

*Annual
Report*



1960

year ended June 30, 1960



1960 IN BRIEF...

for the fiscal year ended June 30,

	1960	1959
Operating Revenues.....	\$25,987,014	\$34,579,936
Operating Expenses.....	\$26,774,763	\$31,773,547
Operating Income (Loss).....	(\$ 787,749)	\$ 2,806,389
Interest Expense.....	\$ 922,362	\$ 774,958
Net Income (Loss) After Interest and Income Taxes.....	(\$ 1,172,477)	\$ 1,011,140
Special Item.....	\$ 173,809	\$ 380,226
Net Income (Loss) and Special Item.....	(\$ 998,668)	\$ 1,391,366
Per Common Share Outstanding (Average for Year)...	(\$.74)	\$ 1.23
Investment in Property and Equipment (Gross).....	\$31,604,018	\$33,823,594
Long-Term Debt.....	\$15,271,448	\$16,138,379
Stockholders' Equity at Book Value.....	\$14,949,439	\$16,105,435
Per Common Share.....	\$ 9.87	\$ 11.22
Total Assets.....	\$38,526,418	\$43,311,205
Working Capital.....	\$ 1,107,448	\$ 1,849,085



LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA
TRIANGLE 7-3411

September 10, 1960

TO OUR STOCKHOLDERS:

We herewith report to you the results of operations for the 15th year of the Company's existence and a statement of condition as of June 30, 1960. The loss for the year was \$998,668. Principal reason for the loss, compared to a profit of \$1,391,366 last year, was a paralyzing rate situation in the Military contract field. We pointed this out to you in last year's report and predicted the situation would worsen. This condition has been brought about chiefly by the existence of a large number of four-engine piston aircraft which became surplus to the passenger airline needs as they initiated their jet fleets. Because no market existed for these airplanes they could be obtained on very reasonable terms. Some smaller carriers took advantage of this situation and, apparently through lack of experience, bid the contracts at prices below their costs. This has caused us a loss in business and has taken a few of these companies to the verge of bankruptcy. We have refused to bid on these contracts at prices less than our costs.

Steps are now being taken by both the Military and the Civil Aeronautics Board to correct this situation. The Civil Aeronautics Board has announced that it will not give authority to fly the contracts unless the prices therefor adhere to certain standards set up by the Civil Aeronautics Board.

In addition, the Military has indicated that beginning in January, 1961, they are changing their methods of awarding contracts. In the past, all contracts have been let under strict competitive bidding, with the lowest bidder taking the business regardless of any other factors.

We are advised that the new policy will contain some new features that are very important to us: (1) The contracts will be let on a negotiated basis. This should allow for reasonable pricing. (2) Preference will be given aircraft enrolled in the Civil Reserve Air Fleet. (3) Prior consideration will be given those companies who have ordered modern turbine-powered cargo airplanes. Our order for the CL-44D turbo-propeller fleet is the largest of any in the industry, and the CL-44D is considered the most modern cargo airplane available. If these policies are put into effect, our immediate future will be brightened considerably.

On July 25, 1960, the Examiner for the Civil Aeronautics Board on the Pacific Route Case recommended The Flying Tiger Line Inc. for certification for an all-cargo and mail route from points in the United States, such as New York, Chicago, Detroit, Los Angeles, San Francisco, Seattle, Portland, to Pacific points such as Honolulu, Guam, Tokyo, Okinawa, Manila and Hongkong. While the Examiner's recommendation is not the final decision, it is certainly a great step in the right direction. Two steps remain: the decision by the Civil Aeronautics Board itself, and the final approval by the President, since this is an international route. We have good reason to believe that this case may be settled by the end of this year. This route, coupled with our acquisition of the CL-44D fleet will enhance our earnings prospects tremendously in the future.

Our commercial airfreight volume has continued to increase at a satisfactory rate. This year the Company carried a total of 86,095,933 ton miles versus 79,634,602 ton miles for the previous year. With the coming of the new CL-44 fleet, as described for you elsewhere in this report, we feel optimistic that there will be a substantial increase both in volume and profitability in this phase of our operations.

Our thanks to our stockholders and employees for their loyalty and cooperation during this past year.

For the Board of Directors

Sincerely,

President



THE FLEET ON ORDER

IN MAY, 1959 THE COMPANY placed orders with Canadair, Ltd. and Rolls-Royce Ltd. for ten CL-44D turboprop airfreighters. These aircraft will be delivered to the Company in the Spring of 1961 and the Company expects to serve its domestic airfreight route with the new fleet of CL-44D turboprop aircraft by July 1, 1961. The CL-44D aircraft is an advanced turboprop design reducing the per ton mile direct operating cost 40% below that presently incurred by the Super Constellations. Essential to the development of a large scale airfreight industry is a large volume, low cost aircraft. Only with low rates will air transportation tap the huge potential of property and mail to be carried coast to coast. The CL-44D aircraft represent the first and presently the only uncompromised all-cargo aircraft essential to the development of the airfreight business. The aircraft will carry freight loads in excess of 65,000 pounds coast to coast and will have "swing tails" to facilitate speedy and more economical loading of cargo.

