North American (the "Tiger Note Cash Proceeds") to pay accrued interest and to reduce the principal balance of Tiger International's obligation to North American.

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

Under the terms of the settlement, Tiger International then issued a new promissory note payable to North American for the remaining principal balance of \$96.9 million, bearing interest at 2% over the prime rate (the "Tiger International Note"). The Tiger International Note was secured by a pledge by Tiger International (the "Stock Pledge") of 47% of the common stock of Flying Tigers (the "Pledged Shares"). Tiger International was not required to make any interest or principal payments until June 30, 1988. Unpaid interest was capitalized, and 50% of such interest and 50% of the outstanding principal balance was due and payable on June 30, 1988. In 1986, as part of an overall settlement of all claims which certain of North American's bank lenders asserted against North American, North American transferred the Tiger Note Cash Proceeds, the Tiger International Note, and the security represented by the Stock Pledge and the Pledged Shares to these certain North American lenders in partial satisfaction of North American's obligations to these banks. At December 31, 1987, the amount payable under the Tiger International Note, including accrued and capitalized interest, was \$131.7 million. In March 1988, Tiger International repaid this obligation in full using cash and the proceeds from the issuance of \$100 million Senior Secured Extendable Reset Notes. See "Note 4 — Long-term Debt".

At December 31, 1985, North American's financial statements included an amount due from Tiger International under a tax allocation agreement that set forth the basis for the sharing of tax benefits and provisions, and for the settling of intercompany balances, in connection with the filing of Tiger's consolidated federal income tax returns.

The amount due under the tax allocation agreement (the "Tax Benefit Account"), accumulated over the years for which North American had been included in such consolidated tax returns. The amount recorded in the Tax Benefit Account was \$79.9 million at December 31, 1985.

In 1986 North American sold its railcar fleet and other assets for approximately \$420 million. A substantial portion of the taxable gain from this transaction was offset against Tiger's consolidated net operating losses ("NOL") exclusive of those of North American. The tax effect of this utilization by North American of its affiliates' NOL was applied by Tiger International against the \$79.9 million amount referred to above.

Pursuant to a settlement agreement between Tiger International and North American regarding their respective claims under the tax allocation agreement, approved by the Bankruptcy Court on March 31, 1986, Tiger International (and certain of its subsidiaries) and North American (and its subsidiaries) exchanged mutual releases of all claims which each might have against the other under the tax allocation agreement or the Tax Benefit Account. No cash payments were required by either party. Tiger International agreed that it would take no action that would prevent North American from utilizing the net operating losses of other members of the affiliated group to shelter the taxable income created by the disposition of North American's assets.

In addition, in 1988 Tiger International reached agreement in principle providing for the settlement of a lawsuit involving North American. See "Note 7 — Contingencies and Legal Actions" for a description of this settlement and a for a description of other possible claims resulting from the bankruptcy of North American.

Other Leasing Operations

Tiger's other leasing operations were also discontinued at December 31, 1983.

At December 31, 1985, TigerAir, Inc. ("TigerAir"), an indirect subsidiary of Tiger Leasing Group, Inc. ("Tiger Leasing Group") also carried a tax benefit account aggregating approximately \$15.2 million arising from allocation of consolidated federal income taxes. In December 1986, TigerAir sold a DC-10-30 aircraft. The tax gain resulting from this sale was, for the most part, offset

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

against Tiger's NOL exclusive of those of TigerAir. The tax effect of this utilization by TigerAir of its affiliates' NOL was applied by Tiger International against the \$15.2 million amount referred to above. Tiger International and TigerAir executed a settlement agreement regarding their mutual claims under the tax allocation agreement similar to that between Tiger International and North American discussed above.

The other leasing operations also carry tax benefits accounts of approximately \$16 million. The accounts accumulated over the years for which the other leasing companies were included in Tiger's consolidated federal income tax returns. The accounts include net operating losses, investment tax credits and foreign tax credits that have been, or were expected to be, utilized to reduce taxes otherwise payable in respect of income of members, other than the other leasing companies, of the Tiger consolidated tax reporting group. Such accounts could result in claims for cash payment of all or a significant portion of such accounts. However, unlike North American and TigerAir, the other leasing operations are not likely to generate enough taxable income as a result of the disposition of their assets to effect a settlement of their accounts through the use of net operating losses of other members of the affiliated group to shelter their income. Though it is not possible to give any assurance as to the ultimate outcome of any such claims, Tiger's position is that no payment by it should be required to settle such accounts.

Note 2 — Acquisitions and Dispositions

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

In January 1987, Flying Tigers entered into a five year operating lease for six DC-8-63 aircraft and spare equipment. In July 1987, Flying Tigers entered into a seven year operating lease for one Boeing 747-200 aircraft and two spare engines which contains a purchase option, exercisable during the first three years of the lease, to purchase the aircraft and spare engines at specified prices at the end of the fourth through seventh year of the lease.

Note 3 — Business Segment and Geographic Data

Tiger is engaged primarily in two businesses: air freight and specialized trucking. Air freight and trucking services are provided in the United States. International air cargo operations are conducted

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

primarily between cities in the United States and points in Asia, Europe, Latin America, the Middle East and the South Pacific.

Segment data	Revenues	Pretax Results Before Interest Expense	Interest Expense Net	Pretax Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization Expense
				(In thousands)			
1985							
Air Freight	\$1,109,022	\$ 20,225	\$64,457	\$(44,232)	\$911,452	\$26,510	\$56,880
Trucking	38,023	3,207	4	3,203	32,454	772	1,213
Other	—	5,003	21,161	(16,158)	12,212	6	331
Continuing Operations	<u>\$1,147,045</u>	<u>\$ 28,435</u>	<u>\$85,622</u>	<u>\$(57,187)</u>	<u>\$956,118</u>	<u>\$27,288</u>	<u>\$58,424</u>
1986							
Air Freight	\$1,074,336	\$ 42,689	\$61,334	\$(18,645)	\$846,328	\$ 8,437	\$57,817
Trucking	36,612	2,129	5	2,124	25,673	1,499	1,145
Other	—	(6,427)	22,115	(28,542)	11,456	76	296
Continuing Operations	<u>\$1,110,948</u>	<u>\$ 38,391</u>	<u>\$83,454</u>	<u>\$(45,063)</u>	<u>\$883,457</u>	<u>\$10,012</u>	<u>\$59,258</u>
1987							
Air Freight	\$1,191,680	\$165,491	\$58,881	\$106,610	\$961,859	\$ 8,466	\$55,557
Trucking	40,216	2,531	3	2,528	28,868	1,795	1,264
Other	—	(8,913)	24,946	(33,859)	5,085	28	1,366
Continuing Operations	<u>\$1,231,896</u>	<u>\$159,109</u>	<u>\$83,830</u>	<u>\$ 75,279</u>	<u>\$995,812</u>	<u>\$10,289</u>	<u>\$58,187</u>

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

All significant identifiable assets are located in the United States. Revenues from the United States Government were \$144,613,000, \$145,640,000 and \$192,182,000 for the years ended December 31, 1985, 1986 and 1987, respectively. These revenues were for services performed primarily for the Military Airlift Command of the United States Air Force and the United States Postal Service.

Revenues relating to scheduled and nonscheduled air freight and passenger operations are as follows:

	For the Years Ended December 31		
	1985	1986	1987
	(In thousands)		
Scheduled Freight Operations			
Domestic	\$ 212,929	\$ 155,601	\$ 142,985
Transpacific	544,177	599,781	689,407
Transatlantic	105,368	83,848	82,010
Latin America	63,988	45,409	50,409
Total Scheduled Freight Operations	926,462	884,639	964,811
Commercial Charter	56,132	46,682	45,018
Military Airlift Command	105,680	113,528	155,841
Other	20,748	29,487	26,010
Total Revenues	<u>\$1,109,022</u>	<u>\$1,074,336</u>	<u>\$1,191,680</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 — Long-Term Debt

The outstanding balance of long-term debt at the dates specified is as follows:

	December 31	
	1986	1987
	(In thousands)	
Notes Payable and Equipment Obligations:		
Tiger International, Inc.		
11½% Debentures due April 1995, net of imputed interest (effective rate 20.7%).....	\$ 20,750	\$ 21,859
11½% Debentures due October 1995, net of imputed interest (effective rate 13.0%).....	14,107	14,292
Note payable to North American (Prime + 2%).....	118,921	131,713
Subsidiaries		
9% to 12% equipment trust certificates due 1988 to 1999 (average rate 11.1% in 1987).....	109,177	155,466
10.56% to 11% master sales agreements (payable in yen) due 1988 to 1991.....	119,401	122,228
12.5% to 13.5% conditional sale agreement.....	1,450	—
6% to 9% promissory notes due 1988 to 1991 (average rate 9.7% in 1987).....	5,962	2,317
Term notes at prime + ¼% and prime + 2%.....	49,084	—
	438,852	447,875
Less current portion.....	50,146	59,299
	\$388,706	\$388,576
Subordinated Debt:		
Tiger International, Inc.		
8½% Senior Subordinated Debentures due July 1995, net of imputed interest (effective rate 19.2%).....	\$ 22,190	\$ 23,233
8½% Convertible Subordinated Debentures due July 2005.....	4,437	4,437
	26,627	27,670
Less current portion.....	—	1,801
	\$ 26,627	\$ 25,869

