

TIGER INTERNATIONAL

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## Tiger International, Inc.

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### Financial Highlights

<i>For the years ended December 31</i>	1976	1975
Revenues (000)	\$ 430,620	\$ 389,945
Net Income (000)	\$ 20,389	\$ 18,502
Earnings per share	\$ 1.61	\$ 1.46
Assets (000)	\$1,179,310	\$1,128,214
Stockholders' equity (000)	\$ 238,972	\$ 220,753
Book value per common share	\$ 18.85	\$ 17.75
Cash dividends paid per common share	\$ .40	\$ .40

### Tiger International, Inc.

Tiger International, Inc. is a holding company which is engaged, through its subsidiaries, in air cargo transportation, equipment leasing and private mortgage insurance.

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## To Our Stockholders:

Tiger International made solid progress in 1976. Our overall revenues increased 10 percent to \$430,620,000 and our net income also increased 10 percent to \$20,389,000, up to \$1.61 per share from last year's \$1.46. More significantly, if we exclude from consideration non-operating gains from the sale of unneeded aircraft by Flying Tiger Line, our net income increased 31 percent over the prior year.

In the last decade the company has grown as follows:

	1967	1976	Increase
Revenues	\$88,493,000	\$430,620,000	+ 387%
Net Income	\$ 7,069,000	\$ 20,389,000	+ 188%
Stockholders' Equity	\$46,021,000	\$238,972,000	+ 419%

We anticipate that the growth in the *next* ten years will equal or surpass the record of the last ten years.

The following pages of this Annual Report contain detailed facts and figures needed to gain a complete understanding of the company's activities this past year. We urge you to read the report carefully. Rather than summarize further the results of the past year we would like to turn our attention in the balance of this letter to an analysis of the company's immediate future.

On January 14, 1977, we entered the private mortgage insurance business through the purchase of Investors Mortgage Insurance Company (IMIC). One of the major companies in the residential mortgage insurance industry, IMIC operates in all fifty states and the District of Columbia, serving such mortgage lending institutions as savings and loans, savings banks, mortgage bankers and commercial banks.

Private mortgage insurance protects mortgage lenders from losses related to foreclosures of mortgage loans on residential property. Traditionally, savings institutions loan up to 70 percent of the appraised value of residential property—both new and resale. Use of private mortgage insurance enables these lenders to issue

mortgage loans up to 95 percent of appraised value, the additional exposure being insured.

At December 31, 1976, the private mortgage insurance industry had \$49.2 billion of insurance in force compared with \$9.6 billion at December 31, 1971 (a 39 percent annual compound growth rate). At the end of 1976, IMIC had \$3.7 billion of insurance in force.

IMIC meets the criteria we have established for profitable growth, in that its field of business has better than average growth characteristics, that the nature of its business is in a field which relates to Tiger International's management expertise, that it is not labor intensive, and that the company itself is profitable.

The private mortgage insurance industry has enjoyed uninterrupted growth since it was launched in 1957. Its prospects continue to be very bright. Our company, IMIC, has enjoyed similar growth since it commenced business in 1968, and has earned a profit in each year of its existence. Its earnings are expected to grow every year, assuring us an excellent return on the \$36.7 million purchase price.

We are also pleased with the quality of the management of IMIC and its subsidiaries. In its Boston headquarters and in offices throughout the country, the men and women of this new Tiger enterprise can be expected to match fully the spirit and ability of their colleagues in the rest of the Tiger International organization.

Of equal significance to future growth and profitability of Tiger International are some developments in Flying Tiger Line and Tiger Leasing Group.

Flying Tiger Line during the past year was able to raise \$60 million to finance the purchase of three additional 747's on excellent terms. Significantly, one of the rating agencies rated the issue "A", a first for the airline. Coming, as it did, when the airline industry was out of favor with the financial community, this successful financing took on added significance.

What is not fully appreciated yet, however, is that Flying Tiger Line appears to have solved a critical problem which is plaguing the industry as a whole—how to meet the bill for future aircraft

requirements. Our 747 fleet of six aircraft (the capacity equivalent of 15 DC-8-63's) is already financed. These aircraft were purchased at an average cost of \$26 million, including all modifications and upgradings. The equivalent new 747 freighter today costs \$45 million.

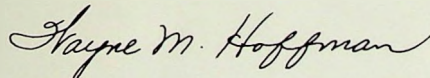
Our 16 DC-8-63's are expected to have a physical and economic life beyond 1985, assuming their engines are modified to meet noise regulations. Since these aircraft will all be down to residual values between 1982 and 1985 the airline will have a strong competitive edge in both domestic and international markets through its equipment cost-efficiency in the coming years.

In Tiger Leasing Group, we anticipate an important improvement in our profit outlook. The railcar division should continue to be a growing profit producer, as it has been since we acquired the company in 1970. Similarly, the aircraft leasing division should continue to make a growing profit contribution. The earnings of the Group should improve significantly once the losses in the finance leasing and computer leasing activities are eliminated.

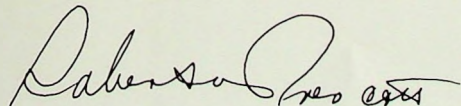
The finance leasing activities are being scaled down so that a large portion of the equity of some \$20 million can be redeployed in more profitable areas of the Leasing Group. The computer leasing division, on the other hand, which has been a strong cash producer every year and a good income producer except for the past two years, should improve each year and again move solidly into the black within the next several years. As the IBM 360 equipment becomes fully depreciated (more than 75 percent was fully depreciated at the end of 1976) we can absorb the expected, continued reduction in rentals and still make a good margin of profit. From that sound basis, our excellent management team and organization, both in the U.S. and in Europe, can build an expanding computer leasing program.

At its March meeting the Board of Directors raised the quarterly dividend from 10 cents to 12.5 cents.

As always, we appreciate your support and welcome your comments.



Wayne M. Hoffman  
*President and Chief Executive Officer*



Robert W. Prescott  
*Chairman of the Board*

March 11, 1977

**FLYING  
TIGERS**



AMERICAN  
EXPRESS

AMERICAN  
EXPRESS

## Flying Tiger Line

	1976	1975	1974	1973	1972
Revenues (000)	\$250,020	\$219,840	\$189,264	\$176,928	\$164,354
Income (loss) before income tax provision* (000)	\$ 16,664	\$ 9,275	\$ (1,019)	\$ 30,683	\$ 29,074
Net Income (Loss)* (000)	\$ 9,435	\$ 6,803	\$ (530)	\$ 15,717	\$ 15,774

\*Excluding equity in net income of North American Car

Flying Tiger Line had excellent results in 1976. Revenue increased 13.7 percent over the previous year, and net income was 38.7 percent higher than in 1975. Excluding non-operating gains from the sale of DC-8-63 aircraft, the airline tripled its net income compared with the prior year, and achieved its best annual performance since 1973. Contributing to the airline's profitability were increased Asian exports to the United States, greater productivity within the airline, stabilization of fuel prices, and a small but significant increase in Flying Tigers' share of westbound international traffic.

### International and domestic traffic

International traffic continued to grow in 1976. Revenue ton miles increased 15.4 percent to 434.8 million, and revenue of \$105.1 million represented an 18.1 percent advance over 1975.

Flying Tigers' domestic traffic improved somewhat in 1976, with revenue ton miles up 3.3 percent from 1975. Further gains were made impossible by a strike in the automotive industry and a prolonged strike against a principal air forwarder customer. The airline shifted the resulting excess lift from domestic to international routes where demand remained stronger. Continued improvement in the United States economy should produce higher domestic

traffic in 1977.

### Charter and mail business

The airline's commercial charter business continued its rapid growth in 1976, with a 26.9 percent increase in revenue to \$20 million. There was a strong demand for paneload charters to carry merchandise from Asia to the United States, and equipment, supplies and livestock to oil producing nations in the Middle East and Africa.

Revenue from Military Airlift Command (MAC) charter flights declined as expected in 1976. Revenue of \$19.8 million was 12.6 percent below the previous year, during which Flying Tigers had participated in the Cambodian mercy flights and an unusually high number of military passenger flights associated with the termination of the Vietnam war. MAC charter business currently represents approximately 7.9 percent of Flying Tigers' total revenue, and is expected to continue to decline as U.S. military activities in Asia are reduced.

International mail revenues in 1976 were slightly higher than the previous year, despite the cessation of Flying Tigers' services to Saigon and Bangkok in April and December of 1975. The volume of inter-



Above: In a matter of seconds, Flying Tigers' customer service representatives can monitor the status of a domestic shipment from receipt to delivery through the airline's new "Key Information-Air Cargo" computerized information system.



Right: Flying Tigers' new International Skyroad Service, a combination truck/air program, enables shippers to reach Asian and United States markets faster. The airline's new disposable corrugated container also saves over 200 pounds in tare weight.

national mail is also related to the level of U.S. military personnel in Asia, and is expected to decline gradually in the future.

#### Airfreight rates

The Civil Aeronautics Board (CAB) approved domestic freight rate increases of 10 percent and 9.5 percent in February and October of 1976. The full effect of these rate increases will be felt in 1977.

The most recent Transpacific rate increase occurred in the summer of 1974. Because of rising costs, Flying Tigers and other members of IATA (the International Air Transport Association) have been working to obtain another upward adjustment of freight rates. The CAB has now approved an IATA agreement providing for a rate increase which should be substantially implemented in 1977. Additional increases will be sought as needed to meet increased costs.

#### Aircraft fleet

A DC-8-63F was sold in May of 1976. Today Flying Tigers' fleet consists of 16 DC-8-63F and three B-747 jet freighters, with three more B-747's to be added in 1977.

The B-747 continues to deliver the economic benefits of its design density (the ratio of cargo space to payload weight). In 1976 the B-747's accounted for 49.9 percent of the airline's Transpacific revenue ton miles, and during the latter half of the year the three widebodied freighters had an average load factor of 64.3 percent.

