



▲ North American Car, with its leased fleet of 46,500 railcars, expanded its network of railcar maintenance shops.

▲ Investors Mortgage Insurance achieved strong gains in revenue and earnings as part of Tiger International.

◀ Flying Tiger Line expanded airfreight service in the United States and increased its freight carried across the Pacific.

Tiger International 1977 Annual Report

Airfreight/Leasing/Insurance

Tiger International
 Airfreight/Leasing/Insurance
1977 Annual Report

Financial Highlights

<i>For the year ended December 31,</i>	1976	1977	% Change
Revenue (000)	\$ 430,620	\$ 515,338	+19.7
Net income (000)	20,389	28,738	+40.9
Earnings per share	1.61	2.26	+40.4
Assets (000)	1,179,310	1,338,790	+13.5
Share owners' equity (000)	238,972	261,012	+ 9.2
Book value per common share	18.85	20.57	+ 9.1
Cash dividends per common share	.40	.50	+25.0

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Tiger International is a diversified company providing airfreight, leasing and insurance to growing markets around the world.

The Board of Directors elected Wayne M. Hoffman chairman and chief executive officer of Tiger International and Thomas F. Grojean president of Tiger International at its March 21, 1978 meeting.



ROBERT W. PRESCOTT
1914-1978
President of The Flying Tiger Line
1945-1978
Chairman of Tiger International
1973-1978

*"We're unique, so let's not imitate.
Imitation lets you catch up to the guy
ahead . . . but never lets you pass."*

BOB PRESCOTT

Robert W. Prescott, founder of Flying Tiger Line and Tiger International, died March 3, 1978, at his home in Palm Springs. He was 64. He had spent more than half of his life building a dream.

The dream and how he molded Flying Tigers into the world's largest all-cargo airline is also the story of Tiger International and more than three decades of challenges that might easily have overwhelmed a man of less perception and stamina.

A log of Bob Prescott's 33-year flight into aviation and business history books would probably list individual integrity, personal initiative, survival in the face of odds, courage and leadership. It's a great story. Sadly, as Ernie Pyle once said: "In every truly great story . . . someone dies."

To Our Share Owners:

Tiger International made progress in 1977 as measured against our own goals as well as past performance.

1977 revenue was \$515,338,000, up 20 percent, and net income was \$28,738,000, up 41 percent from 1976.

Each of our major activities—airfreight, leasing and mortgage insurance—performed well and contributed improved earnings in 1977. We believe each is well positioned to provide services of highest quality to growing markets.

As our company grows, it is imperative that we continue to develop sound approaches to managing the company, to the selection and growth of good people and to systematic planning for future growth and profitability of the company.

In the 1970 annual report we discussed the reasons for our expansion into leasing. In commenting on the acquisition of North American Car, we said, "North American Car's impact on future earnings of the Corporation will be significant due to its predictably large earnings and growth potential. To help realize this potential, North American Car in 1971 plans to increase substantially



WAYNE M. HOFFMAN

its fleet of specialized railroad equipment. As business opportunities continue to develop, this fleet will be expanded."

Since that time, we have invested \$607 million in increasing our modern and diversified railcar fleet to 46,500 cars. Revenue from railcar and other leasing divisions have increased from \$63,452,000 in 1971 to \$201,150,000 in 1977, while pre-tax income grew in those years from \$9,758,000 to \$31,074,000.

Our objective in acquiring North American Car was to add the steady growth and stable earnings of the business of leasing to the vigorous but less predictable earnings growth of the airline. Leasing earnings helped sustain the company in 1974 when oil prices quadrupled overnight, adding \$27 million to our expenses. Prevented from making immediate offsetting rate increases, the Flying Tiger Line suffered a loss that year.

Since 1974, Flying Tiger Line's revenue and earnings have been recovering steadily and, with the opportunities now presented to us by route expansion and deregulation, we expect our airline revenue and earnings to increase at an acceptable rate in the future.

Another important step was the acquisition of Investors Mortgage Insurance Company, in January, 1977. Mortgage insurance policies and renewals—like lease contracts—generate a steady predictable stream of income. Moreover, the mortgage insurance industry has excellent growth prospects.

In 1977, 64.2 percent of Tiger International's pre-tax income, before unallocated interest and other corporate expenses, was provided by leasing and mortgage insurance activities. We have made good progress toward our goal of stabilizing the earnings growth of our company.

Of major significance to future growth and profitability of Tiger International was passage of airfreight deregulation in late 1977. We actively supported this sorely needed legislation.

The new law, discussed in detail on page 6, will enable the airline to achieve a substantially higher rate of future growth than would have been possible under continued regulation.

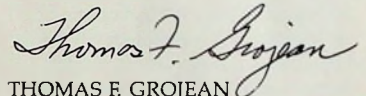
For Flying Tiger Line, deregulation means the opportunity to expand domestic scheduled services in a competitive environment in which profits will depend primarily on our ability to serve customers' needs. We welcome that opportunity.

Flying Tigers has moved rapidly to expand its service into key markets in the United States. Further expansion is planned as quickly as acquisition of aircraft and ground facilities and management capabilities permit.

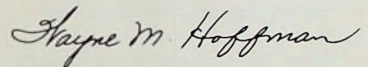
With our growth opportunities assured it is important that we manage our resources skillfully so that our opportunities do not outstrip our capabilities.

The Board of Directors at the March 21, 1978 meeting increased the quarterly dividend from 12.5 cents to 15 cents per share.

No business enterprise can grow and prosper without the services of talented and dedicated people at all levels. It is important that we continue to attract and develop good people and that we give them the training and the work environment which will make it possible for them to achieve their best potential. On behalf of the entire Tiger team we thank you for your support and pledge to you that we will continue to work hard to make this company a good investment.



THOMAS F. GROJEAN
President



WAYNE M. HOFFMAN
*Chairman of the Board
& Chief Executive Officer*

The Flying Tiger Line

In 1977 Flying Tiger Line had its best year since 1973. Revenue increased 16 percent to \$297.8 million and pretax income, including non-operating gains from the sale of an aircraft, increased 29 percent to \$21.5 million despite a non-recurring expenditure of \$1.7 million for training associated with the airline's additional B-747 jetfreighters.

During the year Flying Tigers increased its share of the growing domestic airfreight market and improved the balance between westbound and eastbound traffic across the Pacific.

Late in 1977 Congress passed and the President signed legislation deregulating United States domestic airfreight, which the airline both supported and welcomed. With this legislation, a landmark in United States business history, Flying Tigers is proceeding toward profitable expansion of its airfreight services to markets located throughout the United States.

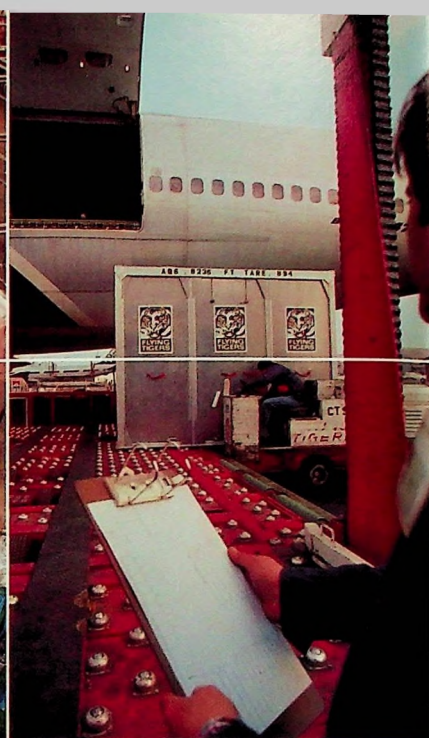
Flying Tigers is already expanding its domestic services, which should lead to revenue increases on both domestic and international routes in 1978 and future years.

During the year the airline sold one DC-8-63 jetfreighter and acquired three additional B-747's and two DC-8-61 aircraft.

OPERATING REVIEW

Domestic cargo revenue increased 14 percent over 1976 to \$99.5 million. In July the Civil Aeronautics Board authorized a domestic freight rate increase which, for Flying Tiger Line, amounted to approximately 7.5 percent. In August, the airline expanded its domestic airfreight service to customers by greatly increasing prime time schedules.

International scheduled freight revenue rose 14 percent from 1976 to \$119.5 million. In mid-July, as increased B-747 capacity became available, Flying Tigers increased service



◀ Flying Tigers' service to airfreight shippers includes development of special distribution techniques, including garment-on-hangar containers for simpler and less costly shipment of wearing apparel.

The Flying Tiger Line	1973	1974	1975	1976	1977
Revenue* (000)	\$176,928	\$189,264	\$219,840	\$250,021	\$287,523
Income (loss) before income tax provision (000)	\$ 30,683	\$ (1,019)	\$ 9,275	\$ 16,664	\$ 21,518

*Excluding non-operating revenue

in the Pacific markets. Early in the year, international freight revenue ton miles lagged 1976 figures, but recovered in the second half as the volume of trans-Pacific airfreight traffic grew.

In December, Flying Tigers concluded labor negotiations with the Air Line Pilots Association. This settlement was accomplished without interruption of service and is in line with those of other carriers.

Fuel prices increased in 1977 to

average prices of 37.0 cents per gallon in the domestic market and 44.3 cents per gallon for international fuel. The total fuel costs were \$67.9 million for 164.3 million gallons of aviation fuel, compared with \$55.4 million spent for 154.2 million gallons in 1976.

AIR CARGO DEREGULATION

The most significant development of 1977 was passage of HR 6010, the bill that freed America's regulated



▲ Flying Tigers is now the free world's largest freight airline, having nudged Pan American out of first place in 1977. Statistics filed with the Civil Aeronautics Board show Flying Tigers flew more than 990 million freight ton miles in 1977, compared with Pan Am's 970 million.

◀ By scheduling departures and arrivals at times especially convenient to freight shippers, Flying Tigers enables customers to coordinate their production and shipping schedules to meet marketing deadlines.

▲ As part of the airline's International Skyroad service, Flying Tigers contracts with local truckers to pick up and deliver airfreight shipments for customers in off-line U.S. cities.

▲ With deregulation of airfreight transportation, more shippers in more U.S. cities will be able to take advantage of Flying Tigers' total distribution services.

all-cargo airlines from route and rate control by the Civil Aeronautics Board. Under regulation, Flying Tigers' domestic route structure was limited to major cities in the northern part of the United States and on the West Coast, and the airline was able to achieve a profit in domestic operations in only four of the past ten years. Many key cities in the United States experienced declines in the quality and extent of all-cargo service available in those years.

On January 9, 1978, Flying Tigers received certification to fly domestic air cargo routes to all fifty states, the Virgin Islands and Puerto Rico. The legislation allows the airline to offer a wide variety of service and price

options. Under the new law Flying Tigers will soon be able to provide its customers with air cargo service to more destination points. This means the shipper will increasingly be able to call on us for all his air cargo needs, wherever they are.

The planned expansion of prime time scheduled air cargo services to key markets throughout the United States has already begun. Service to Anchorage from the lower 48 states began on January 9. Startup costs were minimal because Anchorage has been a transloading, refueling and crew change stop since the inception of Asian service in 1969. And with up to 30 flights a week stopping at Anchorage, the airline is in an

ideal position to provide Alaska's expanding economy with sorely needed airfreight services.