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Scheduled Maturities

As of December 31, 1987, principal scheduled maturities of long-term debt, including sinking fund requirements for debentures and capital lease obligations (described in "Note 5 — Commitments") are as follows (in thousands):

<u>Year</u>	<u>Long-term Debt</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
1988.....	\$ 61,100	\$ 9,101	\$ 70,201
1989.....	32,516	10,011	42,527
1990.....	34,031	10,035	44,066
1991.....	63,156	11,166	74,322
1992.....	4,770	13,279	18,049
Later Years.....	279,972	173,315	453,287
Total.....	<u>\$475,545</u>	<u>\$226,907</u>	<u>\$702,452</u>

Tiger International, Inc. (Parent)

The 11½% Sinking Fund Debentures due April 1, 1995, (the "New 11½% Debentures"), \$28.4 million in aggregate outstanding principal amount, and the 8⅜% Senior Subordinated Debentures due July 1, 1995, (the "New 8⅜% Debentures"), \$36.0 million in aggregate outstanding principal amount give Tiger International the option to satisfy both principal (including sinking fund obligations) and interest requirements in cash or in Common Stock. The New 11½% Debentures and the New 8⅜% Debentures are hereinafter referred to as the "New Debentures". Tiger International elected to satisfy its interest obligations on the New Debentures in 1985 (\$6.5 million), 1986 (\$6.5 million) and 1987 through July 1, 1987 (\$3.3 million) by delivering 921,768, 1,031,791 and 304,577 shares, respectively, of common stock. Minor amounts were paid in cash for fractional shares. The October 1, 1987 and January 1, 1988 interest payments were paid in cash.

As a mandatory sinking fund for the retirement of the New 11½% Debentures, Tiger International is required to deposit prior to April 1 in each year commencing in 1988 and ending in 1994, an amount, in legal tender or Common Stock, sufficient to redeem not less than 10% of the aggregate principal amount of New 11½% Debentures originally issued. Tiger International may deliver outstanding New 11½% Debentures and apply as a credit New 11½% Debentures which have been redeemed at the election of Tiger International in satisfaction of all or part of such mandatory sinking fund payment requirement.

As a mandatory sinking fund for the retirement of the New 8⅜% Debentures, Tiger International is required to deposit prior to July 1 in each year commencing in 1988 and ending in 1994, an amount, in legal tender or Common Stock, sufficient to redeem not less than 5% of the aggregate principal amount of New 8⅜% Debentures originally issued. Tiger International may deliver outstanding New 8⅜% Debentures and apply as a credit New 8⅜% 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 11½% Sinking Fund Debentures due October 1, 1995 (the "Old 11½% Debentures"), \$14.6 million in aggregate outstanding principal amount, were originally issued in connection with the acquisition of Seaboard World Airlines ("Seaboard"). As a mandatory sinking fund for the retirement of the Old 11½% Debentures, Tiger International is required to deposit prior to October 1, in each year commencing in 1986 and ending in 1994, an amount sufficient to redeem not less than 10% of the aggregate amount of Old 11½% Debentures outstanding at October 1, 1986. Tiger International may deliver outstanding Old 11½% Debentures and apply as a credit Old 11½% Debentures which

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 an exchange offer sufficient Old 11½% Debentures to meet the mandatory sinking fund requirement for the years 1987 through 1992 and partially for the year 1993.

The \$4.4 million outstanding principal amount of 8⅜% Convertible Subordinate Debentures due July 1, 2005 (the "Old 8⅜% Debentures") is convertible into Common Stock at an adjusted price of \$31 per share and is redeemable at a premium at any time at the option of Tiger International. As a mandatory sinking fund for the retirement of the Old 8⅜% Debentures, Tiger International is required to deposit prior to July 1 in each year, commencing in 1990 and ending in 2004, an amount sufficient to redeem not less than \$3 million and not more than \$6 million principal amount of Old 8⅜% Debentures. Tiger International may deliver outstanding Old 8⅜% Debentures and apply as a credit Old 8⅜% 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 an exchange offer sufficient Old 8⅜% Debentures to meet the mandatory sinking fund requirement for all years.

The Tiger International Note in principal amount of \$131.7 million, at December 31, 1987, was secured by a pledge by Tiger International of 47% of the common stock of Flying Tigers presently outstanding and required prepayments of principal and interest upon certain events. In March 1988, Tiger International repaid this obligation using cash and the proceeds from the issuance of \$100 million Senior Secured Extendable Reset Notes (see below). As a result, the current portion of the Tiger International Note refinanced in March 1988, has been reclassified to long-term.

The \$100 Million Senior Secured Extendable Reset Notes (the "Reset Notes") issued in March 1988, are due no later than 1993. The Reset Notes bear interest, payable semi-annually, until March 15, 1989 at an initial rate of 12⅜% per annum. In March 1989, Tiger International has the option to prepay at 101.5% of principal amount or to extend the maturity of the Reset Notes for one, two or three years. Thereafter, Tiger has the option to extend the maturity of the Reset Notes to, and including March 15, 1993. Each time Tiger extends the maturity of the Reset Notes, the interest rate will be adjusted to a rate which will cause the Reset Notes to have a market value of 101% of principal amount. The Reset Notes contain covenants relating to the maintenance of net worth and limitations on dividends and other distributions. The Reset Notes are secured by a pledge of 51% of the outstanding common stock of Flying Tigers.

Subsidiaries

In April 1987, Flying Tigers completed a refinancing of a substantial portion of its outstanding indebtedness. As part of the refinancing, Flying Tigers sold approximately \$90 million First Priority Trust Certificates due 1997 and \$50 million Second Priority Trust Certificates due 1999 (collectively, the "Trust Certificates").

The proceeds of the sale of the Trust Certificates were used to repay a substantial portion of Flying Tigers' indebtedness and capital lease obligations by prepaying in full certain of Flying Tigers' private equipment trust agreements, prepaying a portion of the principal amounts owed under certain of Flying Tigers' term notes, paying in full all principal and lease payments deferred by the Flying Tigers Restructuring Agreements, which Flying Tigers had entered into in December 1983, and paying to creditors under the Flying Tigers Restructuring Agreements \$5 million to settle in full and terminate the right of such creditors under the Flying Tigers Restructuring Agreements to receive contingent interest based on Flying Tigers' profits in the years 1985 through 1989. The Trust Certificates are secured by four used B-747-200F aircraft owned by Flying Tigers. Scheduled principal maturities of the Trust Certificates do not commence until April 1993.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Concurrent with the consummation of the sale of the Trust Certificates, approximately \$143.7 million of purchase money indebtedness of the owner of four B-747-200F aircraft and four spare engines leased by Flying Tigers under capital leases was refinanced by the owner of such equipment, thereby decreasing the cost to Flying Tigers of leasing such equipment.

The application of the Trust Certificate proceeds as described above paid a substantial portion of the Flying Tigers' indebtedness that was subject to the Flying Tigers Restructuring Agreements, which were terminated concurrently with the repayment of such indebtedness. The effects of such termination, the repayment of indebtedness and the refinancing thereof with the proceeds of the Trust Certificates were intended (1) to reduce Flying Tigers' principal obligations due in the near future, (2) to relieve Flying Tigers from the requirement under the Flying Tigers Restructuring Agreements to make quarterly payments of both deferred and matured principal, deferred interest and contingent interest, and (3) to remove certain operational and other restrictions imposed on Flying Tigers by the Flying Tigers Restructuring Agreements.

In March 1988, Flying Tigers obtained a new one year \$50 million unsecured line of credit. This agreement provides for a commitment fee of $\frac{1}{2}\%$ on the unused balance of the line of credit. Borrowings bear interest at prime, LIBOR + 1% or a CD rate + 1%. The agreement also provides for certain working capital and debt to equity requirements.

Pursuant to an exchange offer, completed in April 1984, Flying Tigers exchanged \$2.5 million of debt for 189,504 shares of Flying Tigers' common stock and warrants to purchase 89,094 shares of Flying Tigers' common stock. As a result of this exchange offer, Tiger International's ownership of Flying Tigers' common stock has been reduced to 99%.

Restrictions on Cash Dividend Payments and Assets Secured by Debt

At December 31, 1987, Flying Tigers' cash balance was \$248.0 million. Under the provisions of certain of Flying Tigers' debt obligations, Flying Tigers is permitted to pay dividends and make advances to Tiger International; however, such dividends and advances are limited to 50% of Flying Tigers' cumulative net income subsequent to December 31, 1986 plus \$25 million. Under Flying Tigers' loan agreements, flight equipment having a net book value of \$234.2 million has been pledged to secure the obligations thereunder. Warren Transport is free from restrictions limiting dividends and advances to Tiger International.