The financing of these aircraft has been completed through deposits already made and equipment trust certificates to be issued upon delivery of the equipment. The aircraft are sufficient in number to service the Company's domestic airfreight Route 100 with adequate surplus capacity to provide substantial supplemental contract operations.

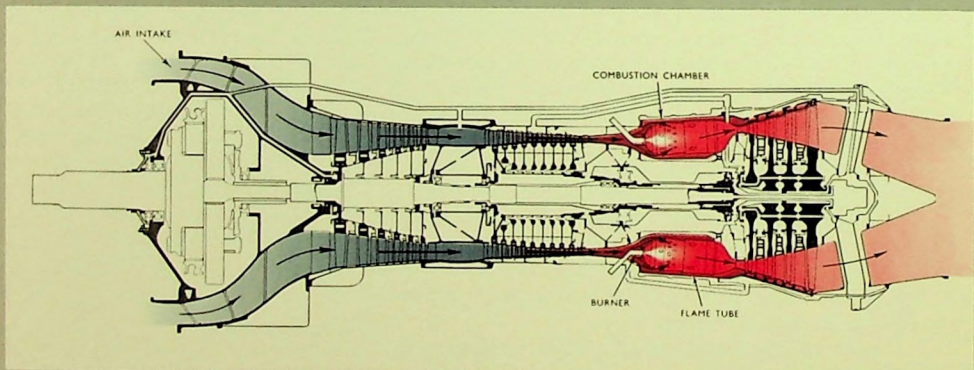
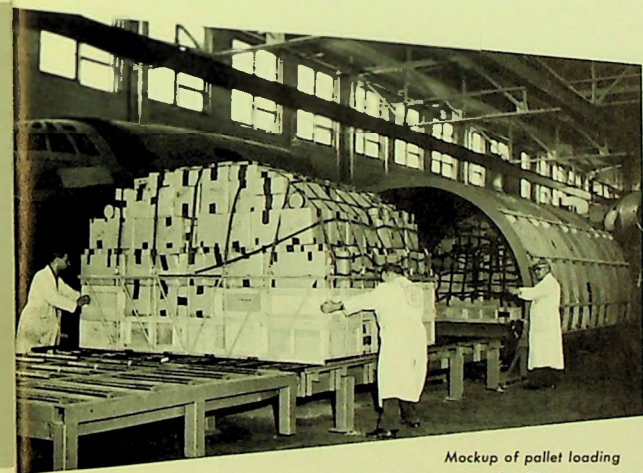


DIAGRAM OF
ROLLS-ROYCE TURBOPROP ENGINE

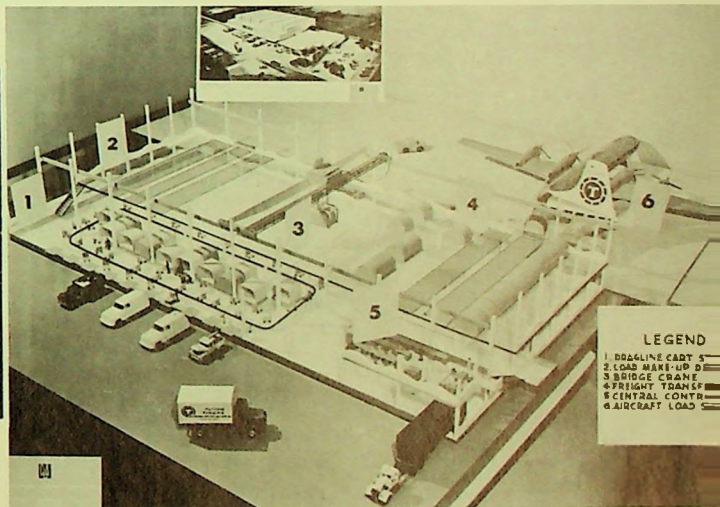
NEW GROUND FACILITIES

THE COMPANY IS PREPARING its ground facilities for the introduction of the new CL-44D turboprop airfreighter into the domestic all-cargo operation during this coming year. The "swing tail" feature in the CL-44D aircraft will permit the Company to introduce mechanized loading and unloading of cargo, thereby reducing substantially the cost of handling air cargo and its related indirect costs such as increased utilization of aircraft, reduction in damage to cargo and more economical utilization of personnel.