Flying Tigers, continuing to find ways to improve the performance of its aircraft, completed engineering for modification in 1977 of all six B-747's to raise their maximum take-off weight from

733,000 pounds to 750,000 pounds. The mechanical reliability of the DC-8-63F fleet rose to 97 percent in 1976, highest in the airline's history.

#### Fuel prices

Fuel prices continued to increase, but at a moderate pace. During 1976, Flying Tigers spent \$55.4 million for 154.2 million gallons of aviation fuel, or 35.9 cents per gallon. Average prices for domestic fuel were 31.8 cents per gallon and for international fuel, 38.1 cents per gallon.

#### Financing

In a year when most airlines were pessimistic about new financing, Flying Tigers successfully marketed a \$60 million offering of equipment trust certificates, the first public sale of such certificates by any airline in more than five years. Proceeds will pay for approximately 70 percent of the three additional B-747 aircraft scheduled to enter service in the third quarter of 1977.

#### Improved services

To provide fast and accurate answers to airfreight shippers, Flying Tigers inaugurated its new computerized information system in April, 1976. This service enables the airline to track instantly each domestic shipment from receipt to ultimate delivery. Referred to as KIAC (an acronym for "Key Information—Air Cargo"), the system performs several other communications and data storage and retrieval functions.

In 1976 Flying Tigers introduced its new International Skyroad

Flying Tiger Line	1976	1975	1974	1973	1972
<b>Sources of Revenue (percent)</b>					
Domestic common carriage	34.9	33.2	39.0	40.7	29.7
International—freight	42.0	40.5	35.4	30.8	31.9
—mail	6.6	7.1	9.6	13.1	12.3
Military Airlift Command	7.9	10.3	8.0	8.8	20.0
Charter	8.0	7.2	6.3	4.5	3.6
Other	.6	1.7	1.7	2.1	2.5
<b>Distribution of Revenue (percent)</b>					
Wages and benefits	33.6	34.2	36.1	34.3	32.2
Aircraft fuel	22.2	23.0	23.8	11.7	11.0
Other	13.7	12.6	14.9	12.8	14.5
Aircraft and facilities rentals	7.3	7.2	8.2	7.8	7.9
Taxes, interest and insurance	7.0	6.4	3.8	12.9	14.0
Depreciation	5.3	6.1	5.4	4.8	4.9
Materials and outside services	6.2	5.5	5.9	4.3	4.0
Net Income	4.7	5.0	1.9	11.4	11.5
Assets (thousands)	\$316,795	\$266,367	\$275,140	\$235,759	\$215,011
Number of Employees	3,457	3,439	3,549	3,550	3,195
<b>Domestic Cargo Statistics</b>					
Revenue ton miles (thousands)					
Freight	356,356	344,770	384,434	397,140	277,934
Mail, express and other	11,921	17,625	26,218	31,333	12,715
Load factor (percent)	61.9	61.6	60.3	61.8	58.6
Revenue per ton mile (cents)	23.8	20.2	18.0	16.9	16.9
<b>International Cargo Statistics</b>					
Revenue ton miles (thousands)					
Freight	434,793	376,657	297,291	284,738	295,022
Mail	71,629	72,702	88,316	122,812	116,836
Military Airlift Command	69,496	72,878	63,217	74,310	176,125
Charter	80,518	63,710	64,407	66,490	59,460
Load factor (percent)	63.7	64.1	68.1	64.6	68.9
Revenue per ton mile (cents)	24.0	23.2	22.1	19.0	17.7
<b>Fuel Costs Per Gallon (cents)</b>					
Domestic	31.8	29.6	30.1	12.9	10.9
International	38.1	36.4	37.2	12.1	10.9

Service in 24 key American cities. This combination road/air program employs local trucking firms to carry freight to and from the airline's nearby gateway terminals and enables shippers to deal with one carrier and receive a single invoice for transportation services. Regulatory activities affecting Flying Tigers

In November 1976, an administrative law judge recommended to the CAB that Flying Tigers' seven-year-old temporary certificate to Japan, Taiwan, Hong Kong, South Korea and the Philippines be made permanent. "The shipping public should have the benefit of the specialized services of an all-cargo carrier," the judge said. "Flying Tigers has amply demonstrated that it is an effective, efficient and innovative carrier which satisfies the needs of the shipping public."

The judge also recommended that Flying Tigers be granted new five-year rights to Singapore, Malaysia and Indonesia, (as well as five-year renewal rights to Thailand and Vietnam). He stated that the time appeared right to authorize a United States freight specialist to promote and develop the airfreight potential of the Southeast Asian markets.

The judge recommended denial of Flying Tigers' application to carry traffic between Alaska and Asia, which the airline is appealing.

In December 1976, Flying Tigers applied to add Cincinnati, Charlotte and Anchorage to its domestic operating certificate. This request supplemented its 1975 application to add Washington, D.C., Baltimore, Atlanta, San Juan, Miami, Houston,

Dallas/Fort Worth and San Diego. An application for an expedited hearing to consider all of these domestic points was filed in March of 1977.

Flying Tigers is cooperating with Congress in the effort to improve the regulation of the domestic airfreight industry. We are working to ensure that changes not only respond to the needs of the shipping public, but also give the air carriers an opportunity to provide a viable and expanding airfreight service throughout the United States.

#### The future

In 1975 airfreight accounted for only 0.2 percent of the total weight of goods moving to and from the United States by sea and air. Yet the products shipped via airfreight represented 15.9 percent of the total value.

The airfreight industry will continue to grow more rapidly than other modes of global transportation, as countries continue to expand the production of sophisticated, high value commodities. This is particularly true of countries served by Flying Tigers, where emphasis is placed on improved labor skills to increase the value of exports and offset inflation.

Because of its position in this growing market, Flying Tigers should produce excellent gains in revenue and profits in 1977. Our optimism is further supported by our record of performance in providing airfreight services and maintaining the operating efficiency of our fleet.



*Above: To maximize the B-747's capacity, Flying Tigers introduced an improved collapsible shelf pallet which conforms to the interior contour and carries up to 15,000 pounds. The aircraft's maximum gross take-off weight will be increased to 750,000 pounds.*



*Right: Most of the airline's international freight traffic consists of durable and non-durable consumer products exported from Asian countries to the United States. In addition, Flying Tigers also serves the increased Asian demand for American industrial products.*

# Flying Tiger Line Condensed Financial Statements\*

## Consolidated Balance Sheets

December 31, 1976 and 1975	1976	1975
<b>Assets</b>		
	<i>(expressed in thousands)</i>	
<b>Current Assets</b>		
Cash and certificates of deposit	\$ 41,673	\$ 20,466
Receivables—net	45,579	45,038
Other current assets	7,836	7,700
Total current assets	95,088	73,204
<b>Investment and Receivable</b>		
Investment in North American Car	11,941	35,131
Note receivable from Tiger International, Inc.	9,050	9,000
	20,991	44,131
<b>Restricted Trust Funds for Equipment Acquisitions</b>	56,243	—
<b>Property and Equipment, at cost</b>		
Aircraft, engines and other flight equipment	151,806	160,578
Other equipment	17,381	15,887
Buildings and leasehold improvements	41,603	29,638
	210,790	206,103
Less—accumulated depreciation and amortization	75,831	66,855
	134,959	139,248
Aircraft leased to others, net of accumulated depreciation	—	701
	134,959	139,949
<b>Other Assets and Deferred Charges</b>	9,514	9,083
	\$316,795	\$266,367
<b>Liabilities and Stockholder's Equity</b>		
<b>Current Liabilities</b>		
Current installments of long-term debt	\$ 4,528	\$ 7,491
Accounts payable and accrued liabilities	35,405	28,155
Total current liabilities	39,933	35,646
<b>Long-Term Debt</b>		
Equipment trust certificates, etc.	110,132	56,695
Note payable to Tiger International, Inc.	—	25,000
	110,132	81,695
<b>Deferred Credits</b>		
Deferred income taxes and other	22,275	60,939
<b>Stockholder's Equity</b>		
Common stock interest of Parent Company	72,017	21,925
Retained earnings	72,438	66,162
	144,455	88,087
	\$316,795	\$266,367

\*These condensed financial statements are in general conformity with those published by Flying Tiger Line, the formats being consistent with those in general use in the airline industry. The formats and grouping of accounts herein do not conform to the separate Flying Tiger Line tables or the Consolidated Financial Statements of Tiger International, Inc. presented elsewhere in this Annual Report, although included therein and should be read in conjunction with those financial statements and related notes.

## Flying Tiger Line

### Consolidated Statements of Income

For the years ended December 31, 1976 and 1975

	1976	1975
<b>Operating Revenues</b>	(expressed in thousands)	
Common carriage—		
Domestic	\$ 87,323	\$ 73,191
International—freight	105,072	88,959
—mail	16,371	15,511
Military Airlift Command	19,753	22,590
Charters	20,025	15,776
Other	1,476	3,813
	250,020	219,840
<b>Operating Expenses</b>	234,511	211,683
Income from operations	15,509	8,157
<b>Other (Income) Expense</b>		
Interest expense	5,366	6,809
Gain from aircraft sales, interest income and other—net	(6,521)	(7,927)
	(1,155)	(1,118)
Income before income tax provision and equity in net income of North American Car	16,664	9,275
Income tax provision	7,229	2,472
Income before equity in net income of North American Car	9,435	6,803
Equity in net income of North American Car	2,415	4,247
<b>Net Income</b>	<b>\$ 11,850</b>	<b>\$ 11,050</b>

### Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1976 and 1975

<b>Source of Funds</b>		
<b>Operations</b>		
Net income	\$ 11,850	\$ 11,050
Add (deduct)—items not involving working capital		
Depreciation and amortization, including amounts charged to other accounts	13,982	15,405
Deferred income tax provision	6,606	1,973
Equity in net income of North American Car	(2,415)	(4,247)
Overhaul reserves	1,919	1,602
<b>Funds provided by operations</b>	<b>31,942</b>	<b>25,783</b>
<b>Financing</b>		
Proceeds from equipment and other financing	62,900	8,300
<b>Other</b>		
Retirement of property and equipment—net	8,147	17,858
Reduction of investment in North American Car	25,605	—
Contribution to common stock interest of Parent Company	50,092	—
Other—net	2,453	824
	86,297	18,682
<b>Funds Provided</b>	<b>181,139</b>	<b>52,765</b>
<b>Application of Funds</b>		
<b>Long-Term Debt</b>		
Current maturities, payment and prepayment of long-term debt	34,463	25,613
<b>Restricted Trust Fund Deposits</b>	<b>56,243</b>	<b>—</b>
<b>Purchase of Property</b>		
Purchase of property and equipment	17,721	11,178
<b>Other</b>		
Deferred income taxes contributed to common stock interest of Parent Company	49,541	—
Dividends paid on common stock	5,574	1,800
	55,115	1,800
<b>Funds Applied</b>	<b>163,542</b>	<b>38,591</b>
<b>Net increase in working capital</b>	<b>\$ 17,597</b>	<b>\$ 14,174</b>

# AMERICAN CAR

FROM

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CHTS	LUB	1DT	2-77	2-77
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**CAUTION**

DO NOT OPERATE MACHINES OR DISCONNECT  
WELDING LINE UNTIL BLEEDING TANK

BUILT 2-77

EXW 10-4 H 8-2  
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## Tiger Leasing Group

	1976	1975	1974	1973	1972
Revenues (000)	\$ 174,761	\$ 163,147	\$ 143,763	\$ 113,589	\$ 91,230
Income before income tax provision (000)	\$ 24,933	\$ 26,352	\$ 26,587	\$ 26,518	\$ 19,172
Net Income (000)	\$ 15,986	\$ 17,684	\$ 16,808	\$ 18,416	\$ 13,128

Tiger Leasing Group has grown rapidly since its acquisition in 1971. During the past year, as the demand for capital equipment slackened, the Group lowered the level of its expenditures and strengthened its financial position.

In 1976 the Group reduced its total debt by \$36 million. It also arranged \$124 million of new long-term financing, \$40 million of which was concluded in the first quarter of 1977. This long-term fixed rate financing, \$113 million of which replaced short-term bank borrowings, has minimized the potential negative effect on earnings of future increases in the prime rate.

The Group's capital expenditures during the year were cut to \$65 million from the \$156 million spent in 1975. This was the lowest level of capital spending since 1971.

Overall, the Group's income before taxes declined 5.4 percent to \$24.9 million in 1976. Funds provided by operations were \$58 million, compared with \$55 million in 1975.

## North American Car Corporation

### Railcar leasing services

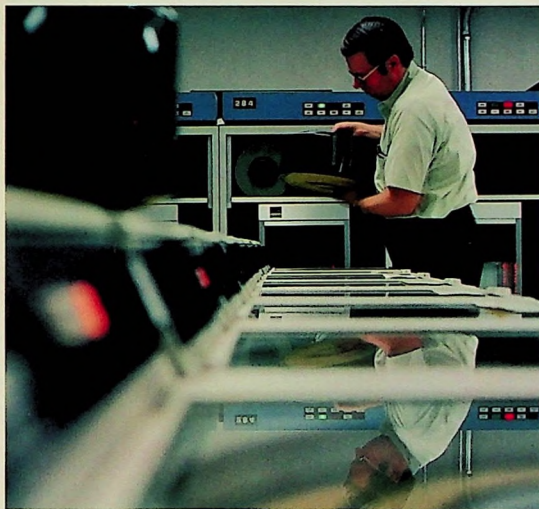
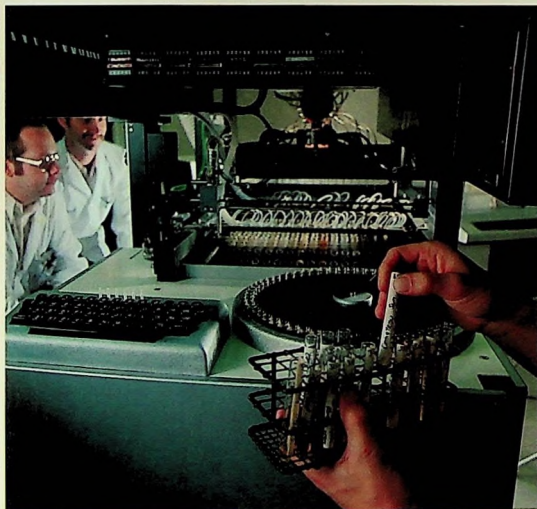
North American Car is now in its 70th year. Its business represents

a large part of the Leasing Group's total activity. Operating income was virtually the same as in 1975 even though maintenance costs increased 44 percent and the demand for railcars was not strong.

During the year, approximately 1,000 new railcars were added to the leased fleet at a cost of \$32.4 million, down from \$115 million spent for approximately 4,200 new cars in 1975. This level of expenditure was consistent with the division's long range objective of reducing its financial leverage. At year-end, North American Car's ratio of debt to equity was 2.8:1, compared with 3.1:1 at the end of 1975.

The reduction of expenditures had little effect on the division's share of market, however, since new car additions in the rail equipment leasing industry were at the lowest level in several years. North American Car has set its capital spending program for 1977 at \$35 million.

Utilization of the existing fleet improved late in 1976, as shipper demands for rail equipment reflected the gradual economic recovery. Approximately 2.3 percent of the fleet was off lease at the end of the year, compared with approximately 4.0 percent off lease on December 31, 1975. Railcar leasing activities were profitable in Europe, where more than 1,500 cars are in operation. In its first full year of



*Above: National Equipment Rental has developed specialized vendor leasing programs to assist major manufacturers in marketing their equipment to a wide range of industrial and commercial users.*

*Right: National Computer Rental assists companies in the United States and Europe in disposing of their existing computers and acquiring larger systems.*

operation, Tiger Railcar Leasing (U.K.) Ltd. became the second largest railcar lessor in Great Britain with the acquisition of an 862-car fleet.

On December 31, 1976, the total railcar fleet consisted of 45,600 tank cars, covered hoppers and other specialized cars, with an original acquisition cost of \$895 million. Firm rentals exceeded \$560 million, of which \$113 million is due in 1977. Future inflationary increases in the cost of rail equipment will tend to produce higher rental rates for existing cars as well as new cars. North American Car's primary objective in 1977 will be to obtain renewal rate increases commensurate with the current value of its fleet. These increases will also help to offset past and future inflationary maintenance and operating costs.

#### Lease underwriting services

NAC Leasing Corporation arranges lease financing for others on a fee basis. This division achieved record pre-tax income in 1976 despite the general slowness of the capital spending market. The forecast volume of future equipment acquisitions by industry should provide continued growth for lease underwriting activities.

NAC Leasing has also expanded the scope of its financial services to include a program of portfolio management and equipment remarketing for other lessors, and arrangement of third-party leases involving large computer systems.

#### Construction equipment services

Tiger Equipment & Services specializes in management and consult-

ing services for construction, materials handling and transportation equipment. Although earnings declined in 1976, this division produces a high return on investment for the Group, and is expected to have improved results in the future.

## National Equipment Rental, Ltd.

### Computer leasing services

National Computer Rental's results have declined from a pre-tax profit of \$3.2 million in 1972 to a loss of \$4.7 million in 1976 as depreciation charges remained level and, as expected, rental revenues from the IBM 360 computers declined steadily. Despite the decline, the division has generated a positive cash flow every year since its acquisition in 1971.

By the end of 1976, more than 75 percent of the IBM 360 portfolio was depreciated to residual value. Based on current projections, within the next several years the division's losses will turn to profits as the equipment becomes fully depreciated.

Although revenue from IBM 360 equipment continued to decline, National Computer Rental was able to maintain the level of firm receivables at \$14.8 million. These firm rentals represent approximately 85 percent of the book value of the computers. The demand for these computers should generate revenue well into the next decade.

National Computer Rental's IBM 370 program was expanded during 1976. Approximately \$14.6 million of these advanced

	1976	1975	1974	1973	1972
<b>Tiger Leasing Group</b>					
Sources of Revenue (percent)					
Operating leases	82.1	79.8	77.7	83.4	87.8
Finance leases	8.4	12.5	16.7	11.8	7.9
Sales and other	9.5	7.7	5.6	4.8	4.3
Distribution of Revenue (percent)					
Interest	26.2	29.6	30.3	26.2	24.6
Depreciation	19.1	18.0	19.1	20.6	25.7
Net Income	9.1	10.8	11.7	16.2	14.4
Other	11.2	13.4	11.5	9.9	9.3
Wages and benefits	10.3	10.0	10.7	11.5	10.5
Insurance and taxes	7.8	6.7	8.8	9.1	8.8
Equipment rentals	9.3	7.3	4.1	1.9	1.1
Maintenance	7.0	4.2	3.8	4.6	5.6
Funds Provided by Operations and Collections of Finance Lease Receivables (thousands)	\$ 83,592	\$ 85,683	\$ 60,375	\$ 61,500	\$ 54,062
Equipment Acquisition (thousands) (Includes Equipment Leased-In)					
North American Car Corporation	\$ 42,340	\$120,036	\$201,500	\$136,261	\$ 71,590
National Equipment Rental, Ltd.	22,726	36,392	99,106	71,134	32,166
Assets (thousands)	\$936,402	\$939,291	\$860,541	\$664,750	\$513,700
Number of Employees	1,009	975	1,174	1,122	887
Total Rail Cars in Fleet	45,624	44,317	40,975	32,922	27,534
Cars Added During Year	1,873	4,210	7,691	6,099	3,433

systems were on firm long-term leases to customers in Europe. National Computer Rental will recover more than its original costs during the initial lease term, and will retain ownership of the equipment at lease termination.