Due to provisions contained in the Reset Notes, Tiger International is prohibited from paying cash dividends on its Common Stock until at least 1993.

Note 5 — Commitments

Leases

At December 31, 1987, Tiger was lessee under long-term leases on aircraft and engines, facilities and other equipment. These leases extend for varying periods through 2019. There are renewal and fair market value purchase options on most of the leased equipment. Rentals during the renewal option periods are generally at rates that are as favorable as for the initial lease periods. Under most equipment leases, Tiger is obligated for the cost of maintaining and operating the equipment.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Leases: Property and equipment recorded as assets under capital leases at December 31 are as follows:

	1986	1987
	(In thousands)	
Equipment used in operations	\$268,869	\$268,869
Less accumulated amortization	93,777	108,731
	\$175,092	\$160,138

Operating Leases: Total rental expense, net of sublease rentals, for all operating leases with lease terms in excess of one month for the years ended December 31, 1985, 1986 and 1987 was \$55,587,000, \$55,535,000 and \$71,786,000, respectively.

Scheduled Minimum Future Lease Payments: At December 31, 1987, 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 Leases	Operating Leases
1988	\$ 30,245	\$ 68,559
1989	30,295	67,848
1990	29,414	55,543
1991	29,619	47,643
1992	30,569	23,585
Later years	252,191	144,782
Total minimum lease payments	402,333	\$407,960
Less amount representing interest	175,426	
Present value of net minimum future lease payments	226,907	
Less current portion	9,101	
Long-term capital lease obligations	\$217,806	

Minimum payments under non-cancellable operating leases have not been reduced by minimum sublease rentals of \$23,241,000 due in the future under non-cancellable subleases.

Guarantees

At December 31, 1987, Tiger was contingently liable under outstanding guarantees in the amount of \$23,973,000, 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 freight facilities at the Anchorage, Dallas-Fort Worth, Houston and Los Angeles airports. There are no defaults existing on these guarantees as of December 31, 1987.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 — Capital Stock

Common Stock

At December 31, 1987, Tiger International had reserved the following number of shares of Common Stock for possible future issuance:

Key Employees Incentive Stock Option Plan	684,700
Conversion of Convertible Subordinated Debentures.....	600,000
Exercise of Common Stock Warrants.....	4,373,000
Exercise of Employee Common Stock Warrants	1,818,950
Non-Statutory Stock Options.....	<u>1,587,500</u>
	<u>9,064,150</u>

Stock Option Plan

During 1981, the stockholders approved a Key Employees Incentive Stock Option Plan (the "1981 Plan") under which options may be granted covering no more than 750,000 shares of Common Stock. The option price is the market value on the date of grant. The options granted are exercisable from 1987 to 1997.

A summary of changes in stock options under the 1981 Plan for the three years ended December 31, 1987, is as follows:

	Number of Shares	Option Price Per Share
Outstanding at December 31, 1984.....	640,506	\$6.13-14.13
Granted.....	—	—
Exercised.....	—	—
Cancelled or expired	<u>87,050</u>	<u>8.00-12.38</u>
Outstanding at December 31, 1985.....	553,456	6.13-14.13
Granted.....	107,000	5.75- 8.00
Exercised.....	—	—
Cancelled or expired	<u>172,700</u>	<u>6.50-14.13</u>
Outstanding at December 31, 1986.....	487,756	5.75-12.38
Granted.....	245,500	8.88-16.13
Exercised.....	65,300	5.75-12.38
Cancelled or expired	<u>22,650</u>	<u>8.00-12.38</u>
Outstanding at December 31, 1987.....	<u>645,306</u>	<u>\$6.13-16.13</u>

The aggregate purchase price of shares subject to outstanding options granted under the 1981 Plan was \$5,014,000 at December 31, 1985, \$4,294,000 at December 31, 1986 and \$5,893,000 at December 31, 1987. At December 31, 1987, stock options covering 412,306 shares are exercisable.

In 1988, the Board of Directors of Tiger International adopted the Tiger International, Inc. 1988 Stock Option Plan (the "1988 Plan"), subject to the approval of Tiger International's stockholders. As adopted by the Board of Directors, an aggregate of 1,000,000 shares of Common Stock is reserved for issuance. The 1988 Plan also authorizes the award of stock appreciation rights ("SARs") with respect to the shares covered by any option granted under the 1988 Plan. The option price per share shall not be less than 100%, in the case of an incentive stock option, or 90%, in the case of a non-statutory stock option, of the fair market value on the date the option is granted. In 1988, options to purchase 565,000 shares of Common Stock, of which 245,000 options were issued in tandem with SAR's, were

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

granted under the 1988 Plan at exercise prices ranging from \$10.75 to \$14.00 per share, the market values on the dates of grant. The 1988 Plan will be submitted for approval by Tiger International's stockholders at the 1988 Annual Meeting.

Non-Statutory Stock Options

On August 28, 1985 as an inducement essential to Robert P. Jensen's employment as President and Chief Executive Officer of Tiger International, the Board of Directors granted Mr. Jensen a Non-Statutory Stock Option to purchase 1,000,000 shares of Common Stock at \$7 per share, the market value of the Common Stock on the date of the grant. On August 8, 1986, the Board of Directors granted Mr. Jensen a Non-Statutory Stock Option to purchase 250,000 shares of Common Stock at \$5.25 per share (the market value on the date of the grant). These Stock Options were exercisable at any time on or after August 8, 1986, to and including August 7, 1996. On January 22, 1987, Mr. Jensen was succeeded by Stephen M. Wolf as Chairman of the Board, President and Chief Executive Officer of Tiger International. Pursuant to an agreement dated March 26, 1987 ("Agreement") between Tiger International and Mr. Jensen, Mr. Jensen agreed that he would not exercise the stock option granted to Mr. Jensen on August 8, 1986 in whole or in part and would permit it to expire unexercised. Further, pursuant to the Agreement, the stock option granted to Mr. Jensen on August 28, 1985 to acquire 1,000,000 shares of Tiger's common stock at a price of \$7.00 per share was amended to reduce the number of shares subject to the option to 562,500. This amended stock option is exercisable through March 25, 1991. Under certain circumstances, Mr. Jensen may also transfer his rights under this stock option to an underwriter and has the right to the registration of the sale of the shares acquired upon the exercise of his stock option.

As an inducement essential to Mr. Wolf accepting employment with Flying Tigers, at the time of his employment in August 1986, (a) the Board of Directors of Flying Tigers granted Mr. Wolf a stock option to purchase 1,000,000 shares of Flying Tigers' Common Stock at \$5.45 per share (the fair value of the stock on the date of the grant) (the "FTL Option") and (b) the Board of Directors of Tiger International granted Mr. Wolf a stock option to purchase 250,000 shares of Tiger International's Common Stock at \$5.25 per share (the market value on the date of the grant) (the "First Tiger International Option"). Each option was on substantially identical terms, including the exercise period (through 1996); vesting (25% at grant and, based upon continued employment, 25% one year thereafter and the remainder in August 1988); and certain rights to transfer to an underwriter and to registration for public sale.

In connection with its decision to acquire minority interests in its air freight operating subsidiary, Tiger International and Mr. Wolf entered into a November 1987 agreement, which became effective in March 1988, whereby Mr. Wolf would exchange his FTL Option for an option on additional Tiger International shares. Based upon a review of financial and market information and consultation with an independent investment banker, the FTL Option was exchanged for a new option, intended to represent approximately equivalent fair value to Mr. Wolf, to purchase 1,800,000 shares of Tiger International Common Stock at an exercise price of \$3.05 per share (the "Second Tiger International Option"). The Second Tiger International Option was on the same substantive terms, including vesting, as the FTL Option which it replaced and as the First Tiger International Option. The exchange of options became effective in March 1988. As a result of Mr. Wolf's employment terminating in December 1987, those rights to exercise which would have otherwise vested in August 1988 were forfeited, and Mr. Wolf's right to exercise is limited to 125,000 shares and 900,000 shares of Tiger International Common Stock, respectively, under the First Tiger International Option and the Second Tiger International Option.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Warrants

Pursuant to an exchange offer completed in September 1983, Tiger International has outstanding, in registered form, 3,199,338 warrants (including 56,022 issued to Flying Tigers) to purchase Common Stock at \$12.50 per share, subject to adjustment. The warrants can be exercised at any time on or after January 1, 1984, through June 30, 1988, subject to certain call provisions. The warrant holder may elect to pay all or part of the exercise price by surrender of New Debentures to the Warrant Agent which shall be credited at the principal amount thereof plus accrued interest. (See "Note 4 — Long-Term Debt.")