Service to Charlotte and Atlanta began on March 6, and service to Houston and Dallas/Fort Worth will begin on April 3. These cities will be connected to the airline's hub at Chicago, which will enable shippers and consignees to and from the South to connect with the airline's entire domestic and international system. Additional markets will be opened by Flying Tigers over the next several years.

EXPANSION OF DOMESTIC AND INTERNATIONAL SERVICE
Flying Tigers increased both the total



domestic airfreight carried and its share of market in 1977. Even before passage of deregulation, the airline committed itself to a vigorous domestic expansion program. As a result, scheduled domestic revenue ton miles in the fourth quarter increased 31.4 percent compared with the same period of 1976.

The frequency of late-night prime time departures from U.S. cities was doubled to provide more overnight deliveries. Scheduled service to Syracuse was reinstated.

Based on its enlarged fleet, Flying Tiger Line in mid-July increased the capacity of scheduled prime time flights in the Pacific. Westbound traffic increased due to several factors. United States products cost less as currencies such as the Japanese yen and Hong Kong dollar rose in relation to the U.S. dollar. In addition, United States manufacturers stepped up their overseas marketing activities, and Flying Tigers stepped up its international marketing and sales effort. During 1977 a total of 456 million revenue ton miles of freight were flown in international service, a new record.

▲ Airfreight shippers appreciate the convenience of entrusting their freight to a single carrier, and paying for transportation services through a single invoice.

International Cargo Revenue per ton mile (cents)



NEW INTERNATIONAL ROUTES

As a result of the signing of a new treaty between the United States and the United Kingdom, Flying Tigers lost its right to carry freight between Hong Kong and other points in Asia. The loss of revenue (approximately \$750,000 a year) will be more than offset by the new Asian rights granted in 1977.

In July Flying Tigers was awarded all-cargo rights between the United States and Singapore, Malaysia and Indonesia, and between Alaska and all of the airline's Asian points. Service from Anchorage was begun in October, and the airline anticipates growing demand for westbound space as the Alaskan fishing industry exploits the new 200-mile fishing limit and responds to an enormous

demand for fresh seafood in Japan. Scheduled service was planned for Singapore in January 1978, but was temporarily delayed when the Japanese Government did not approve the new schedule. (It is necessary to transit Japan en route to Singapore.)

CARGO CHARTERS AND INTERNATIONAL MAIL

Commercial charter revenue increased 34 percent in 1977 to \$26.8 million. While Flying Tigers' principal business activity is scheduled airfreight service, charters are operated on routes where there is a directional imbalance and to absorb excess capacity on weekends and during

periods of slack demand. Plane-load charters to many parts of the world carry cargo ranging from livestock to oil well rigs, and from clothing to medical supplies. Charters, both passenger and cargo, continue to be operated for the Military Airlift Command, and total charter revenue, both military and civilian, increased 28 percent in 1977 to \$50.8 million. International mail revenue declined 9 percent primarily as a result of further reductions in U.S. troop strength in Asia.

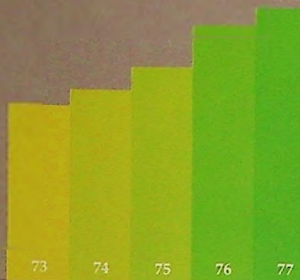
AIRCRAFT FLEET

In the second quarter, Flying Tigers sold a DC-8-63 freighter and in the third quarter added three B-747's. In



Domestic Cargo
Revenue per ton mile (cents)

16.9 18.0 20.2 23.8 25.2



▲ Flying Tigers transports a wide variety of air freight between major markets in the United States and Asia. B-747 and stretched DC-8 jetfreighters are scheduled to help shippers and forwarders reach their markets rapidly and efficiently.

◀ Particularly important to customers is the airline's careful handling of valuable and time-sensitive commodities including fashions, electronic equipment, chemicals, produce, spare parts, live and frozen seafood, large machines and oil rigs... even live cattle.



▲ Among all forms of international freight transportation, air cargo accounts for only 1 percent of the total weight carried, but it accounts for nearly 16 percent of the value of cargo shipments.

the fourth quarter, as it became clear that deregulation was imminent, the airline moved quickly to acquire additional aircraft. Two DC-8-61 aircraft were purchased. DC-8-61's offer the same cubic capacity as 63 Series aircraft at substantially reduced purchase prices. They are excellent vehicles for domestic airfreight routes. In February 1978, an additional DC-8-63 was acquired.

During the latter half of 1977, the operating fleet consisted of five of our six B-747's and 13 of our 15 DC-8-63's. The airline is acquiring appropriate aircraft to expand its fleet as rapidly as it can. With completion of a leasing arrangement with another company in early 1978,

Flying Tigers' operating fleet for the last half of 1978 will consist of 19 stretched DC-8 series aircraft and five B-747's.

FOR THE FUTURE

Flying Tigers is expanding aircraft fleet capacity and will be adding more markets to its served route structure. Further additions of ground equipment, buildings and people will be needed to serve the markets of the United States and Asia. In the deregulated domestic environment, the airline is well positioned for profitable growth both in the United States and on the international routes it serves.

Tiger Leasing



Tiger Leasing achieved record revenue and pre-tax earnings in 1977 owing to excellent results in the railcar division, record earnings for the aircraft and lease underwriting divisions, and reduced losses in the computer division. Much of the successful performance in these competitive areas results from strong marketing programs which emphasize the service aspects of equipment leasing.

Revenue from leasing activities increased 15 percent over 1976 to \$201.2 million. Income before taxes rose 25 percent to \$31.1 million from \$24.9 million the previous year. Total equipment acquisition costs of \$109.6 million were 68 percent higher than in 1976.

During the year Tiger Leasing arranged \$102.4 million of new long-term financing.

Equipment leasing, by its nature a highly capital intensive business, requires substantial borrowings for the purchase of equipment to be leased. Firm lease commitments, in turn, assure a predictable stream of cash to repay the original loans.

For example, firm rentals for North American Car's leased fleet at year-end were approximately \$570 million, of which \$122 million is due in 1978. In addition, though it is not reflected on the division's balance sheet, the railcar fleet has appreciated to a current market value of approximately \$530 million in excess of current book value.

In 1975, after several years of heavy capital spending for new railcars, approximately 65 percent of Tiger Leasing's debt was long term at fixed interest rates. Today approximately 85 percent of the Tiger Leasing debt is long term at fixed rates.

RAILCAR LEASING AND SERVICES

North American Car, the largest of Tiger's leasing activities, added 1,600 new railcars to its leased fleet at a cost of \$50.8 million, compared with

▲ North American Car's diversified fleet includes approximately 18,000 covered hopper cars for year-round shipments of grain and other agricultural and chemical products.

◀ Demand for railcars to ship grain and other products was at a high level in 1977, with only 1.3 percent of the railcar fleet uncommitted at the end of the year.

Tiger Leasing Group	1973	1974	1975	1976	1977
Revenue (000)	\$113,589	\$143,763	\$163,147	\$174,761	\$201,150
Income before income tax provision (000)	\$ 26,518	\$ 26,587	\$ 26,352	\$ 24,933	\$ 31,074

\$32.4 million spent for 1,000 new cars in 1976. Capital expenditures of \$74 million are planned for 1978.

Strengthening the Tiger Leasing financial position is a key step toward achieving an improved bond rating, which in turn tends to reduce the interest cost of borrowings. The division's fixed charge coverage improved from 1.47 to 1.54 in 1977.

Demand for railcars in the United States and Canada was at a high level during 1977, with only 1.3 percent of the fleet, a practical minimum,

uncommitted at the end of the year. Utilization is expected to continue at or near this level throughout 1978. The railcar division was able to obtain realistic rental rate increases on renewals or reassignments of expiring leases. These increases help offset rising maintenance and fleet administrative costs.

Tiger's railcar fleet at year end totaled 46,500 tank cars, covered hoppers and other specialized railcars, with an original acquisition cost of \$970 million. The U.S. and Canadian



▲ Vital products keep flowing because full service leases include preventive inspection and maintenance of railcars for a lifetime of reliable service.

▲ The proprietary PD® (pressure differential) covered hopper car has generated much interest among shippers of flour because it provides a completely sealed system for unloading into highway trucks, terminal storage or directly into processing at the bakery.

▲ Many ingredients of everyday products travel to market in specialized railcars leased to companies in nearly every basic industry.

fleets have an average age of 8.5 years and are among the most modern in the industry.

Of growing importance in 1977 and for the future is expansion of our network of nine repair and maintenance facilities. During the past two years the division has reduced the number of its railcars repaired by outside contractors. This trend should continue as a result of its new and expanded facilities, in which the division also repairs railcars owned by others. In 1977 and early 1978, new plants at Sayre, Pennsylvania and Regina, Saskatchewan reached full operating capacity and two facilities in Texas were added.

To meet the changing needs of cus-

tomers and to provide opportunities to increase market share, North American Car developed and began marketing new proprietary products in 1977.

The division entered into a joint venture to fund development of the Road-Railer, a unique bimodal vehicle with wide product application. With its two sets of wheels, the Road-Railer travels over highways or, with a rapid conversion, on rail. The concept has been tested successfully for ten years on railroads in the United States and Europe, with as many as 50 units coupled together in trains operating at normal speeds. Demonstrated cost savings indicate that the Road-Railer will have eco-

nomie appeal in several United States markets.

The railcar division sought new markets for its proprietary PD® (pressure differential) covered hopper car, which has already gained acceptance from shippers of flour, cement and chemicals. A special adaptation of the PD Car was tested for aseptic bulk shipment of partially processed food products with very difficult flow characteristics, such as tomato paste. Another version was developed to handle hazardous materials such as calcium carbide in a completely closed environment.

AIRCRAFT LEASING AND SERVICES
TigerAir purchases, sells, leases and

services aircraft for airlines and private operators around the world. In 1977 the division expanded the scope of its business and achieved \$23.5 million in revenue and pre-tax earnings of \$7.0 million.

TigerAir's fleet of 23 large aircraft has an original acquisition cost of \$107.7 million. Six Boeing 727-100's were purchased during the year and leased or sold to corporations and airlines.

Fifteen of the original sixteen aircraft from the division's highly successful BAC-111 program have been leased or sold. As this major program of aircraft purchase and conversion is completed, the cash flow is being reinvested in other equipment such as B-727 and other fan-jet aircraft.

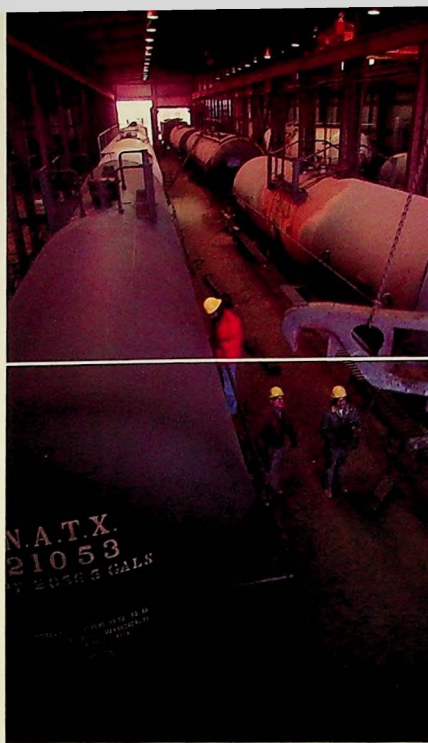
In August, TigerAir acquired a large fixed base operation at the Hollywood-Burbank Airport, and established the TigerAir Service Center. The facility provides airframe, avionics and engine maintenance, interior and exterior modifications and terminal services to operators of large and small aircraft. TigerAir also has a full-line Cessna sales and service dealership, and has established a spare parts support operation to market more than 18,000 parts for BAC-111, B-707, B-727, and other aircraft.