#### Aircraft leasing services

National Aircraft Leasing had an excellent year, during which virtually all of its fleet of large transport aircraft was on lease. At mid-year, two Boeing 727-200 aircraft which became available for reassignment were promptly re-leased for a period of three years. A Hercules aircraft, currently on a short-term lease, is expected to be leased or sold during 1977.

During the fourth quarter, National Aircraft Leasing agreed to purchase an additional inventory of BAC 1-11 airframe and engine parts from a major airline at a substantially reduced cost. The division is making this inventory available to corporate and commercial operators of BAC 1-11 aircraft around the world.

The NAL One-Eleven executive jet program has been highly successful. During 1976 four executive jets were sold, four others were placed on lease, and one was committed for sale early in 1977. The remaining aircraft are expected to be leased or sold as they are modified or come off lease.

#### Finance leasing services

The finance lease division of National Equipment Rental reduced its losses by 58 percent in 1976. The division kept new equipment additions to a minimum and concentrated its efforts on collection of

existing receivables. Capital expenditures were \$6.6 million during the year, compared with \$20 million in 1975.

During the year, National Equipment Rental collected \$30 million in receivables and reduced its outstanding debt by \$21 million. At year-end, the finance lease receivables were \$94 million.

In 1977 the division will continue to restrict the amount of its capital expenditures. Marketing emphasis will be limited to vendor programs in which National Equipment Rental has equipment expertise and, in some cases, can retain a share in the residual value of the new equipment.

Tiger Leasing Group is prepared for growth. North American Car entered 1977 with the highest fleet utilization since 1974. National Computer Rental is now past the years of highest depreciation on its IBM 360 equipment and should improve with each succeeding year. Both NAC Leasing Corporation and Tiger Equipment & Services should increase their profits in 1977. National Aircraft Leasing is implementing expansion plans that will assure its future growth.

Most important, the Group possesses a sound financial structure. Its position is further strengthened by consolidation of its rapid early growth. Its people have special abilities and dedication, both of which are necessary for the Company's success. Tiger Leasing Group will continue to grow profitably as it serves the equipment needs of companies in the United States and around the world.



*Above: Tiger Equipment & Services, a worldwide specialist in construction equipment, provides large hydraulic power shovels to mining companies in the United States.*

*Right: During 1976 virtually all of National Aircraft Leasing's large fleet was on lease to commercial airlines and other companies around the world.*

## Tiger Leasing Group Condensed Financial Statements\*

### Consolidated Balance Sheets

December 31, 1976 and 1975	1976	1975
<b>Assets</b>		
	<i>(expressed in thousands)</i>	
Cash, Receivables and Inventories	\$ 16,765	\$ 25,088
Cash and certificates of deposit	257,497	264,534
Receivables, including finance lease receivables—net	17,653	19,143
Inventories	291,915	308,765
<b>Property, Plant and Equipment, at cost</b>	<b>857,481</b>	<b>818,953</b>
Equipment for lease or under lease	19,673	18,295
Shop properties, chemical and terminal facilities	877,154	837,248
Less—accumulated depreciation	259,809	231,509
	617,345	605,739
<b>Other Assets and Deferred Charges</b>	<b>27,142</b>	<b>24,787</b>
	<b>\$936,402</b>	<b>\$939,291</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts Payable and Accrued Liabilities	\$ 48,714	\$ 39,271
<b>Long-Term Debt</b>		
Equipment obligations	471,936	473,132
Notes payable	93,213	126,677
	565,149	599,809
<b>Subordinated Long-Term Debt</b>	<b>16,918</b>	<b>18,222</b>
<b>Deferred Income Taxes, Tax Credits and Other</b>	<b>132,535</b>	<b>118,991</b>
<b>Stockholders' Equity</b>		
Publicly held interest in \$3 Cumulative Preferred Stock, stated value \$50 per share	6,923	6,952
Preferred stock interest held by Parent Company	16,822	20,793
Common stock interest of Parent Company and affiliate	32,209	32,209
Retained earnings	117,132	103,044
	173,086	162,998
	<b>\$936,402</b>	<b>\$939,291</b>

\*Tiger Leasing Group consists of North American Car Corporation consolidated with its subsidiaries, including National Equipment Rental, Ltd.

These financial statement formats are in general conformity with those published by North American Car Corporation and National Equipment Rental, Ltd. separately, and are consistent with leasing industry practice. The formats and grouping of accounts herein do not conform to the separate Tiger Leasing Group tables or the Consolidated Financial Statements of Tiger International, Inc. presented elsewhere in this Annual Report, although included therein and should be read in conjunction with those financial statements and related notes.

## Tiger Leasing Group

### Consolidated Statements of Income

For the years ended December 31, 1976 and 1975

	1976	1975
<b>Revenues</b>	<i>(expressed in thousands)</i>	
Rental and operating revenue	\$ 158,240	\$ 150,553
Other revenue	16,521	12,594
	174,761	163,147
<b>Costs and Expenses</b>		
Maintenance	19,765	13,766
Depreciation and other costs of operations	57,061	44,544
Cost of sales	4,118	7,851
Selling, general and administrative	23,128	22,396
Interest and amortization of debt expense	46,283	49,032
Interest capitalized and deferred	(527)	(794)
	149,828	136,795
Income before income tax provision	24,933	26,352
Income tax provision	8,947	8,668
<b>Net Income</b>	<b>\$ 15,986</b>	<b>\$ 17,684</b>

### Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1976 and 1975

<b>Source of Funds</b>		
<b>Operations</b>		
Net income	\$ 15,986	\$ 17,684
Add (deduct) items not involving funds		
Depreciation and amortization	33,995	30,400
Deferred income tax provision	8,104	7,330
Other—net	306	(683)
Funds provided by operations	58,391	54,731
<b>Collection of Finance Lease Receivables</b>	25,201	30,952
Funds provided by operations and collections of finance lease receivables	83,592	85,683
<b>Financing</b>		
Proceeds from issuance of long-term debt	139,142	93,192
<b>Other</b>		
Retirement of property and equipment—net	16,243	14,196
Increase in deferred taxes not affecting net income	4,704	22,041
Increase (decrease) in accounts payable and accrued liabilities	9,443	(12,644)
Decrease in inventories	1,490	1,672
Other—net	4,813	(7,891)
	36,693	17,374
	\$ 259,427	\$ 196,249
<b>Application of Funds</b>		
<b>Purchase of Property</b>		
Purchase of property, plant and equipment	\$ 68,251	\$ 118,198
<b>Long-Term Debt</b>		
Payment and refinancing of long-term debt	175,371	48,695
<b>Other</b>		
Increase in receivables excluding finance lease receivables	24,128	23,119
Increase (decrease) in cash and certificates of deposit	(8,323)	6,237
	15,805	29,356
	\$ 259,427	\$ 196,249

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**Flying Tiger Line Officers**


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Wayne M. Hoffman <i>Chairman of the Board</i>	L. R. Emerson <i>Vice President —Asia</i>	Rosanne O'Brien <i>Secretary</i>
Robert W. Prescott <i>President &amp; Chief Executive Officer</i>	Michael Gurley <i>Vice President &amp; General Manager —North America</i>	R. J. Valenta <i>Corporate Controller</i>
Joseph J. Healy <i>Executive Vice President &amp; Chief Operating Officer</i>	Charles W. Jacob, Jr. <i>Vice President —Finance</i>	Ray Vingo <i>Treasurer</i>
William Gelfand <i>Senior Vice President</i>	John F. McDonald <i>Vice President —Maintenance &amp; Engineering</i>	Stuart M. Warren <i>General Attorney &amp; Assistant Secretary</i>
Richard H. Steiner <i>Senior Vice President —Commercial</i>	Wayne E. Partridge <i>Vice President —Law</i>	Stephan M. Benoff <i>Assistant Secretary</i>
Nissen Davis <i>Vice President —Public Relations &amp; Advertising</i>	George A. Zettler <i>Vice President —Sales</i>	Myer Feldman <i>Assistant Secretary</i>
		J. W. Rosenthal <i>Assistant Secretary</i>

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Flying Tiger Line 7401 World Way West, Los Angeles, California 90009

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**Tiger Leasing Group Officers**


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NORTH AMERICAN CAR CORPORATION	James F. Compton <i>Vice President — Marketing &amp; Fleet Management</i>	NATIONAL EQUIPMENT RENTAL, LTD. Harry M. Weisberg <i>President</i>
Wayne M. Hoffman <i>Chairman of the Board</i>	Richard R. Forrest <i>Vice President —Eastern District</i>	John M. Phelan <i>Executive Vice President —Europe</i>
Thomas F. Grojean <i>President &amp; Chief Executive Officer</i>	Harry E. Hough <i>Vice President —Purchasing</i>	Francis P. Burke <i>Vice President —Accounting</i>
John E. Flynn <i>Vice President —General Counsel &amp; Secretary</i>	Francis W. Kreidler <i>Vice President —Special Projects</i>	Gerald S. Jacobs <i>Vice President &amp; General Counsel</i>
Martin A. Lynch <i>Vice President —Finance &amp; Treasurer</i>	Roger A. Noback <i>Vice President —Law</i>	FINANCE LEASING DIVISION David B. Burroughs <i>President</i>
W. Thomas Morton, Jr. <i>Controller</i>	Richard C. Underwood <i>Vice President —Sales</i>	NATIONAL AIRCRAFT LEASING, LTD. Theodore F. Schlegel <i>President</i>
RAILCAR DIVISION	ALEXANDER CHEMICAL DIVISION	NATIONAL COMPUTER RENTAL, LTD. Thomas J. McArdle <i>President</i>
Robert B. Oppenheimer <i>President</i>	Paul F. Robinson <i>Vice President &amp; General Manager</i>	TIGER EQUIPMENT & SERVICES, LTD. Thomas V. Murphy <i>President</i>
H. Russell Platt III <i>Senior Vice President —Marketing &amp; Sales</i>	NORTH AMERICAN CAR (CANADA) LTD. Robert A. Greenbury <i>President</i>	
James H. Ozanne <i>Senior Vice President — Operations &amp; Administration</i>	NAC LEASING CORPORATION Eugene H. Crew <i>President</i>	
Vincent E. Bjoin <i>Vice President —Plant Operations</i>		
Robert A. Boerke <i>Vice President —Engineering</i>		