In connection with the above mentioned Exchange Offer, Tiger International issued warrants to purchase 200,000 shares of Common Stock to an investment banker as compensation for services performed. Each warrant entitles the warrant holder to purchase one share of Common Stock at \$8.00 per share, subject to adjustment, at any time on or after January 1, 1984, through June 30, 1988. These warrants are not subject to redemption.

In connection with the restructuring agreements entered into by North American and Flying Tigers, Tiger International executed agreements which provided, among other things, that Tiger International issue to the creditors of North American and Flying Tigers warrants with an expiration date of September 30, 1993, in connection with (i) the deferral of interest at North American and (ii) advances made by North American and Flying Tigers to Tiger International. In connection with the deferral of interest, warrants to purchase 246,204 shares of Common Stock have been issued to North American's lenders at exercise prices ranging from \$5.15 to \$6.99. In connection with advances made by North American and Flying Tigers during 1984, 140,069 warrants have been issued to North American's and Flying Tigers' lenders at exercise prices ranging from \$5.94 to \$7.39. No additional warrants will be issued in connection with these agreements.

In 1986, Flying Tigers entered into agreements with substantially all of its unionized employees providing for reduced wages, work rule changes and other cost reduction measures. In addition, management and clerical employees participated in cost reduction programs. In return for such savings, Flying Tigers agreed to grant to participating employees a profit participation, warrants to purchase approximately 1.8 million shares of Flying Tigers' common stock, and, collectively, the right to designate one member of Flying Tigers' Board of Directors. Compensation expense, computed by the excess of the fair value of the stock over the exercise price, is being charged to income over the term of the program. In the event there is no active market for the common stock of Flying Tigers, Tiger International may be required, under an agreement with Flying Tigers, to issue substitute warrants to purchase 1.8 million shares of Tiger International Common Stock or issue 1.8 million shares of Tiger International Common Stock. The profit sharing component consists of an agreement to pay eligible participants 15% of Flying Tigers' income (as defined in the agreement) in excess of \$10,000,000 for each of the years ending on December 31, 1987, 1988 and 1989 and in excess of \$4,166,000 for the five months ending on May 31, 1990. For the year ended December 31, 1987, Flying Tigers paid, in March 1988, \$16,516,000 under the terms of the profit sharing plan.

Note 7 — Contingencies and Legal Actions

On December 5, 1984, North American and Tiger Leasing Group filed voluntary petitions for reorganization in the Bankruptcy Court. The North American and Tiger Leasing Group bankruptcy proceedings could result in unsatisfied creditors' claims of up to \$300 million after sale of their assets and completion of the bankruptcy proceedings. See "Note 1 — Discontinued Operations" for a discussion of pending proceedings in the Bankruptcy Court and possible claims pertaining to tax benefit accounts.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 1987, North American filed a complaint with the Bankruptcy Court asserting claims against Tiger International and certain former directors of North American, some of whom were also directors of Tiger International. The complaint focuses on various transfers of funds from North American to Tiger International (including the advances by North American to Tiger International evidenced by the Tiger International Note) and the North American Restructuring Agreement. The complaint alleges that the foregoing transfers aggregate approximately \$217 million, and seeks payment of that amount, as well as interest accruing on the funds transfers from the dates thereof. Tiger International and North American have reached agreement in principle, subject to negotiation of definitive documentation and requisite Bankruptcy Court approval, providing for payments to North American in settlement of this lawsuit for which provision has been made as of December 31, 1987.

Alter ego claims against Tiger International arising out of the North American bankruptcy have been asserted in the following pending lawsuits: *Mecanoexport-import adv. Robert Tidball, et al.* (Cook County Circuit Court, Illinois, No. 85L 08193), and *Hunter-Keith, Incorporated v. General Electric Credit Corporation, et al.* (United States District Court for the District of Minnesota, Action No. 4-84-804).

The *Mecanoexport-import* suit seeks compensatory damages against Tiger International of over \$30 million and punitive damages against Tiger International of approximately \$60 million. Tiger International intends to defend vigorously against the claims in this lawsuit. Although no assurance can be given that Tiger International will prevail in the *Mecanoexport-import* lawsuit, Tiger International management believes that Tiger International has meritorious defenses to this action.

In March 1988 an agreement in principle, subject to negotiation of definitive documentation, was reached providing for the settlement of the *Hunter-Keith* lawsuit for which provision has been made as of December 31, 1987.

See "Note 1 — Discontinued Operations — Hall's Motor Transit" for a discussion of a settlement pertaining to Hall's.

Note 8 — Retirement Plans

Tiger adopted certain provisions of the Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" (FAS No. 87) as of January 1, 1987. The adoption of FAS No. 87 had no significant effect on net income for the year ended December 31, 1987. The provisions were adopted prospectively; accordingly, the results of operations for the years ended December 31, 1986 and 1985 have not been restated. As permitted by FAS No. 87, Tiger has elected not to currently adopt certain provisions requiring the recognition of a pension asset and liability in the Consolidated Balance Sheets.

Tiger maintains noncontributory defined benefit pension plans for substantially all of its U.S. employees. The plan covering Tigers' management and clerical employees provides pension benefits based upon a career-average-pay formula. The plans covering Tigers' unionized personnel generally provide for fixed benefits per year of service. Tiger makes contributions to these plans based upon the minimum funding requirements under the Employee Retirement Income Security Act of 1974. Assets of the plans consist primarily of insurance contracts, stocks, bonds and money market accounts.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The net periodic pension cost for the defined benefit plans for the year ended December 31, 1987 consisted of the following (in thousands):

Service costs — benefits earned during the year	\$ 6,855
Interest cost on projected benefit obligation	22,941
Actual return on assets	(18,256)
Net amortization and deferral.....	<u>(4,045)</u>
	<u>\$ 7,495</u>

The following is a summary of the status of the funding of the pension plans and of the amounts recognized in the Consolidated Balance Sheets of Tiger as of January 1, 1987, the date FAS No. 87 was adopted, and December 31, 1987 (in thousands):

	As of January 1, 1987		December 31, 1987	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligations.....	\$32,167	\$191,102	\$33,505	\$199,403
Accumulated benefit obligations.....	<u>\$32,942</u>	<u>\$231,916</u>	<u>\$34,314</u>	<u>\$242,238</u>
Projected benefit obligations.....	\$37,717	\$243,397	\$39,591	\$254,998
Assets of the plans at market.....	<u>43,901</u>	<u>204,257</u>	<u>43,891</u>	<u>213,478</u>
Projected benefit obligation (greater) less than assets of the plans.....	6,184	(39,140)	4,300	(41,520)
Unrecognized net (gain) loss	—	—	1,633	3,275
Unrecognized net (asset) obligation at January 1, 1987	<u>(7,185)</u>	<u>20,931</u>	<u>(6,706)</u>	<u>19,535</u>
Pension liability recognized on the Consolidated Balance Sheets.....	<u>\$ (1,001)</u>	<u>\$ (18,209)</u>	<u>\$ (773)</u>	<u>\$ (18,710)</u>

In determining the actuarial present value of projected benefit obligations, a discount rate of 8 $\frac{1}{2}$ percent was used. Future compensation levels are assumed to increase at rates ranging from zero to 3 percent. The long-term rate of return on assets was 9 $\frac{1}{2}$ percent.

Tiger provides benefits upon termination or retirement to its non-U.S. employees in certain locations. Such benefits are based upon career-average-pay formulas. Generally, Tiger does not maintain separate funded plans for such benefits. For the year ended December 31, 1987, the cost of such plans was approximately \$1,783,000.

Tiger sponsors defined contribution pension plans on behalf of its pilots and certain other employees. For the pilots' plan, contributions through November 30, 1986 were 11 percent of compensation. As part of the Employee Partnership Program, contributions to the pilots' plan ceased as of that date and accordingly pension expense decreased in 1987. Contributions to the other plans for the year ended December 31, 1987 were not significant.

For the years ended December 31, 1985 and 1986, the total costs of all of these plans were approximately \$13,651,000 and \$17,002,000, respectively.

In addition to providing pension benefits, Tiger provides certain health care and life insurance benefits for retired employees. Substantially all of the 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, 1987, those costs were not significant.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 — Income Taxes

The income tax provision for 1987 differs from the federal statutory rate of 40% due to reductions provided by investment tax credits offset by state taxes. The extraordinary tax credit for 1987 is the result of Tiger's use of net operating loss carryforwards generated in earlier years reduced by the investment tax credits above offset by a provision for the alternative minimum tax. There was no income tax benefit recorded for the losses incurred in 1986 and 1985 because prior years received all tax benefits arising from the reversal of all available domestic deferred income taxes not previously reduced by tax credits.