COMPUTER LEASING AND SERVICES

In 1977, Tiger's computer division aggressively marketed its skills in helping customers acquire and apply the most efficient computers and peripherals for their needs.

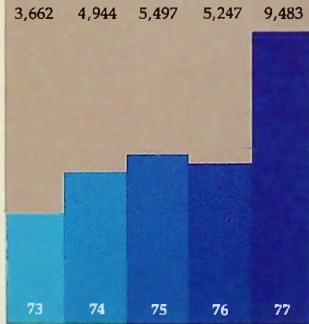
The division reduced its operating loss 49 percent to \$2.4 million, compared with a \$4.7 million loss in 1976.

Revenue from the IBM 360 computers continued to exceed the revenue goals set when the division was acquired in 1971. Rentals due for IBM 360's at the end of 1977 represented 92 percent of the current book value of \$12.1 million, compared with 85 percent at the end of 1976.



▲ North American Car is expanding its network of railcar maintenance shops to support its fleet and to provide repair services to other car owners. Last year three new shops reached full operating capacity as the division repaired a record 9,483 railcars.

Railcars repaired in North American shops



Approximately 60 percent of the equipment leases scheduled to be terminated in 1977 continued with the same customers, demonstrating a continuing demand among growing companies for this type of computer system.

The computer division has marketed IBM 360 computers and related equipment since 1967 and now also offers IBM 370 equipment and peripherals to customers in the United States and Europe.

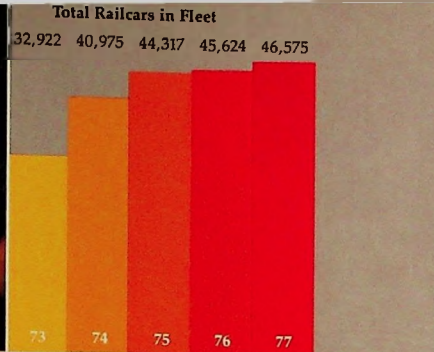
Revenue from IBM 370 computers continued to increase in 1977, with \$40 million of equipment placed in service. In this new business, the division provided equipment under financing arrangements which com-

bine long term leases and an insurance indemnification program.

The division's marketing expertise, knowledge of computer applications and ability to acquire and move equipment has established a strong position in the world marketplace. The division plans to keep its risk exposure low while expanding the range of its services into such areas as asset management, brokering and tax-oriented leases for computers.

LEASE UNDERWRITING SERVICES

Revenue and earnings in the lease underwriting division continued to grow with the demand for transportation and other capital equipment. In 1977 NAC Leasing arranged



▲ Part of North American Car's emphasis on customer service, the Fleet Operating Information System provides prompt response to customer inquiries about car location, repair status and other needed information.



▲ At the TigerAir Service Center, experienced technicians provide complete maintenance for aircraft, including modification and overhaul of engine, airframe and avionics systems. TigerAir also designs and installs custom interiors for large and small aircraft.

financing of \$67.3 million of equipment and extended its services to include cargo containers, computers and other transportation markets.

Since 1972 the division has participated in \$431 million of financing transactions, with approximately \$47 million of residual values. NAC Leasing's share of these residual values amounted to approximately \$15 million, of which \$5.5 million is the present value reflected in the division's balance sheet.

Anticipating continued activity in its marketplace throughout 1978, NAC Leasing has expanded its marketing effort which includes management of equipment portfolios for others and purchase of equipment residuals.

CONSTRUCTION EQUIPMENT
Revenue and pre-tax income from Tiger Equipment & Services declined in 1977. The division supplied equipment for construction of a major pipeline in Mexico. Plans for 1978 include new projects to serve markets in the Middle East.

FINANCE LEASING ACTIVITIES
National Equipment Rental's finance lease division ceased writing new business in the United States and Canada in July 1977. During the year the division collected \$21.0 million in receivables and reduced its outstanding debt by \$15.7 million. Equity recovered from this activity will be used in areas where Tiger Leasing

has equipment expertise and can share in residual values.

FOR THE FUTURE
Business demand for capital goods is expected to grow in 1978 and beyond. Tiger Leasing is in position to benefit from the trend of many businesses to acquire specialized capital equipment through lease. Tiger Leasing's knowledge of equipment and expanded facilities for management and repair position it for continued growth.

Tiger Insurance

In its first year as part of Tiger International, Investors Mortgage Insurance Company (Tiger Insurance) achieved strong revenue and earnings gains based on a high level of housing starts and resales in the United States and an aggressive marketing program. The company expanded its sales and underwriting services to increase its share of the rapidly growing market for residential mortgage insurance.

OPERATING REVIEW

Since 1968 Investors Mortgage Insurance Company has helped people buy houses with lower down payments by providing residential mortgage insurance to savings and loan associations, savings banks, mortgage bankers and commercial banks. The mortgage loan amount insured by the company has increased each year since the company was founded.

Revenue in 1977 was \$17.6 million, up 17 percent from the previous year. Income before taxes rose 55 percent to \$7.5 million. In the fourth quarter the company's share of the total residential mortgage insurance market was 6.5 percent compared with 5.3 percent in the same period of 1976. The company's total insurance in force at year-end was \$4.4 billion, up 17 percent.

Premium collections were \$14.9 million, up 24 percent for the year. The company had 145,000 policies in force at year-end, a 10-percent increase compared with 132,000 policies in force a year earlier. The average length of mortgage insurance policies, currently approximately 6 years, demonstrates the inherent stability of premium flows.

EXPANSION OF SERVICES

In early 1977, Investors Mortgage Insurance stepped up its efforts to increase its share of the mortgage insurance business, particularly in the southern and western states. New sales and underwriting offices



▲ Mortgage insurance is an expanding business in the United States... and Investors Mortgage Insurance serves lenders throughout the 50 states and the District of Columbia.



▲ Rising housing prices make it more difficult for prospective home buyers to purchase property. Mortgage Insurance can insure up to an additional 25 percent of the lender's risk.

▶ The underwriter evaluates the borrower's creditworthiness and the property appraisal of each loan application. She analyzes historical and current risk characteristics of borrowers, properties, lenders and regional housing markets.

Tiger Insurance Group*	1973	1974	1975	1976	1977
Revenue (000)	\$ 10,951	\$ 10,763	\$ 13,195	\$ 15,117	\$ 17,619
Income before income tax provision (000)	\$ 5,129	\$ 2,389	\$ 3,199	\$ 4,820	\$ 7,454

*1976 and prior years are not included in Tiger International, Inc.'s financial statements

were opened in Rockville, Maryland and in Atlanta. The network of 12 offices will be further expanded in the coming year.

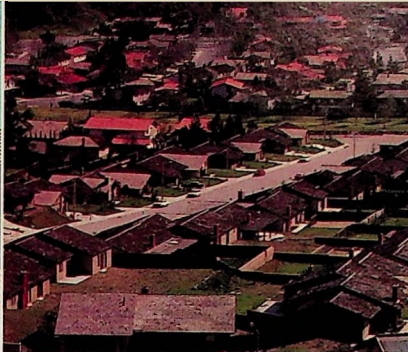
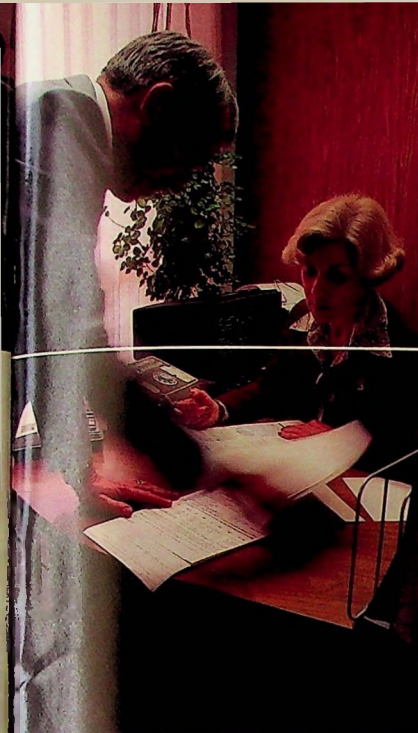
On-line computer processing units were installed in all offices to help field representatives provide immediate response and better service to lending institutions. The automated information system also enables management to improve evaluation and control of underwriting procedures.

Several new marketing programs were introduced, including a nation-

wide network of coverage for assisting lenders in buying and selling mortgage loan packages; prior project approvals for insuring a number of loans in a tract, condominium or planned unit development; and programs designed to acquaint lenders and home buyers with the benefits of residential mortgage insurance.

MANAGEMENT OF CAPITAL

The capital position of Investors Mortgage Insurance is based upon policyholders surplus—the amount



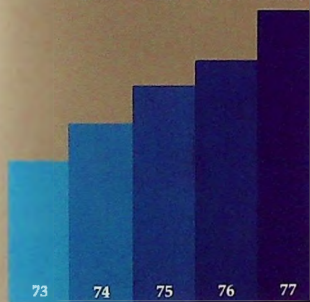
▲ The availability of mortgage funds is expected to decline modestly in 1978. At the same time, rising housing prices encourage more prospective homebuyers to seek mortgages with low down payments. On balance, the market for private mortgage insurance is expected to continue strong in 1978 and beyond.

▲ Tiger's mortgage insurance is dispersed throughout the United States. No single mortgage lender constitutes more than 1.8 percent of the division's total risk exposure, and no single housing project represents more than 0.2 percent of total risk exposure.

Investors Mortgage Insurance

Total Insurance in Force (\$ billions)

2.290 2.967 3.327 3.730 4.379



of assets in excess of liabilities available to satisfy its obligations to policyholders under insurance contracts in force. In 1977 policyholders surplus increased 12 percent to \$45.4 million. Policyholders surplus is regulated by insurance laws which require establishment of contingency reserves equal to 50 percent of each year's earned premiums. These reserves must be maintained for a period of ten years. At December 31, 1977, contingency reserves accounted for \$32 million of policyholders surplus.

MANAGEMENT OF INVESTMENTS
The structure and quality of the investment portfolio supports the company's ability to meet claims of

policyholders in future periods. Earnings from these investments contributed \$3.9 million of income before taxes in 1977, up 31 percent from 1976.

The investment strategy emphasizes high quality fixed-income securities having intermediate maturities. Securities are selected for their marketability as well as their earnings. Of bonds held at year-end, nearly 80 percent were rated "AA" or better. More than half of the preferred stock portfolio was comprised of issues having sinking fund provisions.

MANAGEMENT OF RISK
Mortgage insurance underwriters evaluate mortgage loan applications carefully to assure that claims are

within proper limits. Risk management minimizes the insurer's loss ratio—the amount of claims paid in relation to premiums earned. The mortgage insurance industry in general enjoyed an improvement in loss ratios during 1977, with our loss ratio on insured mortgage loans at 23.8 percent, down from 35.4 percent in the previous year.

FOR THE FUTURE
With the added strength derived from being a part of Tiger International, combined with aggressive marketing and good management, Tiger Insurance Group expects to increase its share of the mortgage insurance market.