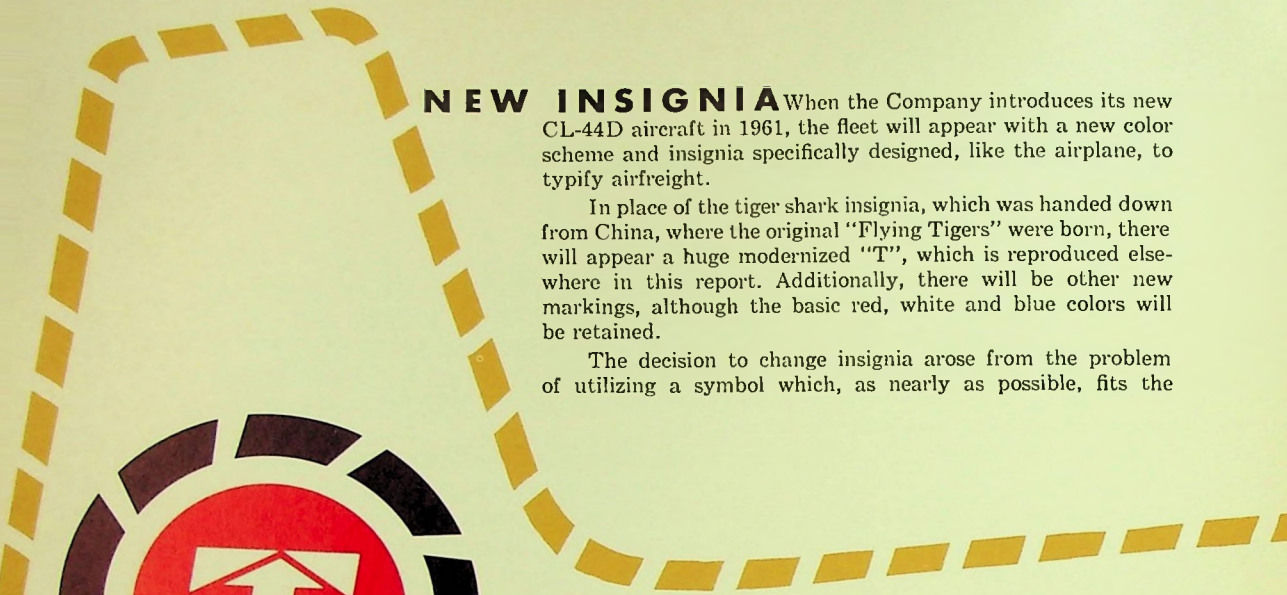
The Company will shortly break ground for the construction of a new automated freight terminal at the O'Hare Airport in Chicago, Illinois. This freight terminal will represent the most modern and economical cargo terminal in the world. The design of the terminal will permit the loading and unloading of the new turboprop CL-44D aircraft in a matter of minutes instead of hours and will substitute mechanical devices for hand labor. Although the air cargo industry has made substantial improvements in the development of a more economical cargo aircraft during the past decade, virtually no improvement has been made in the methods of handling of air cargo. The Company has been aware of this deficiency and, recognizing the advantages of the design features of the CL-44D aircraft, the Company will embark on a program of upgrading the ground facilities to take full advantage of the economies that the new aircraft will offer.



Mockup of pallet loading system for CL44



Working model of interior operation of new automatic freight terminal.



NEW INSIGNIA When the Company introduces its new CL-44D aircraft in 1961, the fleet will appear with a new color scheme and insignia specifically designed, like the airplane, to typify airfreight.

In place of the tiger shark insignia, which was handed down from China, where the original "Flying Tigers" were born, there will appear a huge modernized "T", which is reproduced elsewhere in this report. Additionally, there will be other new markings, although the basic red, white and blue colors will be retained.

The decision to change insignia arose from the problem of utilizing a symbol which, as nearly as possible, fits the



FLYING TIGER LINE

AIRFREIGHT

broad needs of the airline. While the shark insignia could be readily displayed on a business card or letterhead, it was impossible to read at any distance on the airplane or a large sign, or a fast-traveling pickup and delivery truck.

The trend in Company identification to simple letter symbols provided the solution to the problem of getting general usefulness out of an insignia. Fortunately, the Tigers could use the letter "T", which is one of the most readable and strongest of all letter symbols. It could be displayed on the huge tail section of the CL-44D, which is 36 feet high, so that it could be read at almost any useful distance, and likewise on major advertising signs and trucks.

In development of the "T", as well as other markings, the motif of freight identification was used. The arrow in the "T" and on the fuselage, the large, bold letters, the dashed line, are all typical symbols used daily in marking freight, all intended to achieve quick, easy readability.

On the Company name, outsize letters are used so that the Company's aircraft will be the most visible at any airport, a trend which we believe will be followed in the future in place of the small, restrained lettering now common. Such letters give the greatest advertising value and, in addition, since the Company's aircraft are always quartered at freight terminals usually a long distance from passenger areas, such lettering will enable viewers to recognize the Company's aircraft easily and thus enhance the advertising value of the name.



Sales Research Staff studies new rate proposals. Left to right are Philip Schary, Noe Cadena, Albert Sachs, Vice-President John L. Higgins and Robert Brunner, Manager of Rates and Tariffs.