The income tax provision related to continuing operations differs from the amount computed using the United States federal income tax rate. A reconciliation between this rate and the effective rate is as follows:

	<u>1985</u>	<u>1986</u>	<u>1987</u>
United States Federal income tax rate	(46.0)%	(46.0)%	40.0%
Investment tax credits	—	—	(21.5)
Permanent differences between book and tax income	—	—	3.0
Book losses not benefitted	46.0	46.0	—
State income taxes, net of Federal tax benefit, and other	—	—	.6
Income tax provision (benefit) effective rate	<u>— %</u>	<u>— %</u>	<u>22.1%</u>

In 1985 and 1986, the principal timing differences relate to depreciation, differing treatment of book reserves and the recognition of various other income and expense items in different financial reporting and tax years. In 1987, 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 reserves for discontinuing operations as discussed in "Note 1 — Discontinued Operations."

For Federal income tax purposes, Tiger files a consolidated income tax return. At December 31, 1987, and pending completion and filing of the consolidated tax return, Tiger estimates that it has available for Federal income tax purposes, in 1988 and subsequent years, net operating loss carryforwards ("NOL's") in excess of \$270 million and investment tax credits ("ITC's") of approximately \$36 million. None of the NOL's expire prior to 1997. The ITC's expire beginning in 1989. For financial statement purposes, Tiger has NOL's in excess of \$200 million and ITC's of approximately \$9 million. The ITC's have been reduced to reflect the provisions of the Tax Reform Act of 1986.

Tiger's Federal income tax returns for the years 1977 through 1981 have been examined, and certain adjustments have been proposed by the Internal Revenue Service. A petition for redetermination of certain deficiencies asserted against Tiger by the Internal Revenue Service is presently pending in the United States Tax Court. The amounts at issue include approximately \$8,000,000 of investment tax credit claimed by Flying Tigers in 1977 in connection with the modification of certain used B-747 aircraft. The Internal Revenue Service has answered the petition, generally denying all of Tiger's allegations, but has not engaged in any discovery or filed any motions. As a consequence, the resolution of this issue is dependent on a number of factual matters which have not as yet been fully developed. Since the outcome will be dependent upon determinations to be made by the trier of fact, it is not possible to predict the outcome of any such litigation with certainty and no assurance can be given that Tiger will prevail in such litigation. However, in the opinion of management, adequate provision has been made for all income tax liabilities.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 — Details of Certain Accounts

Supplemental Consolidated Balance Sheet Information

	December 31	
	1986	1987
	(In thousands)	
Receivables, Net:		
Trade.....	\$ 149,617	\$ 167,628
Other.....	2,926	2,853
Less allowance for doubtful accounts and revenue adjustments.....	(14,287)	(25,548)
Receivables, net.....	\$ 138,256	\$ 144,933
Accounts Payable and Accrued Liabilities:		
Accounts payable.....	\$ 58,265	\$ 59,502
Accrued liabilities		
Payroll and profit sharing.....	8,291	25,979
Vacations.....	19,341	16,395
Interest.....	16,934	12,622
Income taxes.....	70	3,716
Taxes other than payroll and income taxes.....	15,565	15,941
Pensions.....	8,290	7,474
Reserve for discontinued operations.....	—	15,000
Other.....	32,964	35,354
Accounts Payable and Accrued Liabilities.....	\$ 159,720	\$ 191,983

Supplemental Consolidated Statement of Operations Information

	1985	1986	1987
	(In thousands)		
Maintenance and repairs.....	\$ 114,757	\$ 128,862	\$ 131,204
Taxes other than payroll and income taxes.....	\$ 9,486	\$ 15,736	\$ 8,188
Amortization of cost in excess of fair value of acquired businesses.....	\$ 1,608	\$ 1,608	\$ 1,608
Advertising costs.....	\$ 6,909	\$ 6,303	\$ 4,616

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands except per share data)			
1985				
Revenues	<u>\$269,971</u>	<u>\$279,246</u>	<u>\$283,883</u>	<u>\$313,945</u>
Loss from Continuing Operations	\$ (4,725)	\$ (10,165)	\$ (23,266)	\$ (19,031)
Loss from Discontinued Operations.....	—	—	—	(15,500)
Net Loss	<u>\$ (4,725)</u>	<u>\$ (10,165)</u>	<u>\$ (23,266)</u>	<u>\$ (34,531)</u>
Loss Per Share —				
Continuing.....	\$ (.21)	\$ (.40)	\$ (.77)	\$ (.62)
Discontinued.....	—	—	—	(.51)
Total	<u>\$ (.21)</u>	<u>\$ (.40)</u>	<u>\$ (.77)</u>	<u>\$ (1.13)</u>
1986				
Revenues	<u>\$263,173</u>	<u>\$261,336</u>	<u>\$286,613</u>	<u>\$299,826</u>
Net Income (Loss)	<u>\$ (34,156)</u>	<u>\$ (22,830)</u>	<u>\$ 1,524</u>	<u>\$ 10,399</u>
Income (Loss) Per Share	<u>\$ (1.11)</u>	<u>\$ (.74)</u>	<u>\$.05</u>	<u>\$.33</u>
1987				
Revenues	<u>\$265,313</u>	<u>\$296,082</u>	<u>\$317,344</u>	<u>\$353,157</u>
Income from Continuing Operations	\$ 4,395	\$ 14,392	\$ 18,528	\$ 21,364
Loss from Discontinued Operations.....	—	—	—	(9,100)
Income Before Extraordinary Item.....	4,395	14,392	18,528	12,264
Extraordinary Tax Credit.....	450	2,850	4,600	300
Net Income	<u>\$ 4,845</u>	<u>\$ 17,242</u>	<u>\$ 23,128</u>	<u>\$ 12,564</u>
Income (Loss) Per Share —				
Continuing.....	\$.14	\$.38	\$.49	\$.60
Discontinued.....	—	—	—	(.28)
	.14	.38	.49	.32
Extraordinary Tax Credit.....	.01	.08	.13	.01
Total	<u>\$.15</u>	<u>\$.46</u>	<u>\$.62</u>	<u>\$.33</u>

Continuing Operations

The seasonal fluctuations in the transportation business are reflected in the above summary.

The first quarter of 1985 includes pretax gains of approximately \$5,900,000 from DC-8 aircraft, engine and parts sales and \$4,900,000 from the sale of leasehold property. The fourth quarter of 1985 includes pretax gains of approximately \$1,500,000 from the sale of DC-8 aircraft parts. In addition, the fourth quarter of 1985 includes pretax reserves of \$10,000,000, most of which relate to increases in engine overhaul costs, and a \$14,111,000 loss on yen-denominated debt.

The first, second and third quarters of 1986 includes losses on yen-denominated debt of \$13,200,000, \$10,000,000 and \$7,000,000, respectively. The fourth quarter of 1986 includes \$2,700,000 million gain on yen-denominated debt.

The first quarter of 1987 includes a \$5,000,000 charge for contingent interest accrued and paid in settlement of such amounts due under the Flying Tiger Restructuring Agreements. The extraordinary tax credits in the first, second, third and fourth quarters of 1987 are the result of the utilization of NOL's.

Discontinued Operations

The fourth quarter of 1985 includes a \$10,500,000 charge relating to the write-off of a note receivable from Hall's, and a charge of \$5 million relating to guarantees of Hall's workers' compensation obligations.

The fourth quarter of 1987 includes an after tax charge of \$9.1 million relating to the resolution of litigation matters involving North American and Halls and the settlement of certain indebtedness which originated with North American.

Item 9. Disagreements on Accounting and Financial Disclosure.

A report of Form 8-K was filed with the SEC on March 27, 1986 reporting a change in Tiger's certifying accountant. There were no disagreements with accountants on accounting principles or practices, financial statement disclosures or auditing scope or procedures within twenty-four months of the most recent financial statements included herein.

Part III

Except as provided under the heading "Executive Officers of the Registrant" following Item 4, of Part I hereof, Items 10, 11, 12 and 13 are incorporated by reference to Tiger International's definitive proxy statement (to be filed pursuant to Regulation 14A) which will involve the election of directors.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statement Schedules and Exhibits Filed

<u>Financial Statement Schedules</u>	<u>Page</u>
Reports of Certified Public Accountants on Financial Statements Schedules.....	61
Schedule III — Condensed Parent Company Financial Data	63
Schedule V — Property and Equipment	66
Schedule VI — Accumulated Depreciation and Amortization of Property and Equipment	67
Schedule VIII — Valuation and Qualifying Accounts and Reserves	68