Operating Statistics

The Flying Tiger Line	1973	1974	1975	1976	1977
Sources of Revenue (percent)					
Domestic common carriage	40.7	39.0	33.2	34.9	34.6
International—freight	30.8	35.4	40.5	42.0	41.6
—mail	13.1	9.6	7.1	6.6	5.2
Military Airlift Command	8.8	8.0	10.3	7.9	8.3
Charter	4.5	6.3	7.2	8.0	9.3
Other	2.1	1.7	1.7	.6	1.0
Distribution of Revenue (percent)					
Wages and benefits	34.3	36.1	34.2	33.6	32.9
Aircraft fuel	11.7	23.8	23.0	22.2	23.6
Other	12.8	14.9	12.6	13.7	10.4
Aircraft and facilities rentals	7.8	8.2	7.2	7.3	6.4
Taxes, interest and insurance	12.9	3.8	6.4	7.0	7.4
Depreciation	4.8	5.4	6.1	5.3	5.2
Materials and outside services	4.3	5.9	5.5	6.2	8.1
Net income	11.4	1.9	5.0	4.7	6.0
Assets (thousands)	\$235,759	\$275,140	\$266,367	\$316,795	\$349,232
Number of Employees	3,550	3,549	3,439	3,457	3,458
Domestic Cargo Statistics					
Revenue ton miles (thousands)					
Freight	397,140	384,434	344,770	356,356	381,353
Mail, express and other	31,333	26,218	17,625	11,921	13,204
Load factor (percent)	61.8	60.3	61.6	61.9	62.7
Revenue per ton mile (cents)	16.9	18.0	20.2	23.8	25.2
International Cargo Statistics					
Revenue ton miles (thousands)					
Freight	284,738	297,291	376,657	434,793	456,086
Mail	122,812	88,316	72,702	71,629	69,542
Military Airlift Command	74,310	63,217	72,878	69,496	80,064
Charter	66,490	64,407	63,710	80,518	122,411
Load factor (percent)	64.6	68.1	64.1	63.7	65.7
Revenue per ton mile (cents)	19.0	22.1	23.2	24.0	25.6
Fuel Costs Per Gallon (cents)					
Domestic	12.9	30.1	29.6	31.8	37.0
International	12.1	37.2	36.4	38.1	44.3

Tiger Leasing Group	1973	1974	1975	1976	1977
Sources of Revenue (percent)					
Operating leases	83.4	77.7	79.8	82.1	76.7
Finance leases	11.8	16.7	12.5	8.4	7.3
Sales and other	4.8	5.6	7.7	9.5	16.0
Distribution of Revenue (percent)					
Interest	26.2	30.3	29.6	26.2	23.1
Depreciation	20.6	19.1	18.0	19.1	18.3
Net income	16.2	11.7	10.8	9.1	8.8
Other	9.9	11.5	13.4	11.2	13.5
Wages and benefits	11.5	10.7	10.0	10.3	10.3
Insurance and taxes	9.1	8.8	6.7	7.8	8.8
Equipment rentals	1.9	4.1	7.3	9.3	8.5
Maintenance	4.6	3.8	4.2	7.0	8.7
Funds Provided by Operations and Collections of Finance Lease					
Receivables (thousands)	\$ 61,500	\$ 60,375	\$ 85,683	\$ 88,849	\$ 85,533
Equipment Acquisitions (thousands) (Includes equipment leased-in)					
North American Car	\$136,261	\$201,500	\$120,036	\$ 42,340	\$ 54,004
National Equipment Rental	71,134	99,106	36,392	22,726	55,609
Assets (thousands)	\$664,750	\$860,541	\$939,291	\$936,402	\$1,006,786
Number of Employees					
Total rail cars in fleet	32,922	40,975	44,317	45,624	46,575
Cars added during year	6,099	7,691	4,210	1,873	1,590

Tiger Insurance Group*	1973	1974	1975	1976	1977
Sources of revenue (percent)					
Premiums earned	84.7	101.4	83.9	80.5	78.0
Investment income	14.3	19.0	19.2	19.3	20.6
Capital gains (losses)	1.0	(20.4)	(3.1)	.2	1.4
Distribution of revenue (percent)					
Net income	28.2	8.3	12.6	16.2	27.3
Wages and benefits	23.0	26.4	19.5	20.1	20.7
Insurance losses and loss expense	11.6	26.2	34.7	28.5	18.6
Taxes	24.3	17.2	15.4	19.2	18.5
Other	12.9	21.9	17.8	16.0	14.9
Assets (thousands)	\$ 38,474	\$ 43,553	\$ 49,487	\$ 54,458	\$ 65,397
Number of employees	134	114	118	137	155
Insurance volume (thousands)					
Insurance written	\$1,335,000	\$ 870,000	\$ 671,000	\$ 831,000	\$1,319,000
Insurance in force	2,290,000	2,967,000	3,327,000	3,730,000	4,379,000
Maximum exposure to loss	480,000	625,000	708,000	790,000	920,000
Statutory policyholders surplus	21,375	25,680	33,856	40,724	45,397
Operating ratios					
95% loan-to-value policies as percent of insurance in force	34.0	37.0	36.0	34.0	30.0
Loans in default as percent of insurance in force	.7	.9	1.3	1.4	1.0
Insurance losses as percent of premiums earned	13.7	25.8	41.4	35.4	23.8
Underwriting expenses, before deferral, as percent of premiums written	38.8	50.2	51.9	50.2	49.0

*1976 and prior years are not included in Tiger International, Inc.'s financial statements

Tiger International, Inc. and Subsidiaries
Consolidated Statements of Income

For the Years Ended December 31, 1977 and 1976

1977 1976

(expressed in thousands)

Revenue:

Airline operations	\$287,523	\$250,021
Leasing and related services	201,377	174,474
Mortgage insurance	17,154	—
Other (Note 3)	9,284	6,125
	<u>515,338</u>	<u>430,620</u>

Costs and Expenses:

Airline	217,332	188,602
Leasing	62,781	47,526
Selling, general and administrative	72,240	58,126
Depreciation and amortization	51,728	46,393
Interest	67,002	58,712
Interest capitalized and deferred	(870)	(1,040)
	<u>470,213</u>	<u>398,319</u>

Income before income tax provision	45,125	32,301
Income tax provision (Note 7)	16,387	11,912

Net Income	\$ 28,738	\$ 20,389
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Earnings per share (Note 12)	\$2.26	\$1.61
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The accompanying notes are an integral part of these consolidated statements.

Tiger International, Inc. and Subsidiaries
Consolidated Statements of Changes in Financial Position

<i>For the Years Ended December 31, 1977 and 1976</i>	1977	1976
Source of Funds:	<i>(expressed in thousands)</i>	
Operations		
Net income	\$ 28,738	\$ 20,389
Add items not involving working capital—		
Depreciation and amortization charged to operations	51,728	46,393
Depreciation and amortization charged to other accounts	4,535	2,854
Amortization of deferred policy acquisition costs	4,409	—
Deferred income tax provision	14,516	10,496
Other—net	4,296	2,664
Funds provided by operations	108,222	82,796
Collection of long-term and finance lease receivables—net	17,853	30,108
Funds provided by operations and collection of long-term and finance lease receivables	126,075	112,904
Financing		
Proceeds from equipment financing and other borrowings	230,491	202,042
Proceeds from Common Stock issued	—	2,852
	230,491	204,894
Other		
Reduction of restricted trust funds for acquisition of aircraft	56,743	—
Working capital of acquired businesses	1,398	—
Retirement of property, plant and equipment	23,909	23,836
	82,050	23,836
Funds Provided	438,616	341,634
Application of Funds:		
Acquisition of Tiger Insurance Group and a railcar repair facility	40,768	—
Long-Term Debt		
Payments of long-term debt	88,250	106,517
Refinancing of long-term debt	89,579	89,000
Decrease in current portion of long-term debt	(9,171)	(8,272)
	168,658	187,245
Purchase of Property		
Purchase of property, plant and equipment, in 1977 net of trust funds reclassified to current assets	206,655	86,525
Other		
Restricted trust fund deposits	500	56,243
Cash dividends declared on Common Stock	6,345	5,022
Increase in investment in unconsolidated entities	474	601
Increase in investments of insurance company	8,977	—
Deposits and other—net	705	2,829
	17,001	64,695
Funds Applied	433,082	338,465
Net increase in working capital	\$ 5,534	\$ 3,169
Net Increase (Decrease) in the Components of Working Capital		
Cash and certificates of deposit	\$ 10,090	\$ 3,241
Receivables	23,415	8,736
Inventories	2,936	(1,401)
Prepaid expenses and other	3,330	837
Current portion of long-term debt	9,120	8,272
Accounts payable, accrued liabilities and income taxes	(43,357)	(16,516)
Net increase in working capital	\$ 5,534	\$ 3,169

The accompanying notes are an integral part of these consolidated statements.

Tiger International, Inc. and Subsidiaries
Consolidated Balance Sheets

<i>December 31, 1977 and 1976</i>	1977	1976
	<i>(expressed in thousands)</i>	
ASSETS		
Current Assets (Note 4):		
Cash and certificates of deposit of \$22,373,000 (1977) and \$15,537,000 (1976)	\$ 73,094	\$ 63,004
Receivables, less allowance for doubtful accounts of \$10,488,000 (1977) and \$8,084,000 (1976)	93,252	69,837
Inventories	25,779	22,843
Prepaid expenses and other	8,619	5,289
	200,744	160,973
Investments of Insurance Company (Note 10)	50,968	—
Finance Lease Receivables (Notes 1, 2 and 4):		
Aggregate future rentals, less allowance for doubtful accounts of \$5,948,000 (1977) and \$6,198,000 (1976) (due within one year—\$37,087,000 (1977) and \$34,831,000 (1976))	173,966	192,850
Estimated residual value of leased equipment	17,444	19,173
	191,410	212,023
Less: Unearned income	49,400	60,195
	142,010	151,828
Restricted Trust Funds for Equipment Acquisitions	—	56,243
Property, Plant and Equipment, at cost (Notes 2 and 11):		
Equipment for lease or under lease	923,477	857,481
Equipment used in airline operations	247,323	166,094
Buildings and leasehold improvements	39,023	37,420
Shop and terminal facilities and other equipment	39,722	29,406
	1,249,545	1,090,401
Less: Accumulated depreciation and amortization	380,703	336,108
	868,842	754,293
Other Assets (Notes 1 and 4):		
Cost in excess of fair value of net assets of acquired businesses, net	19,988	15,826
Investment in unconsolidated entities	10,271	9,355
Long-term receivables, including officers' loans of \$637,000 (1977) and \$1,210,000 (1976)	16,101	10,295
Unamortized debt expense	4,279	5,001
Deposits and other assets	25,587	15,496
	76,226	55,973
	\$1,338,790	\$1,179,310

The accompanying notes are an integral part of these consolidated balance sheets.