SALES RESEARCH AND DEVELOPMENT

RECOGNIZING THAT THE DEVELOPMENT of air cargo potential was becoming a more immediate requirement with the CL-44D, the Company, in 1959, established the Sales Research and Development Department. This group was given the assignment of studying the air cargo market, and developing plans to meet the challenge offered by the new aircraft. While many forecasts have been made of the industry potential, it was necessary to translate their general tone of optimism into specific programs for the Company to use in developing this market.

The department embarked on a threefold program: (1) to analyze the trends within the air cargo market, (2) to study the shifting patterns of surface transportation, and (3) to examine the pricing structures of all forms of transportation, as a guide for future policy and pricing recommendations. The objective underlying these studies was to develop programs to insure success in the future air cargo markets, utilizing the experience of the transportation industry in the past.

The results of this preliminary research program and the resulting recommendations were completed in June of this year. Centered primarily around a new pricing structure, these recommendations were planned to fulfill the Company objectives of developing the growth potential in air cargo, achieving an optimum profit for performing air cargo service, and to maintain the position of leadership in the air cargo industry which the Company has always enjoyed.

These recommendations are being implemented in the continuance of the research and planning necessary for the development of this price structure, through shipper surveys, a contracted study by members of the faculty of the University of Washington to scientifically analyze industrial material flows and distribution costs (known by the newly created word, "rhochematics"), analysis of internal data, and the development of new techniques for the marketing of airfreight.



AIRFREIGHT

IN THE 1960 FISCAL YEAR the Company experienced a further gain in airfreight and established a new record in airfreight revenues. The total airfreight revenue for the fiscal year 1960 was \$15,181,013, as compared to the previous high of \$13,993,414 in 1959. This amounted to an increase of \$1,187,599, a gain of over 8%.

In the fiscal year 1960, on four different occasions a new monthly record was established. The previous highest month on record was December 1958, when an all time record of \$1,356,125 was recorded. In fiscal 1960, this record was eclipsed by July with revenues of \$1,377,967; by September with \$1,449,236; by October with \$1,570,118 and again by December with \$1,378,150.

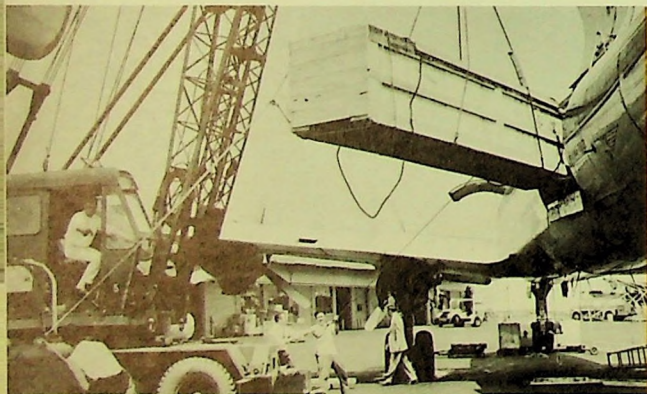
Load factors were slightly lower in 1960 than in 1959, the average for 1959 being 74.6% as against 70.3% for 1960. This was because the Company, in an effort to attract more business, added additional lift capacity to its common carriage fleet. While in 1959 the number of aircraft in the domestic fleet varied from four to seven, in 1960 the fleet consisted of never less than six Constellations with one C-46 serving the Pacific Northwest. From September to April, eight Constellations were in domestic airfreight with a daily capacity of approximately 320,000 pounds. This huge capacity manifested itself in a slightly lower load factor.

In fiscal 1960, every month exceeded the one million dollar figure with the exception of February. In that month the revenues were \$906,516 against the other eleven months' average of \$1,297,682. It is evident that except for the strike, which occurred in February, the Company would have exceeded the million dollar figure for every month of the year.

The constancy of the revenues attained in 1960 indicate that new plateaus have been established in airfreight. These increased revenues should increase in volume as the shipping public becomes more cognizant of the advantages airfreight offers. The turbo-prop CL-44D to be introduced by the Company in 1961 will stimulate the volume of airfreight through improved service. The reduction of rates that will be made possible by this aircraft should provide an impetus that should raise revenues to a figure that will dwarf the figures of 1959-1960.

An important change of schedules and service during June of 1960 saw the retirement from the common carriage fleet of its last C-46. This aircraft had been used to service the Northwest.

14,000-pound ship turbine for Tokyo loading at Newark



Tige-Air-Van household goods movement underway at Seattle



To use a C-46 for this flight leg any longer would have stifled the growth of these markets, and therefore the larger Constellation aircraft was introduced.

Schedule changes or modifications in the past have been predicated on service, revenues and operational costs. Today in schedule changes, another factor must be taken into consideration. That factor is the imminence of the CL-44D and the lower rates. Planning today must give weight to these factors. We are preparing today for the introduction of these radically new aircraft in 1961.