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 March 2, 1988.
- 3.2 — By-Laws of Tiger International Inc. as amended on March 24, 1988.
- 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 [4.1](2).
- 4.2 — Indenture for 8½% 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 [4.2](2).
- 4.3 — Warrant Agreement between Tiger International, Inc. and Midlantic National Bank dated as of July 1, 1983 [4.3](2).
- 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 [4.4](2).
- 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 [4.8](3)
- 4.6 — Form of July Warrant to purchase shares of Common Stock of Tiger International, Inc. [4.6](2).
- 4.7 — Indenture dated as of September 1, 1980, between Tiger International, Inc. and Crocker National Bank, as Trustee [2(b)](4).
- 4.8 — Indenture, dated as of September 1, 1980, between Tiger International, Inc. and Bankers Trust Company, as Trustee [6.2.2](5).
- 4.9 — Forms of Stock Purchase Warrant issued on March 20, 1984 to purchase shares of Common Stock of Tiger International, Inc. [4.10](2).
- 4.10 — 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. [4.11](2)
- 4.11 — Forms of Stock Purchase Warrant issued on June 20, 1984 to purchase shares of Common Stock of Tiger International, Inc. [4.12](2)
- 4.12 — Equipment Trust Agreement dated as of October 1, 1976, between The Bank of New York, as Trustee, and The Flying Tiger Line Inc. [4.13(a)](6)
- 4.13 — Forms of Stock Purchase Warrant issued on September 20, 1984 to purchase shares of Common Stock of Tiger International, Inc. [4.15(a)](6)
- 4.14 — Form of Equipment Trust Agreement dated as of April 1, 1987 among The Connecticut National Bank, as Collateral Trustee, Meridian Asset Management, Inc., as First Priority Certificate Trustee, United Jersey Bank, as Second Priority Certificate Trustee, and The Flying Tiger Line Inc. [4.1](7)
- 4.15 — Form of First and Second Priority Trust Certificates (filed as part of Exhibit 4.14 hereto.)
- 4.16 — Indenture, dated as a March 1, 1988, between Tiger International, Inc. and Norwest Bank of Minnesota, N.A., as Trustee, with respect to Senior Secured Extendable Reset Notes due no later than 1993.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.17	— There is not being filed hereunder as an exhibit any instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries under which the total amount of securities authorized does not exceed 10% of the total assets of Registrant 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	— 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. [10.8](2)
10.2	— Tiger Leasing Group Note, principal amount of \$81,261,000 from Tiger Leasing Group, Inc. to North American Car Corporation dated September 30, 1983. [10.9](2)
10.3	— Warrant Agreement between Tiger International, Inc. and Private Lenders dated as of September 30, 1983. [10.19](3)
10.4	— 1981 Key Employees Stock Option Plan for Tiger International, Inc. and subsidiaries. [A](9)
10.5	— 1981 Key Employees Stock Option Plan for Tiger International, Inc. and subsidiaries, as amended. [28.1](1)
10.6	— Agreement between Tiger International, Inc., Hall's Motor Transit Company and Hall's Acquisition Corporation, dated December 13, 1985. [10.29](10)
10.7	— Receipt and Acknowledgement by Hall's Acquisition Corporation of twenty-five shares of Hall's Motor Transit Company Capital Stock. [10.30](10)
10.8	— Certificate of Ownership of twenty-five shares of Capital Stock of Hall's Motor Transit Company. [10.31](10)
10.9	— Assignment Separate from Certificate by Tiger International, Inc. of twenty-five shares of Capital Stock of Hall's Motor Transit Company. [10.32](10)
10.10	— Employment Agreement between Tiger International, Inc. and Robert P. Jensen, dated September 13, 1985. [10.33](10)
10.11	— Stock Option to Purchase Common Stock of Tiger International, Inc., for Robert P. Jensen, dated as of August 28, 1985. [10.34](10)
10.12	— Agreement dated March 26, 1987 between Tiger International, Inc. and Robert P. Jensen, including the Amended Stock Option, dated March 26, 1987, referred to in that Agreement. [10.41](11)
10.13	— Severance Compensation Agreement between Tiger International, Inc., and Robert J. Harter, dated as of August 2, 1985. [10.35](10)
10.14	— Note Prepayment and Settlement Agreements dated as of January 21, 1988, between Tiger International, Inc., and the Collateral Agent, as defined therein, and all accepting creditors, as defined therein (including exhibits).
10.15	— Stock Pledge Agreement dated as of March 15, 1988, between Tiger International, Inc., The Flying Tiger Line Inc. and Norwest Bank Minnesota, National Association.
10.16	— Registration Rights Agreement dated as of March 15, 1988, between Tiger International Inc. and each of the Purchasers, as defined therein.
10.17	— Securities Purchase Agreement, dated as of March 15, 1988, between Tiger International, Inc. and the Purchasers named on the execution pages thereof (including all exhibits.)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.18	— TLG Guarantee executed by Tiger Leasing Group, Inc. in favor of First National Bank of Chicago, as Collateral Agent, on behalf of the Creditors of North American Car Corporation dated as of September 30, 1983. [10.10](2)
10.19(1)	— First Amended and Restated Pledge Agreement dated as of October 21, 1983 between Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company of Chicago, as Agent. [10.11(1)](2)
10.19(2)	— Amendment Number One to First Amended and Restated Pledge Agreement dated as of June 15, 1984 among Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company, as Agent. [10.11(2)](2)
10.19(3)	— Supplementary Pledge Agreement dated as of June 15, 1984 among Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company of Chicago, as Agent. [10.11(3)](2)
10.19(4)	— Security Agreement (Accounts Receivable) dated as of June 15, 1984 between Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company of Chicago, as Agent. [10.11(4)](2)
10.19(5)	— Creditor Beneficiary Agreement dated as of June 15, 1984 among Tiger Leasing Group, Inc., Continental Illinois National Bank and Trust Company of Chicago, as Agent, and Creditor Beneficiaries. [10.11(5)](2)
10.19(6)	— Supplemental Creditor Beneficiary Agreement dated as of June 15, 1984 among Tiger Leasing Group, Inc., Continental Illinois National Bank and Trust Company of Chicago, as Agent, and Creditor Beneficiaries. [10.11(6)](2)
10.19(7)	— Precedent Agreement dated as of June 15, 1984 among TigerAir, Inc., Tiger Leasing Group, Inc. and Continental Illinois National Bank and Trust Company of Chicago, as Collateral Agent. [10.11(7)](2)
10.20	— Amendment and Restatement as of October 21, 1983 of Credit Agreement dated as of September 8, 1983 among TigerAir, Inc., Tiger Leasing Group, Inc. and Lenders and of Term Loan Agreement dated as of May 23, 1977, as amended as of December 21, 1977 and September 8, 1983 among TigerAir, Inc., Tiger Leasing Group, Inc. and Lenders. [10.14](2)
10.21	— Waiver Agreement and Amendment among TigerAir, Inc., Tiger Leasing Group, Inc., Lenders and Continental Illinois National Bank and Trust Company of Chicago, as Collateral Custodian, dated as of December 21, 1983. [10.20](3)
10.22	— Tiger Note, principal amount of up to \$5,349,000, from Tiger International, Inc. to The Flying Tiger Line Inc. dated December 30, 1983. [10.21](2)
10.23	— Amended and Restated Guaranty from Tiger Leasing Group, Inc. to Continental Illinois National Bank and Trust Company of Chicago dated as of September 8, 1983. [10.22](2)
10.24	— Amended and Restated Guaranty from Tiger Leasing Group, Inc. to the First National Bank of Chicago, dated as of September 8, 1980. [10.23](2)
10.25	— Amended and Restated Guaranty from Tiger Leasing Group, Inc. to the First National Bank of Boston, dated as of September 8, 1980. [10.24](2)
10.26	— Agreement to Terminate Tax Allocation Agreement and Release Intercompany Account among Tiger International, Inc., The Flying Tiger Line Inc., Flying Tiger Air Services, Inc., Sky Voyager, Inc., SWAP, Inc., Tiger Trading Company and Tiger International, Inc. dated August 28, 1986. [10.16](7)

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.27	— Tax Sharing Agreement between Tiger International, Inc. and The Flying Tiger Line Inc. dated August 28, 1986. [10.19](7)
10.28	— Employment Agreement between Tiger International, Inc. and Larry G. Morris dated January 1, 1986. [10.47](11)
10.29	— Employment Agreement between The Flying Tiger Line Inc. and Stephen W. Wolf dated August 8, 1986. [10.22](7)
10.30	— Amendment to Employment Agreement between Tiger International, Inc., The Flying Tiger Line Inc. and Stephen M. Wolf dated as of March 26, 1987. [10.49](11)
10.31	— Settlement Agreement, dated as of March 4, 1988, between Tiger International, Inc., The Flying Tiger Line Inc., Warren Transport, Inc. and the Signatory Funds, as defined therein (including exhibits)
10.32	— First Amendment to MEPPAA Liability Sharing Agreement, dated December 31, 1987, between Tiger International, Inc. and The Flying Tiger Line Inc.
10.33	— Second Amendment to Employment Agreement between Tiger International, Inc. and Stephen M. Wolf dated November 23, 1987.
10.34	— Stock Option to Purchase Common Stock of Tiger International, Inc. for Stephen M. Wolf, dated as of November 23, 1987.
11.1	— Computation of Per Share Earnings (EPS).
22.1	— List of subsidiaries of Tiger International, Inc.
24.1	— Consent of Arthur Young & Company to incorporation of report into Form S-8 Registration Statement by reference.
24.2	— Consent of Arthur Andersen & Co. to incorporation of report into Form S-8 Registration Statement by reference.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by Tiger International during the last quarter of the fiscal year ended December 31, 1987.