<i>December 31, 1977 and 1976</i>	1977	1976
LIABILITIES AND SHARE OWNERS' EQUITY	<i>(expressed in thousands)</i>	
Current Liabilities (Notes 4 and 7):		
Current portion of long-term debt	\$ 13,969	\$ 23,089
Accounts payable and accrued liabilities	122,283	80,442
Income taxes	2,838	1,322
	139,090	104,853
Long-Term Debt (Notes 2 and 4):		
Senior Debt—		
Equipment obligations	547,530	570,237
Notes and lease contracts payable to banks and others	198,544	111,213
	746,074	681,450
Subordinated Debt	15,201	16,618
Deferred Credits (Notes 1 and 7):		
Deferred income taxes and tax credits	131,224	114,584
Unearned premiums of insurance company	12,762	—
Other	26,538	15,910
	170,524	130,494
Commitments, Legal Actions and Contingent Liabilities (Notes 2 and 15)		
Minority Share Owners' Equity (Note 9):		
North American Car Corporation \$3 Cumulative Preferred Stock, \$50 stated value—		
Authorized—141,737 shares		
Outstanding—137,770 shares (1977) and 138,450 (1976)	6,889	6,923
Share Owners' Equity (Notes 4 and 9):		
Common Stock, \$1 par value—		
Authorized—35,000,000 shares		
Outstanding—12,690,297 shares (1977) and 12,674,540 shares (1976)	12,690	12,675
Additional paid-in capital	124,243	124,078
Retained earnings	124,079	102,219
	261,012	238,972
	\$1,338,790	\$1,179,310

Tiger International, Inc. and Subsidiaries
Consolidated Statements of Share Owners' Equity

	\$1 Par Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
			<i>(expressed in thousands)</i>		
Balance, December 31, 1975	\$12,435	\$121,466	\$ 86,852	\$ —	\$220,753
Add (deduct)					
Net income	—	—	20,389	—	20,389
Common stock issued for employee stock purchase plan	240	2,612	—	—	2,852
Cash dividends declared on common stock (\$.40 per share)	—	—	(5,022)	—	(5,022)
Balance, December 31, 1976	12,675	124,078	102,219	—	238,972
Add (deduct)					
Net income	—	—	28,738	—	28,738
Unrealized depreciation of equity investments by insurance affiliate	—	—	(533)	—	(533)
Treasury stock purchase of 203,148 shares (Note 5)	—	—	—	2,321	2,321
Reissuance of 203,148 shares of Treasury stock in connection with acquisition (Note 5)	—	—	—	(2,321)	(2,321)
Issuance of shares pursuant to the Executive Incentive Plan	15	165	—	—	180
Cash dividends declared on common stock (\$.50 per share)	—	—	(6,345)	—	(6,345)
Balance, December 31, 1977	\$12,690	\$124,243	\$124,079	\$ —	\$261,012

The accompanying notes are an integral part of these consolidated statements.

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes Tiger International, Inc. and its subsidiaries, the significant subsidiaries being The Flying Tiger Line Inc., Tiger Leasing Group, Inc., and Tiger Insurance Group, Inc.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Two leverage finance lease subsidiaries and three foreign joint ventures are accounted for on the equity basis. All significant inter-company accounts and transactions have been eliminated.

Investments of Tiger Insurance

Equity securities are stated at market value; bonds and notes are stated at amortized cost. Retained earnings as of December 31, 1977 are decreased by \$533,000 to reflect unrealized depreciation of equity securities during the year. Since bonds and notes may be held until maturity, the excess of amortized cost over market value as of December 31, 1977 amounting to \$529,000 is not recognized in the financial statements. The statement of income includes realized gains or losses from the sale of securities, based on the cost of specific security lots.

Translation of foreign currencies

The accounts of foreign subsidiaries and other accounts denominated in foreign currencies are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Net translation and exchange rate losses were \$743,000 (1977) and \$232,000 (1976), and are reflected in the accompanying consolidated statements of income.

Recognition of revenue

Air transportation	As services are performed.
Operating leases	Monthly, as earned.
Finance leases	Earned income recognized as revenue during the lease term, adjusted to reflect a constant periodic rate of return on net investment.
Private mortgage insurance	As earned, on a pro-rata basis over the term of each policy.

Depreciation and amortization

Plant and equipment are depreciated primarily using the straight-line method. Accelerated depreciation is used for residual value of computers, and certain aircraft and computers for lease.

	Term	Salvage Value (where applicable)
Railcars	25 to 30 years	based on scrap steel prices
Aircraft	10 to 14 years	15 percent
Other	2 to 33 years (average 15 years)	15 percent

Expenditures for maintenance and repairs are charged to expense as incurred, including provision for aircraft airframe and engine overhauls which are charged to expense on the basis of hours flown. Betterments and major renewals are capitalized.

Costs and accumulated depreciation of property, plant and equipment sold or retired are removed from the accounts. Gains or losses are included in income except for normal retirement of railcars (aged 20 to 24 years or more) and other assets which are on the composite depreciation method (e.g., the cost, less salvage recovery, is charged to accumulated depreciation).

Interest capitalization

Interest expense, net of related income, on the debt incurred to finance the acquisition of aircraft is capitalized until the aircraft are placed in service. If the interest had been expensed as incurred, net income would have been reduced by \$70,000 (\$.01 per share) in 1977 and \$352,000 (\$.03 per share) in 1976.

Cost in Excess of Fair Value of Net Assets of Acquired Businesses, Net

Costs of \$19,988,000 in excess of fair value of net assets of acquired businesses consist of \$15,826,000 relating to the acquisition of North American Car Corporation (North American) (which became a subsidiary of Tiger Leasing Group on March 31, 1977) and \$4,162,000 relating to the acquisition of Tiger Insurance Group. The costs related to North American are not being amortized since, in the opinion of management, there has been no diminution in value of North American's business. In accordance with the provisions of Accounting Principles Board Opinion No. 17—Intangible Assets, the costs related to Tiger Insurance Group are being amortized on a straight-line basis over forty years.

Income Taxes

The Company files a consolidated Federal income tax return. Investment tax credits on equipment acquired for use in its airline operations and 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

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

lease under finance leases are accounted for under the deferral method, whereby the credits are amortized over the initial terms of the related lease in decreasing amounts related 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.

Current portion of long-term debt

Equipment obligations due within one year, which will be paid from net rentals to be received during the next year from longer-term leases, are excluded from the current portion of long-term debt.

2. Lease and Purchase Commitments

At December 31, 1977 and 1976, 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 2008. 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. One of the lease agreements of Flying Tiger Line, with remaining rentals of \$17,518,000, contains provisions similar to those contained in other Flying Tiger Line loan agreements. In addition, the Company is contingently liable under certain leases to purchase the equipment for \$17,456,000 if the leases are not renewed upon expiration of the initial terms. Under the aircraft and railcar equipment leases,

Inventories

Inventories supporting maintenance and/or assembly of aircraft and leased equipment are priced at the lower of cost or market. Cost is determined by first-in, first-out and average-cost methods and includes materials, labor and factory overhead. Construction equipment and aircraft for sale are included in inventory at acquisition cost.

Insurance loss reserves

Tiger Insurance provides reserves for losses and related expenses by charges to income for anticipated losses on claims reported but not settled, and claims incurred but not reported.

Reclassifications

Certain items in 1976 have been reclassified to conform with the presentation in 1977.

the Company is obligated to bear the costs of maintaining and operating the equipment.

During 1977, the Company entered into direct finance and capital leases which meet the criteria for capitalization under Statement No. 13 (Accounting for Leases) of the Financial Accounting Standards Board (FASB 13). In the consolidated financial statements, the Company has not, however, applied the provisions of FASB 13 on a retroactive basis to leases existing prior to January 1, 1977. However, the information presented below indicates the effect on the consolidated financial statements had these provisions been applied on a retroactive basis.

Capital leases:

The following is an analysis of the property under capital lease (expressed in thousands):

	Recorded Balance as of December 31,		Leases Not Recorded at December 31,		Total Capital Leases at December 31,	
	1977	1976	1977	1976	1977	1976
Equipment for lease or under lease	\$29,703*	—	\$253,891	\$254,753	\$283,594	\$254,753
Accumulated depreciation	354	—	77,455	63,482	77,809	63,482
	\$29,349	—	\$176,436	\$191,271	\$205,785	\$191,271

*Included in equipment for lease or under lease in the consolidated balance sheet, and is net of equipment with a cost of \$7,777,000 which is leased out, and included in finance lease receivables.

The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments at December 31, 1977 (expressed in thousands):

	Leases Entered Into During 1977	Leases Not Recorded	Total
Year ending December 31,			
1978	\$ 3,912	\$ 28,456	\$ 32,368
1979	5,112	28,504	33,616
1980	5,424	29,239	34,663
1981	5,325	29,328	34,653
1982	5,316	28,968	34,284
Later years	50,335	223,755	274,090
Net minimum lease payments	75,424	368,250	443,674
Less: amount representing interest	(37,944)	(167,818)	(205,762)
Present value of net minimum lease payments	\$37,480*	\$200,432**	\$237,912

*Included in equipment obligations in the consolidated balance sheet

**The present value of net minimum lease payments for leases not recorded at December 31, 1976 was \$209,232,000

Operating leases:

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 1977 (expressed in thousands):

	As Recorded December 31, 1977	Subject to Restatement	Remaining after Restatement
Year ending December 31,			
1978	\$ 32,608	\$ (28,456)	\$ 4,152
1979	32,349	(28,504)	3,845
1980	32,677	(29,239)	3,438
1981	32,665	(29,328)	3,337
1982	32,260	(28,968)	3,292
Later years	244,448	(223,755)	20,693
Total minimum payments required	\$407,007	\$(368,250)	\$38,757

Total rental expense for all operating leases with lease terms in excess of one month were as follows (expressed in thousands):

	Year Ended December 31,		Subject to Restatement at December 31,		Total	
	1977	1976	1977	1976	1977	1976
Minimum rentals	\$35,930	\$37,388	\$(29,501)	\$(29,984)	\$6,429	\$7,404
Less: sublease rentals	(1,736)	(1,705)	1,157	1,231	(579)	(474)
	\$34,194	\$35,683	\$(28,344)	\$(28,753)	\$5,850	\$6,930

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

There were no contingent rentals during 1977 or 1976.

Those leases entered into prior to January 1, 1977 that meet the criteria for capitalization under the provisions of FASB 13, but for which retroactive effect has not been given in the accompanying financial statements, would have had the effect of decreasing net income by \$2,278,000 and \$1,889,000 in 1977 and 1976, respectively.

Net investment in finance leases:

The following lists the components of the net investment in financing leases as of December 31, 1977 and 1976 (expressed in thousands):

	1977	1976
Minimum lease payments receivable	\$179,914	\$199,048
Less: Allowance for uncollectibles	(5,948)	(6,198)
Net minimum lease payments receivable	173,966	192,850
Estimated residual values of leased equipment (unguaranteed)	17,444	19,173
Less: Unearned income	(49,400)	(60,195)
Net investment in direct financing and sales-type leases	\$142,010	\$151,828

At December 31, 1977, minimum lease payments receivable for each of the five succeeding fiscal years are as follows (expressed in thousands):

Year ending December 31,	
1978	\$37,087
1979	32,178
1980	23,383
1981	23,006
1982	12,941

The Company did not enter into any material finance leases during 1977. However, certain finance leases were entered into prior to January 1, 1977 that meet the provisions of FASB 13 had retroactive effect been given; the effect on assets, liabilities, net worth and net income would be immaterial at 1977 and 1976.