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Tiger Leasing Group 222 South Riverside Plaza, Chicago, Illinois 60606

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Tiger International, Inc. and Subsidiaries  
Consolidated Financial Statements



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# Tiger International, Inc. and Subsidiaries

## Consolidated Statements of Income

<i>For the years ended December 31, 1976 and 1975</i>	1976	1975
	<i>(expressed in thousands)</i>	
<b>Revenues</b>		
Common carriage—		
Domestic	\$ 87,323	\$ 73,191
International	141,131	119,368
Military Airlift Command	19,753	22,590
Leasing and related services	157,646	150,013
Other	24,767	24,783
	430,620	389,945
<b>Costs and Expenses</b>		
Airline operations	188,602	167,299
Leasing operations	47,526	36,779
Selling, general and administrative	58,126	54,699
Depreciation and amortization	46,393	42,020
Interest, and preferred dividends of subsidiary	58,712	61,040
Interest capitalized and deferred—net	(1,040)	(794)
	398,319	361,043
Income before income tax provision	32,301	28,902
Income tax provision (Note 6)	11,912	10,400
<b>Net Income</b>	<b>\$ 20,389</b>	<b>\$ 18,502</b>
<b>Earnings Per Share (Note 10)</b>	<b>\$ 1.61</b>	<b>\$ 1.46</b>

*The accompanying notes are an integral part of these financial statements.*

# Tiger International, Inc. and Subsidiaries

## Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1976 and 1975

	1976	1975
<b>Source of Funds</b>		
<b>Operations</b>		
<i>(expressed in thousands)</i>		
Net income	\$ 20,389	\$ 18,502
Add items not involving working capital		
Depreciation and amortization charged to operations	46,393	42,020
Depreciation and amortization charged to other accounts	2,854	3,188
Deferred income tax provision	10,496	8,563
Other—net	2,664	888
Funds provided by operations	82,796	73,161
Collection of Long-Term and Finance Lease Receivables—net	24,720	36,646
Funds provided by operations and collection of long-term and finance lease receivables	107,516	109,807
<b>Financing</b>		
Proceeds from equipment financing and other borrowings	202,042	101,493
Proceeds from common stock issued upon exercise of stock options and employees stock purchase plan	2,852	40
	204,894	101,533
<b>Other</b>		
Retirement of property and equipment	23,836	33,633
Funds Provided	336,246	244,973
<b>Application of Funds</b>		
<b>Long-Term Debt</b>		
Payment and refinancing of long-term debt	195,517	74,870
Increase (decrease) in current portion of long-term debt	(8,272)	8,365
	187,245	83,235
<b>Purchase of Property</b>		
Purchase of property, plant and equipment	81,268	130,431
<b>Other</b>		
Restricted trust funds deposits	56,243	—
Cash dividends declared on common stock	5,022	4,974
Increase in investment in unconsolidated entities	601	1,002
Deposits and other—net	2,698	7,137
	64,564	13,113
Funds Applied	333,077	226,779
Net increase in working capital	\$ 3,169	\$ 18,194
<b>Net Increase (Decrease) in the Components of Working Capital</b>		
Cash and certificates of deposit	\$ 3,241	\$ 11,619
Receivables	8,736	278
Inventories	(1,401)	(848)
Prepaid expenses and other	837	742
Current portion of senior and subordinated debt	8,272	(8,365)
Accounts payable, accrued liabilities and income taxes	(16,516)	14,768
Net increase in working capital	\$ 3,169	\$ 18,194

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

# Tiger International, Inc. and Subsidiaries

## Consolidated Balance Sheets

<i>December 31, 1976 and 1975</i>	1976	1975
<b>Assets</b>		
<b>Current Assets (Note 4)</b>	<i>(expressed in thousands)</i>	
Cash and certificates of deposit of \$15,537,000 (1976) and \$6,567,000 (1975)	\$ 63,004	\$ 59,763
Receivables, less allowance for doubtful accounts of \$8,084,000 (1976) and \$4,566,000 (1975)	69,837	61,101
Inventories	22,843	24,244
Prepaid expenses and other	5,289	4,452
	160,973	149,560
<b>Finance Lease Receivables (Notes 1 and 4)</b>		
Aggregate future rentals, less allowance for doubtful accounts of \$6,198,000 (1976) and \$8,468,000 (1975) (due within one year—\$34,831,000 (1976) and \$36,567,000 (1975) )	192,850	236,464
Estimated residual value of leased equipment	19,173	19,304
	212,023	255,768
Less: Unearned income	60,195	74,343
	151,828	181,425
<b>Restricted Trust Funds for Equipment Acquisitions</b>	56,243	—
<b>Property, Plant and Equipment, at cost (Notes 1, 4 and 9)</b>		
Equipment for lease or under operating lease	857,481	820,387
Equipment used in airline operations	151,806	160,578
Buildings and leasehold improvements	51,708	38,087
Shop and terminal facilities and other equipment	29,406	27,268
	1,090,401	1,046,320
Less: Accumulated depreciation and amortization	336,108	299,686
	754,293	746,634
<b>Other Assets (Notes 1, 4 and 8)</b>		
Cost in excess of fair value of net assets of acquired business	15,826	15,835
Investment in unconsolidated entities	9,355	9,499
Long-term receivables, including officers' loans of \$1,210,000 (1976) and \$1,436,000 (1975)	10,295	5,549
Unamortized debt expense	5,001	3,150
Deposits and other assets	15,496	16,562
	55,973	50,595
	\$1,179,310	\$1,128,214

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

<i>December 31, 1976 and 1975</i>		1976	1975
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities (Notes 4 and 6)</b>			
		<i>(expressed in thousands)</i>	
Current portion of senior and subordinated debt	\$	23,089	\$ 31,361
Accounts payable and accrued liabilities		80,442	63,937
Income taxes		1,322	1,311
		104,853	96,609
<b>Long-Term Debt (Note 4)</b>			
Senior Debt—			
Equipment obligations		570,237	529,827
Notes and lease contracts payable to banks and others		111,213	135,257
		681,450	665,084
<b>Subordinated Debt</b>			
		16,618	17,922
<b>Deferred Credits (Note 6)</b>			
Deferred income taxes and tax credits		114,584	105,817
Other		15,910	15,077
		130,494	120,894
<b>Commitments, Legal Action and Contingent Liabilities (Notes 2 and 14)</b>			
<b>Minority Stockholders' Equity (Note 8)</b>			
North American Car Corporation \$3 Cumulative Preferred Stock, \$50 stated value—			
Authorized		—141,737 shares	
Outstanding		—138,450 shares (1976) and 139,040 shares (1975)	
		6,923	6,952
<b>Tiger International, Inc. Stockholders' Equity (Notes 4 and 8)</b>			
Common stock, \$1 par value—			
Authorized		—35,000,000 shares	
Outstanding		—12,674,540 shares (1976) and 12,434,949 shares (1975)	
		12,675	12,435
Additional paid-in capital		124,078	121,466
Retained earnings		102,219	86,852
		238,972	220,753
		\$1,179,310	\$1,128,214

## Tiger International, Inc. and Subsidiaries

### Consolidated Statements of Stockholders' Equity

<i>For the years ended December 31, 1976 and 1975</i>	\$1 Par Common Stock	Additional Paid-In Capital	Retained Earnings	Total
	<i>(expressed in thousands)</i>			
Balance, December 31, 1974	\$12,431	\$121,430	\$ 73,324	\$207,185
Add (deduct)				
Net income	—	—	18,502	18,502
Exercise of stock options	4	36	—	40
Cash dividends declared on common stock (\$ .40 per share)	—	—	(4,974)	(4,974)
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

# Tiger International, Inc. and Subsidiaries

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of Tiger International, Inc. and its subsidiaries, the two major subsidiaries being North American Car Corporation (North American) and The Flying Tiger Line, Inc. (Flying Tiger Line). Two net finance lease subsidiaries and three foreign joint ventures are accounted for on the equity basis. All significant intercompany accounts and transactions have been eliminated.

#### Translation of Foreign Subsidiaries

The accounts of foreign subsidiaries and other accounts denominated in foreign currencies have been translated into United States dollars in accordance with the standards established in Statement of Financial Accounting Standards No. 8. The aggregate translation and exchange loss included in income for the years ended December 31, 1976 and 1975 was \$232,000 and \$753,000, respectively.

#### Revenue Recognition

Revenue related to air transportation is recognized as the services are performed and revenue applicable to operating leases is recognized monthly as it is earned. Income earned on finance leases is recognized as revenue during the lease term in a manner calculated to produce a constant periodic rate of return on the net investment in the lease.

#### Depreciation and Amortization

Plant and equipment are depreciated primarily using the straight-line method (15 percent salvage value where applicable) with car equipment service lives of 25 to 30 years (salvage value based on scrap steel prices), aircraft lives of 10 to 15 years and other plant and equipment lives of 2 to 35 years (average of 15 years). Maintenance and repairs are charged to expense as incurred and betterments and major renewals are capitalized. Maintenance expense includes provisions for aircraft airframe and engine overhauls, which are charged to expense on the basis of hours flown. Cost and accumulated depreciation of property, plant and equipment sold or retired are removed from the accounts, and the resulting gain or loss is included in income except for normal retirement of car equipment (cars 20 to 24 years old or older) and other assets which are on the composite depreciation method (e.g. the cost, less salvage recovery, is charged to accumulated depreciation).

#### Interest Capitalized

The Company capitalizes the interest expense, net of related interest income, on the debt incurred to finance the acquisition of aircraft until the aircraft are placed in service. If the interest had been expensed when incurred, net income and earnings per share would have been reduced by \$352,000 (\$.03) in 1976 and \$292,000 (\$.02) in 1975.