Of importance in the fiscal year 1960 was the effort by the Post Office Department to broaden its use of airfreight for first class mail. The experiment had been going on for some time and was very successful; it had been beneficial to the public and the air carriers alike. The Post Office advocated expansion of this program. Mail could be dispatched late and yet arrive far earlier than was the case with the slower methods previously used. The expansion was opposed by the railroads and their efforts were successful. The Company feels, however, that progress cannot be stopped and eventually the public will enjoy the benefits offered by this program.

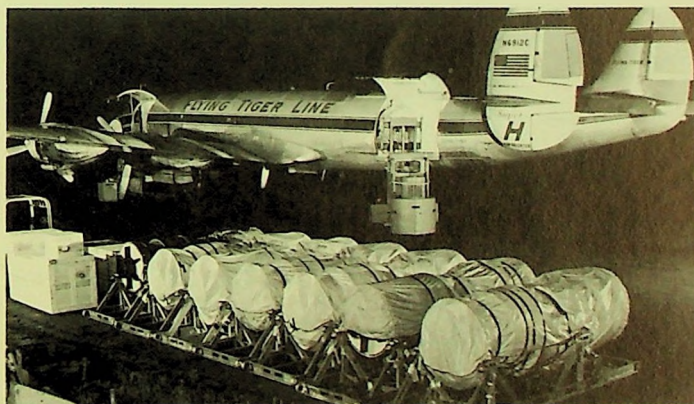
The impact of airfreight on general industry is becoming more apparent. Today many companies are taking advantage of the economic advantages offered by such programs as "Landed Costs" or "Total Cost of Distribution."

The programs are basically simple ones revolving around the concept of the "factory-to-you" theory. Traditionally, many manufacturers put their products into a long cycle of events and costs before they reach the consumer. This cycle entails transportation, warehousing, the use of jobbers, distributors, and finally to retailers.

"Landed Costs" refers to a method of eliminating these many costly operations. It has been demonstrated that a manufacturer can eliminate costly warehousing and inventories through bypassing these many operations and shipping direct by air.

Heretofore, slow transportation made warehouses necessary. Today, the airplane can resupply almost anywhere overnight, thus eliminating costly inventories and allowing capital to be turned more times per year.

Planeload of jet engines at Hartford





"Good-by" from a tiny tot on a Europe-bound group tourist flight from New York

THE FLYING T

CONTRACT AN

DURING THE FISCAL YEAR 1960, general economic conditions of the contract, and especially the military, business underwent a radical change. Heretofore, the Company had operated its military business primarily on long-term contracts. These contracts were let on competitive bids.

In October, 1959, the annual contract for the Pacific ended and new bids were solicited by MATS. Despite the Company's efficiencies in reduction of costs and consequent lower bid, the contract was not renewed. It went to competition at a rate that would not have been compensatory to the Company.

This seemed to start a cycle of low bids that reduced returns on military business to a point where many trips were flown at a loss. At the same time, there occurred an influx of independent operators to bid on military business that caused a dilution and drove the returns per mile even lower.

Recognizing these conditions, the Company undertook a program to offset them. Although the decline in the military revenues could not be replaced in its entirety, the contract and military sales department did achieve a figure of \$10,424,322. Of this amount \$8,000,083 was derived from short-term military business. Progress was made on commercial contract work which resulted in revenues of \$2,424,239. This revenue was represented by international trips and leases of aircraft. Chief among these contracts was that with Lufthansa, the German airline. With 110 crossings of the Atlantic, revenues on this contract totaled \$1,013,401.

The Company flew a total of 408 crossings on the Pacific, carrying 16,300 passengers and 3,368 tons of cargo. On the Atlantic, 3,626 passengers and 1,440 tons of cargo were carried.

A further concentration on Civilian Air-Military (CAM) trips domestically was made because of the competitive nature of the international



Tourists boarding at New York for flight to England



Off for a holiday in Europe on a Flying Tiger low-cost group tourist flight

Model conception of Flying Tig



GER LINE INC.

MILITARY OPERATIONS

military contracts. This resulted in 96 domestic trips, carrying approximately 10,000 passengers for revenues of almost one-half million dollars.