Operating leases:

The following is an analysis of equipment held for lease as of December 31, 1977 (expressed in thousands):

Equipment for lease or under lease	\$923,477
Less: accumulated depreciation	(282,109)
	\$641,368

The following is a schedule by years of minimum future rentals on noncancellable operating leases as of December 31, 1977 (expressed in thousands):

Year ending December 31,	
1978	\$139,567
1979	107,670
1980	84,582
1981	63,775
1982	42,738
Later years	123,235
Total minimum future rentals	\$561,567

Leverage leases:

The Company has two leverage finance lease subsidiaries which are accounted for on the equity basis. If the provisions of FASB 13 had been applied retroactively, these subsidiaries would be consolidated with Tiger International; however, the effect on the consolidated financial statements would be immaterial.

Purchase commitments:

At December 31, 1977, the Company had purchase commitments of \$88,937,000 for materials, car equipment, aircraft, and other equipment for lease, to be delivered in 1978.

3. Other Revenue

Revenue for 1977 and 1976 is reclassified to conform to the segment information in Note 6. Revenue from gains on sales or disposal of railcars and aircraft by Tiger Leasing are included in "revenue from leasing and related services," rather than "other revenue."

Other revenue includes gains from sales of DC-8-63 aircraft previously used in airline operations of \$4,673,000 (1977) and \$4,248,000 (\$600,000 of which is being amortized over the 44 month life of a related guarantee) (1976). The aggregate sales prices were \$10,100,000 (1977) and \$10,300,000 (1976).

4. Long-Term Debt

The outstanding balance of long-term equipment obligations and other long-term debt at December 31, 1977 and 1976 consisted of the following (expressed in thousands):

Senior Debt:	1977	1976
Tiger International, Inc.		
Variable rate (1/2% to 3/4% over prime) secured notes payable to banks	\$ —	\$ 24,430
Variable rate (1/2% over prime) secured notes payable to banks, due in quarterly installments 1979 to 1984 (average rate 9.6%)	57,857	—
Subsidiaries		
Equipment and facilities obligations:		
4 1/2% to 11 1/4% equipment trust obligations, maturing serially 1978 to 1997 (average rate 9.1% [1977])	530,149	537,288
6 3/4% to 11 1/4% notes secured by facilities, due 1978 to 1996 (average rate 8.8% [1977])	9,299	8,239
4 1/4% to 9 1/4% equipment obligations, and notes and lease contracts payable secured by receivables and equipment and facilities leased, due 1978 to 1991 (average rate 7.6% [1977])	70,635	43,899
Variable rate (1/4% to 2 1/2% over prime) equipment obligations, and notes and lease contracts payable, secured by receivables and related equipment and facilities leased, due 1978 to 1991 (average rate 8.1% [1977])	94,352	94,924
	762,292	708,780
Less:		
Principal amount of equipment trust certificates held in treasury	2,549	4,541
Current portion*	13,669	22,789
	\$746,074	\$681,450

*Exclusive of \$79,521,000 in 1977 and \$66,951,000 in 1976 (see note 1)

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

	1977	1976
Subordinated Debt:		
(Net of current portion of \$300,000 and imputed debt discount)		
Subsidiaries		
5¼% Convertible Subordinated Debentures, due to 1988	\$ 1,969	\$ 1,726
6¾% Senior Subordinated Notes, due to 1982	1,109	1,369
9¼% Subordinated Debentures, due to 1992	12,123	13,523
	\$ 15,201	\$ 16,618

The long-term debt matures as follows for the five years subsequent to December 31, 1977 (expressed in thousands):

1978	\$93,490
1979	91,862
1980	78,728
1981	65,225
1982	64,753

Certain long-term debt and lines of credit are covered by agreements which restrict borrowings and cash payment of dividends and require maintenance of minimum cash balances ranging from 10% to 20% of average outstanding loan balances. At December 31, 1977, \$5,979,000 of retained earnings were free of such cash dividend restrictions, and approximately \$18,118,000 of cash was intended to meet minimum cash balance requirements.

Tiger International's subsidiaries have revolving lines of credit with various banks totaling \$73,888,000, of which \$9,276,000 was borrowed at December 31, 1977. A commitment fee, generally ½ percent per annum, is paid on the unused portions of these credit lines.

At December 31, 1977, \$6,833,000 of cash included in "other assets" was held in escrow as a security deposit; assets having a total net book value of \$925,000,000 were encumbered by debt.

On January 14, 1977, Tiger International entered into a new term loan agreement in the amount of \$60,000,000. Proceeds were used to acquire Tiger Insurance Group (Note 5) and to repay secured notes payable to banks. The terms of this new agreement provide for interest at the rate of ½ percent over the bank prime lending rate, with a maximum weighted-average interest rate of 10 percent over the term of the loan, including the cost of compensating cash balances or fees paid in lieu thereof; and for payment of principal and interest in quarterly installments from 1979 through 1984. Borrowings under the agreement are secured by the pledge of the stock of Tiger Insurance Group and North American's Second Series Preferred Stock.

5. Acquisitions

On January 14, 1977, Tiger International acquired Investors Mortgage Group, Inc. (whose name was changed to Tiger Insurance Group, Inc.) for \$36,763,000 in cash, obtained principally from a long-term bank borrowing. Tiger Insurance Group provides private real estate mortgage insurance through its subsidiary, Investors Mortgage Insurance Company.

Tiger International's unaudited pro forma results of operations for 1976 (stated as though Tiger Insurance Group had been owned for the year and giving effect to the cost of the acquisition and the related financing) are as follows:

Revenue	\$445,751,000
Net Income	\$ 21,296,000
Earnings Per Share	\$ 1.68

At September 30, 1977, Tiger International acquired a railcar repair facility for \$1,684,000 in cash and 203,148 treasury shares. The shares were purchased during August and September 1977 for \$2,321,000 and had approximately the same market value when issued. The acquisition has been accounted for as a purchase. The assets, revenues and income of the repair facility are not significant.

6. Results Segmented by Lines of Business and Geographic Area

Tiger International is engaged primarily in three businesses: airfreight, equipment leasing and private mortgage insurance.

Revenue and operating profit for 1977, and identifiable assets at December 31, 1977, are as follows (expressed in thousands):

	Air Freight	Equipment Leasing	Private Mortgage Insurance	Corporate, Adjustments and Eliminations	Consolidated
Revenue from sales to unaffiliated customers	\$296,742	\$201,377	\$17,154	\$ 65	\$ 515,338
Intersegment revenue	—	737	464	(1,201)	—
Total revenue	\$296,742	\$202,114	\$17,618	\$ (1,136)	\$ 515,338
Operating profit, before interest expense	\$ 29,907	\$ 76,593	\$ 7,452	\$ (92)	\$ 113,860
Interest expense, net	9,485	46,140	—	—	55,625
Operating profit	20,422	30,453	7,452	(92)	58,235
Equity in net income of unconsolidated entities	—	456	—	—	456
General corporate expenses, net	—	—	—	(3,473)	(3,473)
Corporate Interest expense	—	—	—	(10,093)	(10,093)
Income before income tax provision	\$ 20,422	\$ 30,909	\$ 7,452	\$(13,658)	\$ 45,125
Identifiable assets at December 31, 1977	\$326,638	\$936,409	\$61,697	\$ —	\$1,324,744
Investment in unconsolidated entities	—	10,271	—	—	10,271
Corporate assets	—	—	—	3,775	3,775
Total assets at December 31, 1977	\$326,638	\$946,680	\$61,697	\$ 3,775	\$1,338,790

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

Tiger International's operations in 1977 and identifiable assets at December 31, 1977 are segmented by geographic area as follows (expressed in thousands):

	United States	Canada	Other Foreign	Corporate, Adjustments and Eliminations	Consolidated
Total revenue	\$ 467,690*	\$ 30,958	\$16,690	\$ —	\$ 515,338
Operating profit	\$ 50,082	\$ 7,956	\$ 197	\$ —	\$ 58,235
Equity in net income of unconsolidated entities	391	—	65	—	456
General corporate expenses, net	—	—	—	(3,473)	(3,473)
Corporate interest expense	—	—	—	(10,093)	(10,093)
Income before income tax provision	\$ 50,473	\$ 7,956	\$ 262	\$(13,566)	\$ 45,125
Identifiable assets at December 31, 1977	\$1,098,470	\$155,540	\$70,734	\$ —	\$1,324,744
Investment in unconsolidated entities	7,854	—	2,417	—	10,271
Corporate assets	—	—	—	3,775	3,775
Total assets at December 31, 1977	\$1,106,324	\$155,540	\$73,151	\$ 3,775	\$1,338,790

*Includes revenue of \$185,916,000 from the international operations of Flying Tiger Line.

In accordance with Statement of Financial Accounting Standards No. 14, operating profit (total revenue less operating expenses) does not reflect general corporate expenses, income taxes or equity in income of unconsolidated subsidiaries. Interest of \$1,096,000 earned on loans and advances to other industry segments is not included in air freight revenues or operating profit in accordance with the statement.

Depreciation and amortization expense for the air freight, equipment leasing, and mortgage insurance groups, respectively, was \$17,033,000, \$39,001,000, and \$4,577,000. Capital expenditures for the air freight, equipment leasing and mortgage insurance groups were \$96,953,000, \$109,613,000 and \$32,000 respectively. The Corporate office purchased \$57,000 of equipment.

Identifiable assets are those assets that are used in the Company's operations in each industry group and geographic area. Corporate assets are principally cash and certificates of deposit and equipment and leasehold improvements.

Transfers between geographic areas were not significant.

Approximately 14 percent of the revenue of the air freight business in 1977 was received from two agencies of the United States Government: Military Airlift Command and the U. S. Post Office.

In 1976, Tiger International had foreign revenues of \$42,388,000 and net income of \$2,265,000, and at December 31, 1976, had assets of \$173,865,000 located in foreign countries. Not included is revenue related to the international operations of Flying Tiger Line.

7. Income Taxes

The provisions for income taxes for 1977 and 1976 are summarized as follows (expressed in thousands):

	1977	1976
Current—		
United States	\$30,578	\$ 4,969
Foreign tax credits	(1,966)	(4,969)
Investment tax credits, net	(28,612)	—
	—	—
State	444	612
Foreign	1,427	804
	1,871	1,416
Deferred—		
United States	(14,298)	8,451
State	1,371	1,584
Foreign	4,351	690
Foreign tax credits	849	4,969
Investment tax credits, net—		
Current year generation	(6,369)	(5,198)
Prior years generation	28,612	—
	14,516	10,496
Total income tax provision	\$16,387	\$11,912

The income tax provisions were 36.6% and 37.2% of 1977 and 1976 pretax income, respectively. The primary reasons for the difference between these rates and the 48% statutory federal tax rate are as follows:

	1977	1976
Federal tax rate	48.0%	48.0%
Investment tax credits	(14.0)	(16.2)
State taxes and other	2.6	5.4

The timing differences giving rise to deferred income taxes were as follows (amounts in 1977 are subject to

elections to be made upon filing returns)(expressed in thousands):

	1977	1976
Excess of tax over book depreciation	\$10,356	\$13,914
Book reserves not deductible for tax purposes	(3,484)	(2,486)
Tax net operating losses	—	7,006
Excess tax over book gain on disposition of equipment	(5,657)	(5,195)
Differing treatment of finance leases	(7,511)	(1,739)
Net investment tax credits applied to reduce deferred tax provision	(6,369)	(5,198)
Foreign and investment tax credits and net operating losses utilized	30,578	4,969
Redemption of tax and loss bonds	(2,504)	—
Other, net	(893)	(775)
	\$14,516	\$10,496

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company has approximately \$52,394,000 of investment tax credit carry forwards available for federal income tax purposes for 1977 and future years, of which \$47,409,000 had been applied as a reduction of deferred federal income tax provisions. Foreign tax credit carry forwards available to offset 1977 and future years' federal income taxes aggregate \$2,029,000, which if not utilized will be included in federal income tax provisions in future years. All foreign tax credits and approximately \$28,600,000 of investment tax credit carryforwards are expected to be utilized in the 1977 tax return when filed.