#### Cost in Excess of Fair Value of Net Assets of Acquired Business

Costs of \$15,826,000 in excess of fair value of net assets acquired related to the acquisition of North American are not being amortized since, in the opinion of management, there has been no diminution in the value of North American's business.

#### Income Taxes

The Company files a consolidated Federal income tax return. Investment tax credits on equipment acquired for use in its airline operations and under operating leases are accounted for as a reduction of the provisions for income taxes in the year in which the credits arise, or in the year in which they are so utilizable without exceeding the deduction limits. Investment tax credits arising from the acquisition of equipment for lease under finance leases are accounted for under the deferral method, whereby the credits are amortized over the initial terms of the related leases 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 Debt

The Company excludes from the current portion of debt, amounts of equipment obligations due within one year which will be paid from the proceeds of rentals to be received during the next year from leases extending beyond one year.

#### Inventories

Inventories include aircraft spare parts and operating supplies and parts and components for assembly and maintenance of equipment for lease and are priced at the lower of cost or market. Cost is determined by the use of the first-in, first-out (FIFO) and average cost methods, and includes material, labor and factory overhead as cost elements. The effect on income of a change to FIFO in 1975 for large equipment components is immaterial.

#### Reclassifications

Certain items in 1975 have been reclassified to conform with the presentation in 1976.

## Tiger International, Inc. and Subsidiaries

### Notes to Financial Statements

#### (2) Lease and Purchase Commitments

At December 31, 1976 and 1975, the Company had long-term leases on the items described below. 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 \$20,097,000 contains provisions similar to those contained in other Flying Tiger Line loan agreements.

In addition to the basic rental commitment shown below, the Company is contingently liable under certain leases to purchase the equipment for \$17,643,000 if the leases are not renewed upon expiration of the initial terms. Under the aircraft and car equipment leases the Company is obligated to bear the costs of maintaining and operating the equipment. Sublease rentals relating to equipment under lease, which are generally higher than those paid by the Company, have been excluded from the schedules below. Non-

capitalized finance leases herein are as defined by the Securities and Exchange Commission and the present value does not necessarily represent the cost of such equipment were it to be purchased.

Annual Rentals Included in the Consolidated Statements of Income	1976	1975
Non-capitalized finance leases	\$30,562,000	\$24,605,000
Other leases	3,226,000	2,845,000
	\$33,788,000	\$27,450,000

The finance leases are net of sublease revenues of \$1,437,000 and \$2,080,000 in 1976 and 1975, respectively, excluding sublease revenues from equipment acquired for lease.

The estimated present value of the net minimum remaining finance lease commitments are as follows:

	Interest Rate Range	Weighted Average Interest Rate	1976		1975	
			Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Aircraft and engines used in airline operations	7.0%-10.8%	8.6%	\$ 81,513,000	8.3%	\$ 88,661,000	
Equipment for lease or under lease:						
Car equipment	5.7 - 8.9	7.5	110,064,000	7.5	113,158,000	
Aircraft	6.4 - 8.5	7.6	26,740,000	8.0	28,073,000	
Facilities and other equipment	4.3 - 9.5	6.6	14,332,000	6.7	15,139,000	
			\$232,649,000		\$245,031,000	

The present values were computed using the interest rates implicit in the applicable leases and are net of rentals from subleases, excluding rentals from equipment acquired for lease.

The minimum remaining lease payments at December 31, 1976, net of sublease revenues, are as follows:

	Non-Capitalized Finance Leases			Other Leases	Total
	Aircraft and Engines	Equipment for Lease or Under Lease	Facilities and Other Equipment	Facilities and Other Equipment	
1977	\$ 14,328,000	\$ 15,129,000	\$ 2,261,000	\$ 1,727,000	\$ 33,445,000
1978	13,491,000	15,128,000	2,079,000	1,751,000	32,449,000
1979	13,491,000	15,394,000	1,929,000	1,497,000	32,311,000
1980	13,491,000	15,393,000	2,085,000	1,436,000	32,405,000
1981	13,491,000	15,396,000	2,004,000	1,414,000	32,305,000
1982 to 1986	43,795,000	75,454,000	6,911,000	6,144,000	132,304,000
1987 to 1991	11,278,000	68,404,000	4,726,000	2,297,000	86,705,000
1992 to 1996	—	15,556,000	1,258,000	1,473,000	18,287,000
1997 and beyond	—	—	165,000	555,000	720,000
	\$123,365,000	\$235,854,000	\$ 23,418,000	\$ 18,294,000	\$400,931,000

As of December 31, 1976, rentals to be received from the sublease of aircraft and engines used in operations, or from facilities or other equipment, are not significant.

If the finance leases discussed above had been capitalized, the

related leasehold interest amortized on a straight-line basis, and interest cost accrued on the basis of outstanding lease liability, net income after income tax, computed using the approximate effective tax rate for each year would have been reduced as follows:

	Approximate Decrease in Net Income	Actual Rental Expense	Imputed	
			Interest	Amortization
1976	\$2,604,000	\$31,999,000	\$18,755,000	\$17,371,000
1975	\$2,428,000	\$26,685,000	\$16,055,000	\$14,424,000

At December 31, 1976, the Company had purchase commitments of \$125,818,000 for materials, car equipment, aircraft, including three Boeing 747 Freight Masters for use by Flying Tiger Line, and other equipment for lease, to be delivered in 1977.

### (3) Other Revenue

Other revenue includes gains from disposition of railcars by casualty losses and sales prior to normal retirement, sales of aircraft and other equipment. Sales of aircraft includes DC-8-63 aircraft previously used in airline operations, having aggregate sales prices of \$10,300,000 (1976) and \$21,400,000 (1975) and a net gain, before income tax provision, of \$4,248,000 (\$600,000 of which is being amortized over the 44 month life of a related guarantee) (1976) and \$7,483,000 (1975).

## Tiger International, Inc. and Subsidiaries

### Notes to Financial Statements

#### (4) Long-Term Debt

The outstanding balance of equipment obligations and other debt at December 31, 1976 and 1975, consisted of the following:

	1976	1975
Senior Debt:		
Tiger International, Inc. —		
Variable rate (½% to ¾% over prime) secured notes payable to banks, due in quarterly installments 1977 to 1980	\$ 24,430,000	\$ 32,150,000
Subsidiaries —		
Equipment and facilities obligations:		
4½% to 11¼% obligations maturing serially 1977 to 1996 (average rate 7.6%)	460,788,000	391,406,000
7% and 9% equipment trust certificates due 1977 to 1991 (average rate 7.8%)	76,500,000	21,250,000
Variable rate (¼% to 1% over prime) and 6¾% equipment obligations due 1977 to 1991 (average rate 7.3%)	43,135,000	135,187,000
6¾% to 11¼% notes, secured by facilities, due 1977 to 1996 (average rate 9.7%)	8,239,000	5,223,000
Variable rate (½% to 2½% over prime) and 7% to 8¾% notes and lease contracts payable, secured by receivables and related equipment and facilities leased, due 1977 to 1991 (average rate 7.7%)	95,688,000	112,109,000
	708,780,000	697,325,000
Less:		
Principal amount of equipment trust certificates held in treasury	4,541,000	1,180,000
Current portion*	22,789,000	31,061,000
	\$681,450,000	\$665,084,000

\*Exclusive of \$66,951,000 and \$56,728,000 in 1976 and 1975, respectively, maturing within one year which is not reflected as a current liability because payment will be made from net rentals to be received during the next year from leases extending beyond one year.

	1976	1975
Subordinated Debt:		
(Net of current portion of \$300,000 and imputed discount)		
Subsidiaries —		
5¼% Convertible Subordinated Debentures due 1988	\$ 1,726,000	\$ 2,770,000
6¾% Senior Subordinated Notes due 1982	1,369,000	1,629,000
9¼% Subordinated Debentures due 1992	13,523,000	13,523,000
	\$16,618,000	\$17,922,000

The long-term debt matures as follows for the five years subsequent to December 31, 1976:

1977	\$ 90,040,000
1978	120,653,000**
1979	83,862,000
1980	66,364,000
1981	47,786,000

\*\*Includes \$40,340,000 which is expected to be repaid out of the proceeds of the sale of long-term equipment obligations.

Certain of the Company's and its subsidiaries' debt and lines of credit are outstanding under agreements which restrict borrowings and cash payments of dividends, require fixed charges coverage and the maintenance of minimum cash balances ranging from 15% to 20% of the average outstanding loan balance. At December 31, 1976, \$7,460,000 of retained earnings were free of such cash divi-

dend limitations. Approximately \$26,630,000 of cash was intended to meet the minimum cash balance requirements, \$8,862,000 of cash was legally restricted and assets having an aggregate net book value of \$933,000,000 are encumbered by debt.

The Company's subsidiaries have revolving lines of credit with various banks totaling \$69,615,000 of which \$42,377,000 was borrowed at December 31, 1976. A commitment fee, generally ½ percent per annum, is paid on the unused portion of these lines of credit.

On January 14, 1977, the Company entered into a new term loan agreement in the amount of \$60,000,000. The proceeds were used to acquire Investors Mortgage Group, Inc. (Note 13) and to repay the Company's secured notes payable to banks. The terms of this new agreement provides for interest at the rate of one-half percent over the bank prime lending rate, with a maximum interest rate of 10% over the term of the loan, including compensating balance fees, and for the payment of principal and interest in quarterly installments 1977 to 1984.

**(5) Foreign Operations**

At December 31, 1976 and 1975, and for the years then ended, the Company had foreign revenues of \$42,388,000 and \$37,448,000, net income of \$2,265,000 and \$4,787,000 and assets located in

foreign countries of \$173,865,000 and \$116,718,000, respectively. Not included is revenue related to the international operations of Flying Tiger Line.