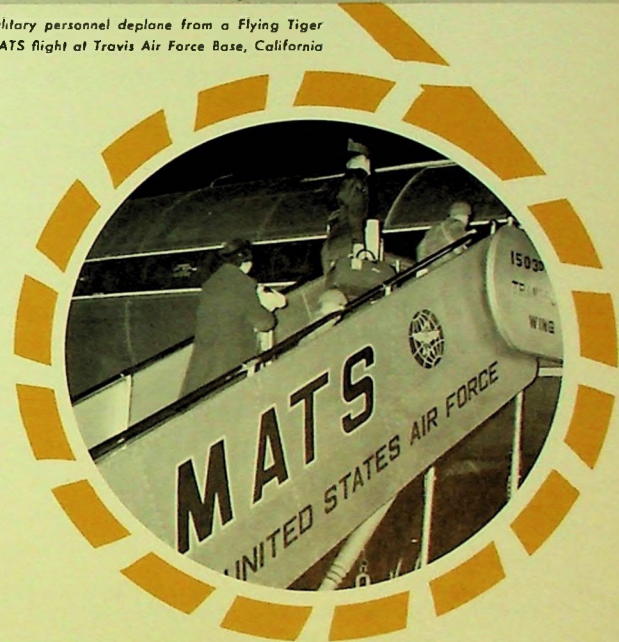
Recognizing the returns to be gained from a high volume, low tariff operation, the Company has inaugurated an intensive and aggressive campaign to establish itself as a leader in the field of tourist chartering, which it pioneered in 1950. In addition to sales offices now located in London, New York, Tokyo and Los Angeles, new offices have been opened in Chicago and Frankfurt, Germany. Plans are currently under way to locate Tiger sales offices in all the major cities of the world.

Whereas in prior years our tourist business has been limited to traffic to and from European points, the 1961 program is designed to solicit charters on a world-wide basis. This diversification has already been highlighted by recent trips to and from Australia, New Zealand, Greece and South Africa, in addition to the more than 6,000,000 passenger miles flown over the Atlantic during the Summer of 1960.

To emphasize its intensified efforts to sell a maximum number of tourist charters, the Company has developed tariffs which will permit travel to and from European points for as low as \$230 per passenger, providing the traveler does not remain in Europe in excess of 23 days. For those tourists who remain in excess of 23 days, a rate of \$245 will be offered for the round trip. This fifteen dollar price break is designed to capture the short-term, high-peak seasonal traffic, and will assist us in obtaining passenger loads in both directions, thus avoiding the necessity of flying non-revenue ferries back to the United States after deplaning passengers at a foreign point, as well as eliminating the empty flight out to pick up the passengers for the return trip. These newly developed tariffs also provide equally low rates to Mideast, Asiatic and South Pacific points.



Military personnel deplane from a Flying Tiger MATS flight at Travis Air Force Base, California



Military personnel and families boarding a Flying Tiger MATS flight at Tokyo

new airfreighter, the Canadair CL-44



40,000-pound meat charter in flood emergency in Northern California



CIVIL AERONAUTICS BOARD PROCEEDINGS

THE CIVIL AERONAUTICS BOARD granted the Company its original Certificate of Public Convenience and Necessity on July 29, 1949. This certificate was a temporary certificate with a five year term and denied subsidy or the right to subsidy to the Company—as it has done in the case of all property carriers. The certificate was renewed for an additional five year period on March 12, 1956.

In a proceeding before the Civil Aeronautics Board held in January, 1960, the Company applied for a permanent certificate of Public Convenience and Necessity as an air carrier of property and mail to serve an expanded number of points on its route. No decision has been rendered in this case, although counsel for the Bureau of Air Operations of the Civil Aeronautics Board has recommended to the Examiner the issuance of a permanent certificate for the Company.

On January 8, 1959, the Company filed with the Civil Aeronautics Board an application for a Certificate of Public Convenience and Necessity for a Trans-Pacific route for the transportation of property and mail, providing an end-on-end junction with the Company's domestic transcontinental route. The hearings in this case had been completed this spring and on July 25, 1960, the Examiner recommended to the Civil Aeronautics Board that the Board grant the Company a temporary five year Certificate of Public Convenience and Necessity for the carriage of property and mail on a non-subsidy basis across the Pacific.

LABOR RELATIONS

DURING THE PAST YEAR the Company experienced an interruption of service of approximately four weeks due to strikes by the pilots, navigators and flight engineers. The labor dispute was settled on February 19, 1960, and satisfactory labor agreements have been concluded with all labor organizations representing personnel employed by the Company.

Effective July 1, 1960, the Company has agreed to establish a pension plan for pilot personnel employed by the Company in accordance with the terms negotiated between the Company and the Air Line Pilots Association.

DIVIDENDS PAID

THE COMPANY PAID a 5% stock dividend and a cash dividend of \$.08 per common share on January 15, 1960 to common stock shareholders of record of November 20, 1959. In anticipation of possible future conversion of the presently outstanding convertible debentures, the Company's Board of Directors, on June 1, 1960, voted to increase the authorized common shares from 2,000,000 shares to 2,500,000.



ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

1320 WEST THIRD STREET
LOS ANGELES 17

TO THE STOCKHOLDERS,
THE FLYING TIGER LINE INC.:

We have examined the balance sheet of *THE FLYING TIGER LINE INC.* (a Delaware corporation) as of June 30, 1960, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm accounts receivable from the United States Government at June 30, 1960, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1959.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1960, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Los Angeles, California.
August 22, 1960.



THE FLYING TIGER LINE INC.