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

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1977	\$ 63	\$ 2,598
1978	—	8,381
1979	46	8,880
1980	740	6,579
1981	1,180	10,365
1982	—	6,122
1983	—	3,111
1984	—	6,358

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$1,830,000 at December 31, 1977. Expired investment tax credits of \$5,657,000, previously deducted from the deferred federal income

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

tax provision, are being amortized as described in Note 1. The net amortization of such investment tax credits

deducted from the deferred income tax provision was \$307,000 (1977) and \$1,272,000 (1976).

8. Pension Plans

Tiger International maintains pension plans for substantially all its employees. The total costs of the plans were \$7,475,000 (1977) and \$6,903,000 (1976); the amounts include amortization, from 23 to 40 years, of unfunded prior service costs. The Company's policy is to fund pension costs accrued. At December 31, 1976, the unfunded prior service liability totalled approximately \$34,473,000

and actuarially computed value of vested benefits exceeded pension fund assets by approximately \$26,730,000, the latest date at which comprehensive determinations have been made, but including changes occasioned by new labor contracts negotiated in 1977. The contracts are expected to increase annual costs of the plans by approximately \$3,200,000.

9. Minority Interest and Common Stock

The terms of North American's \$3 Cumulative Preferred Stock require annual retirement of 8,000 shares and are redeemable at any time at the option of North American.

At December 31, 1977 and 1976 the Company had reserved the following shares of common stock for issuance:

Reserved for	Shares	
	1977	1976
Qualified Stock Option Plans	484,988	484,988
Qualified Employee Stock Purchase Plan	628,491	128,491
Officers' Stock Purchase Agreements	220,000	220,000
	1,333,479	833,479

In 1977, the Board of Directors, with the approval of a majority of share owners, increased by 500,000 the number of shares reserved for the Qualified Employee Stock Purchase Plan.

At December 31, 1977, options granted to officers and key employees for the purchase of 203,850 shares were outstanding at prices ranging from \$14.63 to \$32.80 per share with an aggregate purchase price of \$4,765,000.

These options are exercisable from 1978 to 1979. Un-optioned shares available at December 31, 1977 and 1976 were 281,138 and 230,337, respectively.

An offering of common stock under the Qualified Employee Stock Purchase Plan, as amended, was made in 1974 at \$11.90 per share. The offering was completed September 30, 1976 and 239,591 shares were issued at that date.

In September 1974, the Company entered into stock purchase agreements with certain principal officers, enabling them to purchase 120,000 shares of common stock at \$9.13 per share, which was the price of the common stock on the New York Stock Exchange at the date of the agreements. Each officer is obligated under the agreements to pay the full purchase price for his shares not later than September 1984, or at any time upon demand by the Company if his employment terminates prior to that date.

The Company has a discretionary Executive Incentive Plan, approved by the share owners in 1976, whereby awards are contingent upon the attainment of certain levels of profitability. The amounts awarded (60% in stock and 40% in cash) under the plan were \$612,000 (1977) and \$302,000 (1976).

10. Investments of Insurance Company

At December 31, 1977 investments of the insurance company are summarized as follows (expressed in thousands):

Equity securities:	
Preferred	\$10,851
Common	6,547
	17,398
Bonds:	
U.S. Government	17,071
State and municipal	77
Corporate and other	16,422
	33,570
Total investments	\$50,968

11. Property, Plant and Equipment

At December 31, 1977, the major classes of property, plant and equipment and the related accumulated

depreciation and amortization were as follows (expressed in thousands):

	Original Cost	Accumulated Depreciation and Amortization	Net
Equipment for lease or under lease—			
Car equipment	\$ 760,310	\$195,534	\$564,776
Other	163,167	86,575	76,592
Equipment used in airline operations	247,323	72,789	174,534
Buildings and leasehold improvements	39,023	9,104	29,919
Shop and terminal facilities and other equipment	39,722	16,701	23,021
	\$1,249,545	\$380,703	\$868,842

12. Earnings Per Share

Earnings per share have been computed based upon the weighted average number of the Company's common and common equivalent (where dilutive) shares outstanding each year (12,695,000 in 1977 and 12,702,000 in 1976), including the shares issuable under outstanding stock options and stock subscriptions, less those shares the Company could have purchased with the proceeds

from the exercise of these options and subscriptions (net of paid shares). The paid stock subscription shares are those shares which could be purchased from the weighted average collections during the period.

No significant dilution of earnings per share results from fully diluted computations.

13. Selected Quarterly Financial Data (Unaudited)

	1977 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
Revenue	\$107,307,000	\$121,634,000	\$139,070,000	\$147,327,000
Net Income	\$ 1,142,000	\$ 7,063,000	\$ 8,828,000	\$ 11,705,000
Earnings Per Share	\$.09	\$.56	\$.70	\$.92

	1976 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
Revenue	\$93,445,000	\$110,393,000	\$108,782,000	\$118,000,000
Net Income	\$ 1,859,000	\$ 7,909,000	\$ 3,884,000	\$ 6,737,000
Earnings Per Share	\$.15	\$.62	\$.31	\$.53

The revenue, net income and earnings per share in the above summary reflect the seasonal fluctuations in the business of Flying Tiger Line and fluctuations in foreign exchange rates. In addition, the second quarter of 1977 and 1976 includes net income of \$2,336,000, \$.18 per share (1977) and \$1,824,000, \$.14 per share (1976), from the sale of a DC-8-63 aircraft by Flying Tiger Line.

Tiger International, Inc. and Subsidiaries
Notes to Financial Statements

14. Replacement Cost Data (unaudited)

Due to the impact of inflation, when the Company replaces an asset with one having an equivalent productive capacity or with an item of inventory, it is required to make a capital investment that is significantly greater than the historical cost of such an asset reported in the Company's financial statements.

In airline operations, delays in obtaining satisfactory rate adjustments in periods of rapidly escalating costs have impeded the Company's ability to recover such costs on a timely basis; however, in replacement of operating capacity, the airline has been successful in recent years in obtaining replacement cost values in disposition of its operating aircraft, thus ameliorating some of the

capital investment requirements on the replacement aircraft.

In leasing operations, depreciated replacement costs and rising financing costs are generally reflected in rental rates obtained upon lease renewals and in the realization of salvage and residual values. In addition, depreciation and tax credits permitted for Federal income tax purposes have benefited the Company in meeting cash investment requirements for replacement of equipment. Quantitative replacement cost information is included in the Company's annual report to the Securities and Exchange Commission on Form 10-K, which is expected to be available for distribution after March 31, 1978.

15. Legal Action and Contingent Liabilities

Based upon complaints of aircraft noise and engine emissions, various legal actions are pending against the City of Los Angeles and against Flying Tiger and other airlines using Los Angeles International Airport. Most of these suits were brought against the City, which in a number of cases has cross-complained against various airlines, including Flying Tiger, seeking indemnification. However, the City has been denied the right to indemnification in cases involving inverse condemnation. Flying Tiger's special counsel in many of these actions and management are of the opinion that, although the legal issues have not been finally resolved, Flying Tiger has substantial defenses under the present law to the imposition of any liability in such actions.

Standard Oil Company (Ohio) ("SOHIO") and BP Oil Company ("BP") have filed suit against Flying Tiger seek-

ing damages arising from their provision of fuel to Flying Tiger at New York, Newark, Cleveland and Detroit. If SOHIO or BP were successful in their lawsuit it could increase Flying Tiger's cost of fuel in 1974, 1975 and 1976 by as much as an aggregate of approximately \$6,000,000. In the opinion of management, based on discussions with legal counsel, adequate provision has been made by Flying Tiger so that Flying Tiger's financial position and results of operations are presented fairly during the respective periods.


At December 31, 1977, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations in the amount of \$17,387,000 which will be fully amortized during the period from 1978 to 1993. Most of these guarantees are related to the sales of DC-8-63 aircraft by the Company to foreign airlines.

Auditor's Report

To the Share Owners, Tiger International, Inc.:

We have examined the consolidated balance sheets of TIGER INTERNATIONAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 1977 and 1976, and the related consolidated statements of income, share owners' 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.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Tiger International, Inc. and subsidiaries as of December 31, 1977 and 1976, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change (with which we concur) in the method of accounting for leases as required by Statement of Financial Accounting Standards No. 13 and explained in Note 2 to the accompanying financial statements, were consistently applied during the years.


ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 14, 1978.

Tiger International, Inc. and Subsidiaries Management Analysis

1977 compared to 1976

Total revenue increased 20 percent. Airline operating revenue increased 15 percent due to increased demand for charter flights, improved domestic and international market conditions and an increase in available capacity. Leasing and related services revenue increased 15 percent due to additional revenue derived from equipment additions and higher renewal rental rates on railcars, higher utilization of the railcar fleet and increased revenue from railcar repair services. 1977 revenue includes mortgage insurance revenue from Tiger Insurance Group which was purchased on January 14, 1977. Other revenue increased primarily due to a higher gain recognized on the sale of operating aircraft by Flying Tiger (one DC-8-63 aircraft was sold in each period).

Airline costs and expenses increased 13 percent due to higher fuel prices, costs relating to increased levels of

operations and non-recurring training costs of approximately \$1,700,000 associated with the addition of Boeing 747-100F aircraft. Leasing costs and expenses increased 32 percent as a result of increased equipment acquisitions and expansion of aircraft leasing operations, increased maintenance expenses for the railcar fleet caused by inflation and the aging of the fleet, and increased expenses associated with the expansion of the railcar repair service business.

Selling, general and administrative expenses increased 24 percent due primarily to the inclusion in 1977 of approximately \$10,105,000 of operating costs of Tiger Insurance Group, and to inflation.

Interest expense increased due to new borrowings for the acquisition of Tiger Insurance Group and for the purchase of three Boeing 747-100F aircraft.

1976 compared to 1975

Total revenue increased 10 percent. Airline operating revenue increased 14 percent due to increased demand resulting from improved economic conditions and due to several domestic rate increases. Leasing and related services revenue increased 7 percent as a result of railcar additions and increased re-lease and renewal rental rates for railcars. Other revenue reflected lower gains of approximately \$3,800,000 from the sale of operating aircraft (since two DC-8-63 aircraft were sold in 1975 while only one was sold in 1976).

Airline costs and expenses increased 13 percent as a result of higher volume and inflation. Leasing costs and expenses increased 29 percent primarily as a result of a substantial increase in the number of railcars leased from others and greater expenditures for the maintenance of the railcar fleet due to inflation and the aging of the fleet. Depreciation increased 10 percent primarily as a result of railcar additions. Interest expense decreased due to lower interest rates and lower levels of borrowings during the year.