- (1) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form S-8 Registration Statement No. 33-15559, is hereby incorporated herein by this reference.
- (2) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form S-1 Registration Statement No. 2-88929, as amended, is hereby incorporated herein by this reference.
- (3) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form 10-K Annual Report for the fiscal year ended December 31, 1983, is hereby incorporated herein by this reference.
- (4) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form S-16 Statement No. 2-68885, is hereby incorporated herein by this reference.

- (5) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form S-14 Registration Statement No. 2-68788, is hereby incorporated herein by this reference.
- (6) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form S-1 Registration Statement No. 2-95706, is hereby incorporated herein by this reference.
- (7) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Form S-1 Registration Statement No. 2-94413-01, as amended, of The Flying Tiger Line Inc., is hereby incorporated herein by this reference.
- (8) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Form 10-K Annual Report for the fiscal year ended December 31, 1980, is hereby incorporated herein by this reference.
- (9) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Proxy Statement for its 1981 Annual Meeting of Stockholders, is hereby incorporated herein by this reference.
- (10) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Tiger International's Annual Report on Form 10-K for the year ended December 31, 1985, is hereby incorporated herein by this reference.
- (11) This document, a copy of which was filed with the Securities and Exchange Commission as an exhibit, under the exhibit number indicated in brackets at the end of the description of that exhibit above, to Post-effective Amendment No. 1 to Tiger International's Form S-1 Registration Statement No. 2-88929, is hereby incorporated herein by this reference.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES**

To the Board of Directors and Stockholders of Tiger International, Inc.:

In connection with our examination of the consolidated financial statements of Tiger International, Inc. and Subsidiaries included in this Form 10-K, we have also examined the financial statement schedules listed in Item 14(a) for the year ended December 31, 1985. Our examination of the consolidated financial statements was made for the purpose of forming an opinion on those financial statements taken as a whole. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 26, 1986.

TIGER INTERNATIONAL, INC.
SCHEDULE III — CONDENSED PARENT COMPANY FINANCIAL DATA
CONDENSED STATEMENT OF OPERATIONS AND STATEMENT OF
CHANGES IN FINANCIAL POSITION

	For the Years Ended December 31		
	1985	1986	1987
	(In thousands)		
Condensed Statement of Operations:			
Revenues	\$ 988	\$ 779	\$ 412
Costs and expenses	17,606	29,515	33,162
Deferred income tax benefit, net	(1,667)	(1,191)	(9,239)
	<u>15,939</u>	<u>28,324</u>	<u>23,923</u>
Loss before equity in earnings (losses) of subsidiaries	(14,951)	(27,545)	(23,511)
Equity in earnings (losses) of consolidated subsidiaries	(42,236)	(17,518)	82,190
Income (loss) from continuing operations before extraordinary tax credit	(57,187)	(45,063)	58,679
Losses and provision for losses on disposal of discontinued subsidiaries	(15,500)	—	(9,100)
Income (loss) before extraordinary tax credit	(72,687)	(45,063)	49,579
Extraordinary tax credit	—	—	8,200
Net income (loss)	<u>\$ (72,687)</u>	<u>\$ (45,063)</u>	<u>\$ 57,779</u>
Condensed Statement of Changes in Financial Position:			
Source of Funds			
Net income (loss) before extraordinary tax credit	\$ (72,687)	\$ (45,063)	\$ 49,579
Equity in (earnings) losses of consolidated subsidiaries	42,236	17,518	(82,190)
Other, net	2,052	13,351	(1,670)
Funds used by continuing operations	(28,399)	(14,194)	(34,281)
Losses of discontinued subsidiaries	15,500	—	9,100
Funds used by Parent Company operations before extraordinary tax credit	(12,899)	(14,194)	(25,181)
Extraordinary tax credit	—	—	8,200
Refinancing of Note Payable to North American Car ..	96,911	—	—
Dividends and return of capital from subsidiary	—	11,974	—
Proceeds from issuance of stock and debt	67,896	6,516	5,543
Funds Provided (Used)	<u>151,908</u>	<u>4,296</u>	<u>(11,438)</u>
Application of Funds			
Current portion of note payable to North American	—	—	31,713
Increase (decrease) in investments, notes, advances or other	(124)	4,298	15,577
Funds Applied	(124)	4,298	47,290
Net increase (decrease) in working capital	<u>\$ 152,032</u>	<u>\$ (2)</u>	<u>\$ (58,728)</u>

See accompanying notes to condensed parent company financial data and
notes to consolidated financial statements.

TIGER INTERNATIONAL, INC.
CONDENSED BALANCE SHEET

A S S E T S

	December 31	
	1986	1987
	(In thousands)	
Cash.....	\$ 8,695	\$ 2,375
Other current assets	91	396
	8,786	2,771
Receivables from subsidiaries:		
The Flying Tiger Line Inc.	—	17,184
Warren Transport, Inc.	863	1,913
	863	19,097
Investments in subsidiaries:		
The Flying Tiger Line Inc.	197,816	278,676
Warren Transport, Inc.	18,830	20,160
	216,646	298,836
Property and equipment, net.....	318	287
Investments and other	2,353	2,028
	\$228,966	\$323,019

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term obligations.....	\$ —	\$ 36,482
Accounts payable and accrued liabilities	4,510	20,741
	4,510	57,223
Long-term obligations:		
Debentures(1).....	63,385	60,953
Note Payable to North American.....	118,921	100,000
	182,306	160,953
Payable to The Flying Tiger Line Inc.	74,946	74,946
Deferred credits and other.....	8,343	7,714
Stockholders' equity(2).....	(41,139)	22,183
	\$228,966	\$323,019

(1) Includes \$837,000 of New 11½% Debentures and \$1,064,000 of Old 11½% Debentures held by Flying Tigers at December 31, 1986 and 1987.

(2) Includes Common Stock at a cost of \$2,021,000 and \$2,097,000 at December 31, 1986 and 1987 held by Flying Tigers.

See accompanying notes to condensed parent company financial data and notes to consolidated financial statements.

TIGER INTERNATIONAL, INC.

Notes to Condensed Parent Company Financial Data

Restrictions on the Transfer of Funds From Subsidiaries to the Parent

At December 31, 1987, Warren Transport is free from restrictions limiting dividends and advances to Tiger International. Under the provisions of certain debt obligations The Flying Tiger Line Inc. is permitted to make limited advances and dividends to Tiger International, Inc. See "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements."

Cash Dividends Paid to Parent From Consolidated Subsidiaries

During the year ended December 31, 1986, Tiger International received \$12.0 million in dividends and return of capital from Warren Transport. Tiger did not receive dividends from any other subsidiary in 1986. During the years ended December 31, 1985 and 1987, Tiger International did not receive any dividends from its subsidiaries. In March 1988, Tiger International received a cash dividend of \$8.1 million from Flying Tigers. Also in the first quarter of 1988, Tiger International received cash advances of \$25.0 million, evidenced by interest bearing promissory notes, from Flying Tigers. See below for a discussion of a dividend relating to amounts due under a tax allocation agreement.

Parent Company Debt

Included in parent company long-term obligations is \$14.3 million of 11½% Debentures due October 1995 and \$21.9 million of 11½% Debentures due April 1995 issued in connection with the acquisition of Seaboard World Airlines. Tiger's investment in Seaboard World Airlines was contributed to The Flying Tiger Line Inc. in October 1980. For further information on the parent company long-term debt, see "Note 4 — Long-Term Debt" of "Notes to Consolidated Financial Statements." The scheduled maturities of parent company long-term debt is \$4.8 a year for the years 1988 through 1992.

New Tax Sharing Agreement

Tiger International and Flying Tigers entered into a new tax sharing agreement ("New Tax Sharing Agreement") to replace an existing tax allocation agreement. In addition, Flying Tigers agreed to settle any past obligation of Tiger International to Flying Tigers with respect to the tax allocation agreement and to settle certain intercompany notes.

The settlement of the tax allocation agreement and certain intercompany notes was accomplished in March 1988 by the issuance by Tiger International to Flying Tigers of a promissory note in the principal amount of \$74,946,000 ("New Tiger Note"). Immediately after issuance of the New Tiger Note, Flying Tigers declared a cash dividend to its stockholders, which cash dividend, with respect to Tiger International, will be offset against the amount of the New Tiger Note.

Under the terms of the New Tax Sharing Agreement, Flying Tiger is to calculate its taxable income as if it were a separate taxable entity and pay the resulting tax liability to Tiger International, subject to provisions pertaining to net operating loss carryforwards, investment tax carryforwards and certain other items. For the year ended December 31, 1987, Flying Tigers' tax liability to Tiger International under the New Tax Sharing Agreement was approximately \$22.2 million. During 1987, Flying Tigers made an estimated payment of \$5.0 million and in March 1988, paid the remaining liability.