ASSETS	1960	1959
CURRENT ASSETS (including prepaid engine overhaul cost):		
Cash.....	\$ 1,281,947	\$ 3,834,795
U. S. Treasury notes, at cost.....	1,005,315	—
Receivables—		
Freight customers.....	1,351,820	1,894,213
Charters, service sales, etc.—		
United States Government.....	647,947	2,166,898
Other.....	1,324,456	1,184,507
Reserve for bad debt losses.....	(210,000)	(100,000)
Materials and supplies, at average cost.....	750,786	794,706
Prepaid insurance, rents, etc.....	259,604	285,668
Prepaid engine overhaul cost (net)—Note 8.....	656,038	—
Total current assets.....	<u>\$ 7,067,913</u>	<u>\$10,060,787</u>
PROPERTY AND EQUIPMENT—Notes 1 and 2:		
Cost—		
Aircraft, engines and other flight equipment.....	\$29,577,953	\$31,764,423
Other equipment.....	1,180,528	1,266,281
Land and buildings.....	845,537	792,890
	<u>\$31,604,018</u>	<u>\$33,823,594</u>
Less—Reserves for depreciation.....	13,192,053	11,228,524
	<u>\$18,411,965</u>	<u>\$22,595,070</u>
Progress payments on aircraft and engines on order.....	12,551,888	10,201,231
	<u>\$30,963,853</u>	<u>\$32,796,301</u>
OTHER ASSETS AND DEFERRED CHARGES:		
Long-term prepayments and receivables.....	\$ 379,527	\$ 406,292
Other.....	115,125	47,825
	<u>\$ 494,652</u>	<u>\$ 454,117</u>
	<u>\$38,526,418</u>	<u>\$43,311,205</u>

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

BALANCE SHEETS JUNE 30, 1960 AND 1959

LIABILITIES	1960	1959
CURRENT LIABILITIES:		
Current installments of debt.....	\$ 3,307,633	\$ 3,307,633
Accounts payable and accrued liabilities.....	2,088,814	3,983,111
Federal income taxes (Note 7).....	—	321,000
Reserve for vacations.....	368,094	349,268
Advance charter deposits.....	195,924	250,690
Total current liabilities.....	<u>\$ 5,960,465</u>	<u>\$ 8,211,702</u>
LONG-TERM DEBT—Notes 2, 3 and 4:		
Bank loans, secured by 1049-H aircraft and engines, bearing interest at rates varying from 5% to 6%, less current installments included above.....	\$ 2,643,106	\$ 5,950,738
Series A 5½% debentures due 1967 (subordinate).....	500,000	500,000
Series B 5½% debentures due 1974 (subordinate).....	5,000,000	—
5½% note, exchanged for debentures in August, 1959.....	—	3,000,000
Equipment purchase obligations— 5½% notes due 1961, including interest, (to be refunded with equipment trust certificates).....	7,001,353	6,531,200
Other.....	126,989	156,441
Total long-term debt.....	<u>\$15,271,448</u>	<u>\$16,138,379</u>
DEFERRED CREDITS AND NONCURRENT LIABILITIES:		
Deferred income taxes.....	\$ 2,174,514	\$ 2,484,000
Deferred income, etc.....	46,124	150,067
Maintenance liability—leased airframes and engines.....	124,428	221,622
Total deferred credits and noncurrent liabilities.....	<u>\$ 2,345,066</u>	<u>\$ 2,855,689</u>
CAPITAL STOCK AND SURPLUS:		
Preferred shares— Authorized, 500,000 shares of \$10 par value Outstanding, 99,112 shares Series A, 5% cumulative.....	\$ 991,120	\$ 991,120
Common shares— Authorized, 2,000,000 shares of \$1 par value (at June 30, 1960, 330,295 shares were reserved for conversion of debentures and 70,000 shares for stock options)—Notes 3 and 5 Outstanding, 1,414,490 shares.....	1,414,490	1,347,134
Capital surplus.....	6,928,251	6,065,421
Earned surplus (Note 4).....	5,615,578	7,701,760
Total capital stock and surplus.....	<u>\$14,949,439</u>	<u>\$16,105,435</u>
Total liabilities and capital stock and surplus.....	<u>\$38,526,418</u>	<u>\$43,311,205</u>