Stock Market Information

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common Stock				
1977				
High	\$13.50	\$12.00	\$12.63	\$16.38
Low	10.25	10.13	10.50	10.38
Close	10.75	11.50	11.00	16.38
Cash Dividends declared per common share	.125	.125	.125	.125
1976				
High	\$19.00	\$17.38	\$17.50	\$15.25
Low	13.75	13.25	14.38	10.38
Close	16.50	16.00	15.25	12.25
Cash dividends declared per common share	.10	.10	.10	.10

Tiger International, Inc. and Subsidiaries
Ten-Year Summary*

<i>(Amounts in thousands except per share data)</i>	1977	1968	1969	1970
Revenue:				
Airline Operations	\$ 287,523	\$ 76,699	\$ 96,893	\$ 123,372
Leasing and related services	201,377	—	—	—
Mortgage Insurance	17,154	—	—	—
Other	9,284	1,784	1,428	2,139
	515,338	78,483	98,321	125,511
Costs and Expenses:				
Airline	217,332	64,804	67,877	82,304
Leasing	62,781	—	—	—
Selling, general and administrative	72,240	6,864	7,848	10,759
Depreciation and amortization	51,728	6,572	8,008	7,780
Interest	67,002	6,244	8,750	7,989
Interest capitalized and deferred	(870)	(1,373)	(74)	(114)
	470,213	83,111	92,409	108,718
Income (loss) before income tax provision**	45,125	(4,628)	5,912	16,793
Income tax provision (credit)	16,387	(2,226)	1,601	6,322
Net Income (Loss)	\$ 28,738	\$ (6,651)	\$ 4,311	\$ 10,528
Fully diluted earnings (loss) per share***	\$ 2.26	\$ (.80)	\$.52	\$ 1.16
Shares used for computation of fully diluted earnings (loss) per share***	12,695,000	8,274,000	8,282,000	9,700,000
Share Owners' equity	\$ 261,012	\$ 38,966	\$ 42,903	\$ 53,811
Book value per common share***	\$ 20.57	\$ 4.71	\$ 5.18	\$ 6.47
Assets	\$ 1,338,790	\$ 187,972	\$ 197,743	\$ 210,746
Number of employees	4,938	3,065	2,881	3,418
Cash dividends per common share***	\$.50	\$.05	\$.05	\$ —

*Information related to North American Car Corporation and National Equipment Rental, Ltd., which comprise the majority of Tiger Leasing Group, is not included in the summary for periods prior to their acquisition by purchases, January 1971 and October 1971, respectively, nor for Tiger Insurance Group, Inc. acquired January, 1977.

The 10 year summary has not been restated for the provisions of FASB 13. See Note 2 to notes to financial statements for the effect of FASB 13.

**Extraordinary income (loss) of \$57,000 (1970) and (\$4,249,000) (1968) are excluded from income (loss) before tax provision and income tax provision but included in net income (loss).

***Adjusted for the three for two stock distribution in 1972, and the five percent stock dividends issued in 1970, 1971, 1972 and 1973. In the years 1974 through 1977 there was no significant dilution from fully diluted computations.

	1971	1972	1973	1974	1975	1976	1977
\$	144,247	\$ 164,354	\$ 176,928	\$ 189,264	\$ 219,840	\$ 250,021	\$ 287,523
	62,481	91,928	113,774	143,397	162,607	174,474	201,377
	—	—	—	—	—	—	17,154
	2,832	832	1,354	1,513	7,498	6,125	9,284
	209,560	257,114	292,056	334,174	389,945	430,620	515,338
	94,357	103,191	113,555	150,791	167,299	188,602	217,332
	10,615	13,539	16,164	24,987	36,779	47,526	62,781
	21,660	31,507	37,372	47,888	54,699	58,126	72,240
	24,984	30,729	31,526	36,778	42,020	46,393	51,728
	23,688	27,753	35,541	53,571	61,040	58,712	67,002
	—	(117)	(557)	(2,204)	(794)	(1,040)	(870)
	175,304	206,602	233,601	311,811	361,043	398,319	470,213
	34,256	50,512	58,455	22,363	28,902	32,301	45,125
	13,873	21,037	24,199	8,393	10,400	11,912	16,387
\$	20,383	\$ 29,475	\$ 34,256	\$ 13,970	\$ 18,502	\$ 20,389	\$ 28,738
\$	1.65	\$ 2.25	\$ 2.66	\$ 1.12	\$ 1.46	\$ 1.61	\$ 2.26
	12,576,000	13,086,000	12,896,000	12,518,000	12,636,000	12,702,000	12,695,000
\$	134,678	\$ 166,007	\$ 198,114	\$ 207,185	\$ 220,753	\$ 238,972	\$ 261,012
\$	11.19	\$ 13.47	\$ 15.94	\$ 16.67	\$ 17.75	\$ 18.85	\$ 20.57
\$	658,010	\$ 715,295	\$ 878,067	\$ 1,088,991	\$ 1,128,214	\$ 1,179,310	\$ 1,338,790
	3,845	4,082	4,672	4,723	4,414	4,493	4,938
\$	—	\$ —	\$.20	\$.40	\$.40	\$.40	\$.50

Notice to Share Owners

The following notice to share owners 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, 1977, or subsequently acquired, beneficially or as a trustee, more than 5 per centum, 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, 1978, 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 the information required in Section 245.15.

Any share owner 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.

The Flying Tiger Line
Officers

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Chairman of the Board & President

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*Executive Vice President & Chief
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*Senior Vice President—Scheduled
Services*

William Gelfand
Senior Vice President

Walter Bernhardson
Vice President—Personnel Relations

William M. Caldwell, IV
Vice President—Marketing

Nissen Davis
Vice President—Public Relations

Charles W. Jacob, Jr.
Vice President—Finance & Treasurer

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*Vice President—Maintenance &
Engineering*

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Vice President—Sales

Thomas Delaney
Vice President—Midwestern Region

Michael Gurley
Vice President—Western Region

Richard L. Haberly
Vice President—Eastern Region

Paul Stokes
Vice President—Asia

James J. Tufts
Vice President—Southern Region

R. J. Valenta
Corporate Controller

Rosanne O'Brien
Secretary

Stuart M. Warren
General Attorney & Assistant Secretary

Myer Feldman
Ginsburg, Feldman & Bress
Assistant Secretary

J. W. Rosenthal
Ginsburg, Feldman & Bress
Assistant Secretary

The Flying Tiger Line
7401 World Way West,
Los Angeles, California 90009
(213) 646-6161

**Tiger Leasing Group
Officers**

**NORTH AMERICAN CAR
CORPORATION**

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Chairman of the Board

Robert B. Oppenheimer
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President

James H. Ozanne
President—Railcar Division

H. Russell Platt III
*Senior Vice President—Sales &
Marketing*

Robert A. Boerke
Vice President—Engineering

James F. Compton
*Vice President—Marketing & Fleet
Management*

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Vice President—Eastern District

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

Francis W. Kreidler
Vice President—Special Projects

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*Vice President—General Manager
Car Repair Division*

Roger A. Noback
Vice President—Law

Paul F. Robinson
*Vice President—General Manager
Alexander Chemicals Division*

John H. Rubel
Vice President—Controller

Richard C. Underwood
Vice President—Sales

**NORTH AMERICAN CAR
(CANADA) LTD.**

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President

TIGERAIR, INC.
Theodore F. Schlegel
President

William E. Dernbach
*Vice President—Operations and
Technical*

Danny S. Litt
Vice President—Controller

**NATIONAL EQUIPMENT
RENTAL, LTD.**

Harry M. Weisberg
President

Francis P. Burke
Vice President—Accounting

Thomas J. McArdle
President—Computer Division (U.S.)

John M. Phelan
President—Computer Division (Europe)

NAC LEASING CORPORATION
Eugene H. Crew
President

TIGER EQUIPMENT & SERVICES, LTD.

Thomas V. Murphy
President

ENDASA, S.A. de C.V. (Mexico)
Steven H. Spencer
President

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

**TIGER EQUIPAMENTOS E
SERVICOS LTDA. (Brasil)**
Geoffrey Locke
President

**WHASHIN TIGER LEASING CO., INC.
(Korea)**
Hahn Jung Hyon
President

**Tiger Insurance Group
Officers**

John E. Horne
Chairman

Jackson W. Goss
President & Chief Executive Officer

C. Allen Merritt, Jr.
*Senior Vice President—Finance and
Treasurer*

James W. Breznay
*Senior Vice President—Legal and
Secretary*

Roger F. Blood
*Senior Vice President—Risk
Management*

Coleman F. Church, 3rd
Senior Vice President—Marketing

**Tiger International
Directors**

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

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

J. Howard Edgerton
*Chairman of the Executive Committee
California Federal Savings & Loan
Association
Los Angeles, California*

Myer Feldman
*Senior Partner
Ginsburg, Feldman & Bress
Attorneys at Law
Washington, D.C.*

Thomas F. Grojean
*President
Tiger International
President, Tiger Leasing Group*

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

William E. McKenna
*Chairman of the Board
Vencap, Inc. (Temporary Employment)
Inglewood, California*

Norman L. Meyers
*Partner
Meyers, Marshall & Meyers
Attorneys at Law
Washington, D.C.*

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

**Tiger International
Officers**

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

Thomas F. Grojean
President

John E. Flynn
Vice President—Law

Martin A. Lynch
Vice President—Treasurer

O. Glenn Saxon
*Vice President—Corporate
Communications*

William D. Evans
Controller

Rosanne O'Brien
Secretary & Director of Personnel

Rolf Bodenburg
*Assistant Treasurer—Tax
Administration*

Paul M. O'Hara
Assistant Treasurer

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

Auditors

Arthur Andersen & Co.
Los Angeles, California

General Counsel

White & Case
New York, New York

Stock Exchanges

New York Stock Exchange
Pacific Stock Exchange
Midwest Stock Exchange

Transfer Agents

Manufacturers Hanover Trust Co.
New York, New York 10015

Union Bank
Los Angeles, California 90051

Registrars

The Bank of New York
New York, New York 10015

Union Bank
Los Angeles, California 90051

The annual meeting of share owners will be held on Friday, May 26, 1978, at 2:00 PM, in the employee cafeteria of Flying Tiger Line, 7401 World Way West, Los Angeles, California, 90009

The company files annually a report on form 10-K with the Securities and Exchange Commission. A copy is available on request to the Vice President—Corporate Communications, Tiger International, 1888 Century Park East, Los Angeles, California, 90067.

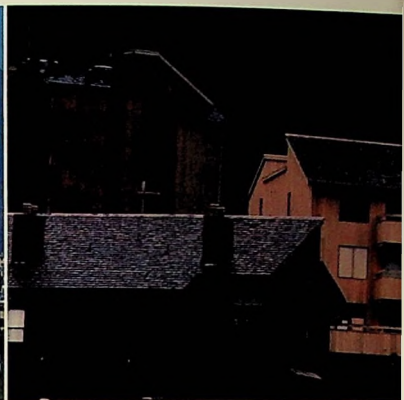
Tiger International
1888 Century Park East
Los Angeles, California 90067



▲ North American Car expands its network of railcar repair facilities and begins a major marketing program to emphasize the service aspects of railcar leasing (*see page 10*)



▲ With deregulation of U.S. airfreight transportation, Flying Tigers has the opportunity to offer scheduled airfreight service to the 50 States, to the Virgin Islands and Puerto Rico (*see page 6*)



▶ More than 5.5 million housing starts and resales in the United States generate \$21.6 billion of new residential mortgage insurance loan amounts, as Investors Mortgage Insurance joins the Tiger organization (*see page 14*)