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE V — PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1987

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Retirements or Sales (In thousands)</u>	<u>Transfers, Adjustments and Other</u>	<u>Balance at End of Period</u>
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air freight operations.....	\$ 813,177	\$17,230	\$ 19,201	\$ 1,678	\$ 812,884
Equipment used in trucking operations.....	6,653	394	37	171	7,181
	<u>819,830</u>	<u>17,624</u>	<u>19,238</u>	<u>1,849</u>	<u>820,065</u>
Buildings and leasehold improvements.....	53,951	2,234	6,024	2	50,163
Terminal facilities and other	73,501	3,499	1,406	4	75,598
Equipment acquisitions in process....	2,581	3,931	3,944	(10)	2,558
	<u>\$ 949,863</u>	<u>\$27,288</u>	<u>\$ 30,612</u>	<u>\$ 1,845</u>	<u>\$ 948,384</u>
Year Ended December 31, 1986					
Equipment used in operations:					
Equipment used in air freight operations.....	\$ 812,884	\$ 4,012	\$ 3,583	\$ 585	\$ 813,898
Equipment used in trucking operations.....	7,181	1,142	74	71	8,320
	<u>820,065</u>	<u>5,154</u>	<u>3,657</u>	<u>656</u>	<u>822,218</u>
Buildings and leasehold improvements.....	50,163	2,403	697	—	51,869
Terminal facilities and other	75,598	3,911	1,059	(531)	77,919
Equipment acquisitions in process....	2,558	(1,456)	305	—	797
	<u>\$ 948,384</u>	<u>\$10,012</u>	<u>\$ 5,718</u>	<u>\$ 125</u>	<u>\$ 952,803</u>
Year Ended December 31, 1987					
Equipment used in operations:					
Equipment used in air freight operations.....	\$ 813,898	\$ 5,298	\$ 5,914	\$ —	\$ 813,282
Equipment used in trucking operations.....	8,320	1,523	137	—	9,706
	<u>822,218</u>	<u>6,821</u>	<u>6,051</u>	<u>—</u>	<u>822,988</u>
Buildings and leasehold improvements.....	51,869	401	3,962	—	48,308
Terminal facilities and other	77,919	3,645	794	(3)	80,767
Equipment acquisitions in process....	797	(578)	33	—	186
	<u>\$ 952,803</u>	<u>\$10,289</u>	<u>\$ 10,840</u>	<u>\$ (3)</u>	<u>\$ 952,249</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SCHEDULE VI — ACCUMULATED DEPRECIATION AND
AMORTIZATION OF PROPERTY AND EQUIPMENT

For the Three Years Ended December 31, 1987

	Balance at Beginning of Period	Additions	Retirements or Sales	Transfers, Adjustments and Other	Balance at End of Period
	(In thousands)				
Year Ended December 31, 1985					
Equipment used in operations:					
Equipment used in air freight operations	\$289,047	\$ 47,940	\$ 19,084	\$ (2,394)	\$315,509
Equipment used in trucking operations ..	2,867	592	4	—	3,455
	291,914	48,532	19,088	(2,394)	318,964
Buildings and leasehold improvements ..	19,891	2,795	1,914	—	20,772
Terminal facilities and other	41,376	5,489	974	(5)	45,886
	<u>\$353,181</u>	<u>\$ 56,816</u>	<u>\$ 21,976</u>	<u>\$ (2,399)</u>	<u>\$385,622</u>
Year Ended December 31, 1986					
Equipment used in operations:					
Equipment used in air freight operations	\$315,509	\$ 49,253	\$ 3,314	\$ 14,085	\$375,533
Equipment used in trucking operations ..	3,455	481	—	—	3,936
	318,964	49,734	3,314	14,085	379,469
Buildings and leasehold improvements ..	20,772	2,564	646	—	22,690
Terminal facilities and other	45,886	5,352	795	(167)	50,276
	<u>\$385,622</u>	<u>\$ 57,650</u>	<u>\$ 4,755</u>	<u>\$ 13,918</u>	<u>\$452,435</u>
Year Ended December 31, 1987					
Equipment used in operations:					
Equipment used in air freight operations	\$375,533	\$ 48,267	\$ 5,277	\$ (7,062)	\$411,461
Equipment used in trucking operations ..	3,936	604	19	—	4,521
	379,469	48,871	5,296	(7,062)	415,982
Buildings and leasehold improvements ..	22,690	2,650	3,240	—	22,100
Terminal facilities and other	50,276	5,058	279	57	55,112
	<u>\$452,435</u>	<u>\$ 56,579</u>	<u>\$ 8,815</u>	<u>\$ (7,005)</u>	<u>\$493,194</u>

TIGER INTERNATIONAL, INC. AND SUBSIDIARIES
SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Three Years Ended December 31, 1987

	Allowance for Doubtful Accounts and Revenue Adjustments	Inventories Allowance (In thousands)	Aircraft Overhaul Reserves
Balance at December 31, 1984.....	\$ 11,952	\$ 7,178	\$ 48,613
Additions (deductions) —			
Provisions charged to costs and expenses.....	32,166	686	57,157
Amounts charged to reserve.....	(27,206)	(2,028)	(58,300)
Other.....	—	—	1,678
Balance at December 31, 1985.....	16,912	5,836	49,148(1)
Additions (deductions) —			
Provisions charged to costs and expenses.....	27,757	858	73,876
Amounts charged to reserve.....	(30,382)	(498)	(60,011)
Balance at December 31, 1986.....	14,287	6,196	63,013(1)
Additions (deductions) —			
Provisions charged to costs and expenses.....	21,860	988	73,238
Amounts charged to reserve.....	(10,599)	263	(67,711)
Other.....	—	—	(78)
Balance at December 31, 1987.....	<u>\$ 25,548</u>	<u>\$ 7,447</u>	<u>\$ 68,462(1)</u>

(1) Balances at December 31, 1985, 1986 and 1987 include amounts classified in accumulated depreciation applicable to owned aircraft of \$31,928,000, \$46,013,000 and \$38,873,000, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIGER INTERNATIONAL, INC.
(Registrant)

By JOSEPH K. McDONNELL
Joseph K. McDonnell
Vice President, Controller and Treasurer

Date: March 29, 1988

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>JAMES A. CRONIN III</u> James A. Cronin III	President and Director (Principal Executive Officer)	March 29, 1988
<u>LARRY G. MORRIS</u> Larry G. Morris	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 1988
<u>JOSEPH K. McDONNELL</u> Joseph K. McDonnell	Vice President, Controller and Treasurer (Principal Accounting Officer)	March 29, 1988
<u>KELLY H. BURKE</u> Kelly H. Burke	Director	March 29, 1988
<u>GERALD R. FORD</u> Gerald R. Ford	Director	March 29, 1988
<u>LOWELL C. FREIBERG</u> Lowell C. Freiberg	Director	March 29, 1988
<u>CHARLES T. MANATT</u> Charles T. Manatt	Director	March 29, 1988
<u>WILLIAM E. McKENNA</u> William E. McKenna	Director	March 29, 1988

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>STEPHEN M. PECK</u> Stephen M. Peck	Director	March 29, 1988
<u>WILLIAM F. SCHMIED</u> William F. Schmied	Director	March 29, 1988
<u>SAUL P. STEINBERG</u> Saul P. Steinberg	Director	March 29, 1988
<u>RALPH STRANGIS</u> Ralph Strangis	Director	March 29, 1988

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Tiger International, Inc.

7401 World Way West, Los Angeles, California 90009,
(213) 417-1081

The Flying Tiger Line Inc.

7401 World Way West, Los Angeles, California 90009,
(213) 646-6161

Warren Transport, Inc.

P.O. Box 420, Waterloo, Iowa 50704, (319) 233-6113

Auditors

Arthur Young & Company, 515 S. Flower St.,
Los Angeles, California 90071

Stock Exchanges

New York Stock Exchange, 20 Broad Street, New York,
New York 10005

Pacific Stock Exchange, 301 Pine Street, San Francisco,
California 94104

Midwest Stock Exchange, 1 Financial Plaza,
440 S. LaSalle Street, Chicago, Illinois 60605

Transfer Agents

Manufacturers Hanover Trust Company,
450 West 33rd Street, New York, New York 10001

Manufacturers Hanover Trust Company of California,
50 California Street, San Francisco, California 94111

Registrars

The Bank of New York, 90 Washington Street, New York,
New York 10015

Manufacturers Hanover Trust Company of California,
50 California Street, San Francisco, California 94111

Annual Meeting

The Annual Meeting of Stockholders will be held on
Thursday, May 26, 1988, at 10:00 a.m. at the Beverly
Hilton Hotel, 9876 Wilshire Blvd., Beverly Hills,
California 90210

Tiger International, Inc.
7401 World Way West
Los Angeles, CA 90009