**(6) Income Taxes**

The provisions for income taxes for 1976 and 1975, are summarized as follows:

	1976	1975
Current—		
United States	\$ —	\$ 73,000
State	612,000	742,000
Foreign	804,000	1,022,000
	1,416,000	1,837,000
Deferred—		
United States	13,420,000	10,912,000
State	1,584,000	207,000
Foreign	690,000	2,169,000
Investment tax credits, net	(5,198,000)	(4,725,000)
	10,496,000	8,563,000
<b>Total income tax provision</b>	<b>\$11,912,000</b>	<b>\$10,400,000</b>

The income tax provisions were 37.2% and 36.2% of 1976 and 1975 pretax income, respectively. The primary reasons for the difference between these rates and the 48% statutory Federal tax rate are as follows:

	1976	1975
Federal tax rate	48.0%	48.0%
Investment tax credits	(16.2)	(16.5)
State taxes and other	5.4	4.7

The timing differences giving rise to deferred income taxes were as follows (amounts in 1976 are subject to elections to be made upon filing returns):

	1976	1975
Excess of tax over book depreciation	\$16,745,000	\$26,966,000
Book reserve not deductible for tax purposes	(2,634,000)	(1,582,000)
Tax net operating losses	7,006,000	(7,006,000)
Excess tax over book gain on disposition of equipment	(5,035,000)	(5,220,000)
Differing treatment of finance leases	(1,557,000)	1,953,000
Net investment tax credits applied to reduce deferred tax provision	(5,198,000)	(4,725,000)
Foreign and investment tax credits utilized in the current year or made available from carryback of tax net operating losses	1,175,000	(879,000)
Other, net	(6,000)	(944,000)
	\$10,496,000	\$ 8,563,000

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company has approximately \$49,155,000 of investment tax credit carry forwards available for Federal income tax purposes for 1976 and future years, of which \$41,040,000 had been applied as a reduction of deferred Federal income tax provisions. Foreign tax credit carry forwards available to offset 1976 and future years' Federal income taxes aggregate \$6,021,000, which if not utilized will be included in Federal income tax provisions in future years.

The tax credits expire for tax purposes as follows:

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1976	\$ 915,000	\$ 3,013,000
1977	1,278,000	2,598,000
1978	1,313,000	8,384,000
1979	1,070,000	6,599,000
1980	732,000	8,870,000
1981	713,000	10,463,000
1982	—	6,144,000
1983	—	3,084,000

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$2,629,000 as of December 31, 1976. Expired investment tax credits of \$5,657,000, previously deducted from the deferred Federal income tax provision, are being amortized over the life of the property and equipment to which the election to deduct additional tax depreciation relates. The net amortization of such investment tax credits deducted from the deferred Federal income tax provision was \$1,272,000 in 1976 and \$637,000 in 1975.

## Tiger International, Inc. and Subsidiaries

### Notes to Financial Statements

#### (7) Pension Plans

The Company maintains pension plans for substantially all employees. The total costs of the plans were \$6,903,000 (1976) and \$5,891,000 (1975); 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, 1975, the un-

funded prior service liability aggregated approximately \$21,075,000 and actuarially computed value of vested benefits exceeded pension fund assets by approximately \$16,061,000, the latest date at which comprehensive determinations have been made.

#### (8) 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, 1976 and 1975 the Company had reserved the following shares of common stock for issuance:

	Shares	
	1976	1975
Reserved for		
Qualified Stock Option Plans	484,988	484,988
Qualified Employee Stock Purchase Plan	128,491	368,082
Officers' Stock Purchase Agreements	220,000	120,000
	833,479	973,070

At December 31, 1976, options granted to officers and key employees for the purchase of 254,651 shares were outstanding at prices ranging from \$14.63 to \$34.66 per share with an aggregate

purchase price of \$6,279,000. These options are exercisable from 1977-1979. Unoptioned shares available at December 31, 1976 and 1975, were 230,337 and 154,324, 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.

#### (9) Property, Plant and Equipment

As of December 31, 1976, the major classes of property, plant and equipment and the related accumulated depreciation and amortization were as follows:

	Original Cost	Accumulated Depreciation and Amortization	Net
Equipment for lease or under operating lease—			
Car equipment	\$721,506,000	\$176,602,000	\$544,904,000
Other	135,975,000	77,927,000	58,048,000
Equipment used in airline operations	151,806,000	61,630,000	90,176,000
Buildings and shop properties—			
Buildings and leasehold improvements	51,708,000	7,524,000	44,184,000
Shop and terminal facilities and other equipment	29,406,000	12,425,000	16,981,000
	\$1,090,401,000	\$336,108,000	\$754,293,000

**(10) 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 (12,702,000 in 1976 and 12,636,000 in 1975), 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.

**(11) Selected Quarterly Financial Data (Unaudited)**

	1976 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
Revenues	\$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 revenues, net income and earnings per share in the quarterly summary reflect the seasonal fluctuations in the business of Flying Tiger Line and fluctuations in foreign exchange rates. In addition,

the second quarter of 1976 includes net income of \$1,824,000, \$.14 per share, from the sale of a DC-8-63 aircraft by Flying Tiger Line.

**(12) Replacement Cost Data (Unaudited)**

Due to the impact of inflation, when the Company's subsidiaries replace an asset with one having an equivalent productive capacity or an item of inventory, they are required to make a capital investment that is significantly greater than the historical cost of such 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 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.

In compliance with reporting requirements of the Securities and Exchange Commission, quantitative replacement cost information is included in the Company's annual report to the Commission on Form 10-K, which is expected to be available for distribution after March 31, 1977.

## Tiger International, Inc. and Subsidiaries

### Notes to Financial Statements

#### (13) Acquired Company

On January 14, 1977, the Company acquired Investors Mortgage Group, Inc. (IMG) for \$36,700,000 in cash, obtained principally from a long-term bank borrowing. IMG supplies real estate mortgage insurance, through its subsidiary Investors Mortgage Insurance Company (IMIC).

Unaudited preliminary pro forma results of operations for the Company for the year ended December 31, 1976, as though IMG had been owned for the year and giving effect to the cost of the

acquisition and the related financing, are as follows:

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

Cost in excess of net assets acquired, arising from the allocation of the purchase price to the assets acquired and other purchase accounting adjustments, will be amortized on a straight-line basis over forty years.

#### (14) Legal Action and Contingent Liabilities

At December 31, 1976, various legal actions were pending against the City of Los Angeles, and various actions and cross actions were pending against the airlines using Los Angeles International Airport, including Flying Tiger Line, involving noise and air pollution in the vicinity of the 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 Line, seeking indemnification. In one action, in which the plaintiff was awarded judgment against the City, the court decided in favor of the airlines and against the City on the issue of indemnification. This ruling was upheld on appeal. Flying Tiger Line's special counsel in many of these actions, who also represents most of the other airline defendants, and management, are of the opinion that, although the legal issues have not been finally resolved, Flying Tiger Line 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 Line seeking damages arising from their provision of fuel to Flying Tiger Line at New York, Newark, Cleveland and Detroit. The suit seeks a declaration that unforeseen circumstances made it commercially impractical as of April 1, 1974, for SOHIO and BP to perform their contractual obligations at the prices set forth in their contracts. Alternatively, SOHIO and BP demand that the contracts should be interpreted so

that the escalator clauses contained therein be based on the price for domestic crude petroleum which was not subject to price control prior to passage of the energy bill in December 1975. BP has also requested a declaration from the court that BP properly terminated its contract with Flying Tiger Line for the provision of fuel at New York and Newark as of January 1975. If SOHIO or BP were successful in their lawsuit it could increase Flying Tiger Line's cost of fuel in 1974, 1975 and 1976 by as much as an aggregate of approximately \$6,000,000 and would increase Flying Tiger Line's cost for fuel in the future. In the opinion of management, based on discussions with legal counsel, the ultimate resolution of this litigation will not materially affect the Company's financial position or results of operations for 1975 and 1976.

From early 1970 through February 1976, Flying Tiger Line was providing international air transportation to certain of its customers at less than its published rates and charges, and has been incurring commissions to certain of its air freight agents in excess of the rates set by the International Air Transport Association. Flying Tiger Line is unable to estimate reliably the undercollections of revenue during this period from tariff misapplications. The rebates and additional commissions paid by Flying Tiger Line in connection with transpacific air transportation through 1975 averaged approximately 3.8% of international freight revenue but varied from year to year from approximately 1.1% to 7.7% of international freight revenue depending on market conditions and approximated 4.8% in 1975.

Based upon its review in 1975, of the above practices, the Company's management believes that no adjustment of the Company's Federal income tax provisions for 1975 or prior years is necessary.

At December 31, 1976, the Company was contingently liable under outstanding guarantees for indebtedness, which mature from 1977 to 1982 in the amount of \$14,793,000. Most of these guarantees are related to the sales of DC-8-63 aircraft by the Company to foreign airlines.

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## Tiger International, Inc. and Subsidiaries

### Auditors' Report

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To the Stockholders, Tiger International, Inc.:

We have examined the consolidated balance sheets of TIGER INTERNATIONAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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, 1976 and 1975, 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 consistently applied during the years.

ARTHUR ANDERSEN & CO.

Los Angeles, California,  
March 11, 1977.

## Tiger International, Inc. and Subsidiaries

### Fourth Quarter Report

<i>For the Three Months Ended December 31, 1976 and 1975</i>	1976	1975
	<i>(expressed in thousands)</i>	
<b>Revenues</b>		
Common carriage—		
Domestic	\$ 24,262	\$ 23,032
International	41,727	35,634
Military Airlift Command	5,001	4,551
Leasing and related services	40,850	39,297
Other	6,160	4,974
	118,000	107,488
<b>Costs and Expenses</b>		
Airline operations	51,914	46,305
Leasing operations	13,332	8,162
Selling, general and administrative	16,645	16,875
Depreciation and amortization	11,396	11,071
Interest, and preferred dividends of subsidiary	14,643	14,717
Interest capitalized and deferred	(561)	(214)
	107,369	96,916
Income before income tax provision	10,631	10,572
Income tax provision	3,894	4,196
<b>Net Income</b>	\$ 6,737	\$ 6,376
<b>Earnings Per Share</b>	\$ .53	\$ .50

The variances in net income in the fourth quarter of 1976 in comparison with the fourth quarter of 1975, resulted primarily from the following: (1) the gain on sale of an aircraft by Flying Tiger Line in 1975 which increased net income by \$2.2 million;

(2) the increased international traffic flown by Flying Tiger in 1976 compared with the 1975 quarter; and (3) the higher railcar fleet utilization together with higher re-lease rates in the railcar division were offset by increased maintenance costs and other cost increases in the 1976 quarter.

#### Stock Market Information

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Common Stock</b>				
1976				
High	\$19.00	\$17.25	\$17.38	\$14.88
Low	14.50	13.75	14.38	10.50
Close	16.50	16.00	15.25	12.25
Cash dividends paid per common share	.10	.10	.10	.10
1975				
High	\$11.88	\$14.75	\$16.88	\$14.00
Low	7.25	11.13	9.88	10.50
Close	11.50	14.75	11.13	13.75
Cash dividends paid per common share	.10	.10	.10	.10

## Tiger International, Inc. and Subsidiaries

### Management Analysis

#### 1976 compared to 1975

In 1976, Flying Tiger Line contributed 59 percent of revenue and 36 percent of net income. Tiger Leasing Group contributed 41 percent of revenue and 64 percent of net income.

Total revenue increased 10 percent from 1975. Flying Tiger Line revenue contribution increased 12 percent due to increased international traffic and domestic rate increases, with lower military traffic and one aircraft sale, compared to two the prior year, offsetting some of the increase. Tiger Leasing Group revenues were up 7 percent due to railcar fleet additions and higher lease rates on renewed leases, offset principally by reduced revenue generated by the computer and finance leasing services.

Airline operations costs and expenses increased 13 percent in 1976, principally due to increased levels of operations. Leasing operations costs and expenses were up 29 percent due to increases in railcar maintenance expense and lease-in of equipment, which is used as an alternative financing method.

Depreciation increased due to acquisition of railcars and computers for lease. Interest expense decreased due to lower interest rates and lower levels of borrowings during the year.

#### 1975 compared to 1974

In 1975, Flying Tiger Line contributed 58 percent of revenue and 36 percent of net income. Tiger Leasing Group contributed 42 percent of revenue and 64 percent of net income.

Total revenue in 1975 was 17 percent higher than in 1974. Flying Tiger Line revenue increased 16 percent because of rate increases, increased commercial and military traffic, and gains from sales of aircraft included in other revenue. Tiger Leasing Group revenue was up 13 percent over 1974 principally due to substantial railcar additions.

Costs and expenses of airline operations grew 11 percent in 1975. This was due to increased fuel consumption and the effects of inflation on labor, materials, and other costs of operations. Costs and expenses of leasing operations grew 47 percent. A major component of this is the increased cost of leased-in equipment due to an emphasis on this financing method instead of outright purchase. In a purchase, which has a higher effective cost to the Company, the costs would be reflected in depreciation and interest expenses. Other costs were also affected by inflation. Consolidated selling and administrative expenses rose 14 percent in 1975. The major reason for this was significant increases in provisions for doubtful accounts caused by delinquencies experienced by both leasing and airline operations resulting from the economic recession.

In addition, in 1975 there was a significant increase in the amount of commissions paid by Flying Tiger Line related to international operations.

Depreciation and amortization expenses were up 14 percent in 1975 as a result of equipment purchases by Flying Tiger Line and Tiger Leasing Group. Depreciation was reduced in 1975 by \$2.2 million due to the adjustment the Company made in the salvage value of its railcars. Interest expense was up 14 percent from 1974 despite lower interest rates, because of higher levels of borrowings.

The provision for income tax increased 24 percent in 1975 due to higher pre-tax income.

## Tiger International, Inc. and Subsidiaries

### Ten-Year Summary\*

<i>(Amounts in thousands except per share data)</i>	1976	1975
<b>Revenues</b>		
Airline	\$ 248,207	\$ 215,149
Leasing and related services	157,646	150,013
Other	24,767	24,783
	430,620	389,945
<b>Costs and Expenses</b>		
Airline operations	188,602	167,299
Leasing operations	47,526	36,779
Selling, general and administrative	58,126	54,699
Depreciation and amortization	46,393	42,020
Interest and preferred dividends of subsidiary	58,712	61,040
Interest capitalized and deferred	(1,040)	(794)
	398,319	361,043
Income (loss) before income tax provision**	32,301	28,902
Income tax provision	11,912	10,400
<b>Net Income (Loss)</b>	\$ 20,389	\$ 18,502
Fully diluted earnings per share***	\$ 1.61	\$ 1.46
Shares used for computation of fully diluted earnings per share***	12,702,000	12,636,000
Stockholders' equity	\$ 238,972	\$ 220,753
Book value per common share***	\$ 18.85	\$ 17.75
Assets	\$ 1,179,310	\$ 1,128,214
Number of employees	4,493	4,414
Cash dividends per common share***	\$ .40	\$ .40

\*Information related to North American Car Corporation and National Equipment Rental, Ltd., which comprise Tiger Leasing Group, is not included in the summary for periods prior to their acquisition by purchases, January 1971 and October 1971, respectively.

\*\*Extraordinary income (losses) of \$57,000 (1970), (\$4,249,000) (1968) and (\$801,000) (1967) are excluded from Income (loss) before tax provision and provision for income taxes 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, 1975 and 1976, there was no significant dilution from fully diluted computations.

	1974	1973	1972	1971	1970	1969	1968	1967
\$	184,731	\$ 172,288	\$ 159,274	\$ 139,786	\$ 118,440	\$ 90,811	\$ 74,988	\$ 83,282
	133,759	107,571	86,482	60,093	—	—	—	—
	15,684	12,197	11,358	9,681	7,071	7,510	3,495	5,211
	334,174	292,056	257,114	209,560	125,511	98,321	78,483	88,493
	150,791	113,555	103,191	94,357	82,304	67,877	64,804	59,962
	24,987	16,164	13,539	10,615	—	—	—	—
	47,888	37,372	31,507	21,660	10,759	7,848	6,864	6,889
	36,778	31,526	30,729	24,984	7,780	8,008	6,572	6,577
	53,571	35,541	27,753	23,688	7,989	8,750	6,244	4,195
	(2,204)	(557)	(117)	—	(114)	(74)	(1,373)	(958)
	311,811	233,601	206,602	175,304	108,718	92,409	83,111	76,665
	22,363	58,455	50,512	34,256	16,793	5,912	(4,628)	11,828
	8,393	24,199	21,037	13,873	6,322	1,601	(2,226)	3,958
\$	13,970	\$ 34,256	\$ 29,475	\$ 20,383	\$ 10,528	\$ 4,311	\$ (6,651)	\$ 7,069
\$	1.12	\$ 2.66	\$ 2.25	\$ 1.65	\$ 1.16	\$ .52	\$ (.80)	\$ .86
	12,518,000	12,896,000	13,086,000	12,576,000	9,700,000	8,282,000	8,274,000	8,232,000
\$	207,185	\$ 198,114	\$ 166,007	\$ 134,678	\$ 53,811	\$ 42,903	\$ 38,966	\$ 46,021
\$	16.67	\$ 15.94	\$ 13.47	\$ 11.19	\$ 6.47	\$ 5.18	\$ 4.71	\$ 5.56
\$	1,088,991	\$ 878,067	\$ 715,295	\$ 658,010	\$ 210,746	\$ 197,743	\$ 187,972	\$ 163,788
	4,723	4,672	4,082	3,845	3,418	2,881	3,065	2,720
\$	.40	\$ .20	\$ —	\$ —	\$ —	\$ .05	\$ .05	\$ .05

#### Notice to Stockholders

The following notice to stockholders 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 prescribed notice are to sections of such regulations:

(1) Any person who either owned, as of December 31, 1976, or subsequently acquired, beneficially or as a trustee, more than 5 percent, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12, on or before April 1, 1977, as to the capital stock owned as of 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 ac-

quisition 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 shareholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Operating Rights, Civil Aeronautics Board, Washington, D.C. 20428.

#### Form 10-K

The Company files annually a report on form 10-K with the Securities and Exchange Commission. A copy of Form 10-K is available upon request to the Vice President-Treasurer, Tiger International, Inc., Tiger International Building, 1888 Century Park East, Los Angeles, California 90067.

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# Tiger International

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## Directors

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Robert W. Prescott  
*Chairman of the Board*

Wayne M. Hoffman  
*President & 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  
*Executive Vice President*  
*Tiger International, Inc*  
*President, Tiger Leasing Group*

Charles Luckman  
*Founder*  
*Charles Luckman Associates (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*

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## Officers

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Wayne M. Hoffman  
*President & Chief Executive Officer*

Robert W. Prescott  
*Chairman of the Board*

Thomas F. Grojean  
*Executive Vice President*

John E. Flynn  
*Vice President—Law*

Martin A. Lynch  
*Vice President—Treasurer*

Rosanne O'Brien  
*Secretary & Director of Personnel*

William D. Evans  
*Controller*

Rolf Bodenburg  
*Assistant Treasurer—Tax Administration*

Ray Vingo  
*Assistant Treasurer*

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## Auditors

Arthur Andersen & Co.

General Counsel  
White & Case

Common Stock

Transfer Agents

The Chase Manhattan Bank N. A.

1 New York Plaza

New York, N. Y. 10015

Bank of America  
Corporate Agency Division  
111 West Seventh Street  
Los Angeles, California 90014

Registrars  
The Bank of New York  
90 Washington Street  
New York, N. Y. 10015

Union Bank  
742 South Hill Street  
Los Angeles, California 90054

Stock Exchanges  
New York Stock Exchange  
Pacific Stock Exchange  
Midwest Stock Exchange

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## Corporate Address

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

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## Annual Stockholders' Meeting

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Date: May 6, 1977. Time: 2 p. m.

Place: 7401 World Way West, Los Angeles, California 90009

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