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

STATEMENTS OF INCOME AND SURPLUS

FOR THE YEARS ENDED JUNE 30, 1960 AND 1959

INCOME

	1960	1959
OPERATING REVENUES:		
Scheduled freight operations.....	\$ 14,656,314	\$ 13,315,698
Charters, service sales, etc.....	11,330,700	21,264,238
Total.....	<u>\$ 25,987,014</u>	<u>\$ 34,579,936</u>
OPERATING EXPENSES:		
Flying operations.....	\$ 9,595,824	\$ 12,581,150
Ground operations.....	3,635,737	3,424,136
Maintenance.....	6,179,402	8,455,587
Sales, advertising and publicity.....	1,286,980	1,245,137
General and administrative.....	1,914,271	1,898,418
Depreciation and amortization.....	4,162,549	4,169,119
Total.....	<u>\$ 26,774,763</u>	<u>\$ 31,773,547</u>
Net income (loss) from operations.....	<u>\$ (787,749)</u>	<u>\$ 2,806,389</u>
OTHER (INCOME) AND EXPENSE:		
Interest expense.....	\$ 922,362	\$ 774,958
Amortization of debt discount and expense.....	2,010	16,558
Miscellaneous (net).....	(145,644)	38,733
Total.....	<u>\$ 778,728</u>	<u>\$ 830,249</u>
Net income (loss) before Federal income taxes.....	<u>\$ (1,566,477)</u>	<u>\$ 1,976,140</u>
PROVISION OR (CREDIT) FOR FEDERAL INCOME TAXES—Note 7		
Net income (loss).....	(394,000)	965,000
	<u>\$ (1,172,477)</u>	<u>\$ 1,011,140</u>
SPECIAL ITEM:		
Gain on disposals of aircraft, etc., less provision of \$58,000 and \$52,000 for income taxes in respective years.....	173,809	380,226
Net income (loss) and special item.....	<u>\$ (998,668)</u>	<u>\$ 1,391,366</u>
CAPITAL SURPLUS		
BALANCE AT BEGINNING OF YEAR		
	\$ 6,065,421	\$ 3,448,855
ADD—		
Surplus arising from conversion of 5½% debentures into 314,318 common shares.....	—	2,273,283
Excess of fair value of stock dividends over par value.....	862,830	343,283
BALANCE AT END OF YEAR	<u>\$ 6,928,251</u>	<u>\$ 6,065,421</u>
EARNED SURPLUS		
BALANCE AT BEGINNING OF YEAR		
	\$ 7,701,760	\$ 6,752,414
ADD—		
From accompanying statement—		
Net income (loss).....	(1,172,477)	1,011,140
Special item.....	173,809	380,226
	<u>\$ 6,703,092</u>	<u>\$ 8,143,780</u>
DEDUCT—		
Cash dividends on—		
Preferred shares—fifty cents per share.....	\$ 49,556	\$ 49,556
Common shares —eight cents per share.....	107,772	—
Five per cent common share dividend—67,356 shares at fair value of \$13.81 per share in 1960 and 49,181 shares at fair value of \$7.98 per share in 1959.....	930,186	392,464
BALANCE AT END OF YEAR (Note 4)	<u>\$ 1,087,514</u>	<u>\$ 442,020</u>
	<u>\$ 5,615,578</u>	<u>\$ 7,701,760</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS — JUNE 30, 1960

(1) AIRCRAFT

At June 30, 1960, the Company's fleet consisted of twelve 1049-H Super Constellation aircraft owned and two under contract.

Under the contracts covering the use of two 1049-H Super Constellation aircraft, the Company makes monthly payments which it charges to rental expense. The contracts provide that the Company may discontinue the payments and return the aircraft at any time without further obligation, and also that it may acquire title to the aircraft upon the payment of amounts which at June 30, 1960 would have aggregated \$2,967,054 for the two aircraft.

The Company leases two DC-6A aircraft under contract expiring April 30, 1963, with certain renewal and purchase options. These DC-6A's have been subleased, with purchase options, to another airline for periods ending in September, 1961, at monthly rentals approximating the amounts paid by the Company.

(2) EQUIPMENT PURCHASE AND LEASE COMMITMENTS

The Company has purchase agreements for ten Canadair CL-44D turboprop aircraft at a total cost, including spare parts and engines, of approximately \$51,000,000. The agreements provide for cash payments of approximately \$5,000,000, in addition to payments already made, and the issuance on delivery of the aircraft of approximately \$40,500,000 equipment trust certificates maturing over 60 months, with interim financing through interim purchase notes. Delivery of the aircraft is anticipated beginning in June, 1961.

The Company has long-term leases on airport facilities requiring payment of approximately \$250,000 annually, of which payments of \$80,000 do not commence until 1962.

(3) DEBENTURES AND NOTES

The Series A and Series B debentures are redeemable at a premium of 10%, and currently are convertible into common shares until June 27, 1967 at \$12.96 per share for the Series A debentures, and until June 27, 1969 at \$17.14 per share for the Series B debentures. The Company has arranged to borrow \$5,000,000 from The New York Central Railroad Company December 1, 1961, on 5½% promissory notes (subordinate) due 1976, to be convertible into common shares, initially at \$19.05 per share.

(4) RESTRICTIONS UNDER DEBT AGREEMENTS

The bank credit agreement and other long-term agreements include restrictive provisions as to cash dividends on common shares, working capital, borrowings, capital expenditures, etc. Under these provisions, the earned surplus at June 30, 1960 was restricted against the payment of cash dividends on common shares.

(5) CAPITAL STOCK OPTIONS

Options have been granted to certain key employees to purchase 63,800 shares of the Company's common stock, at a price of approximately \$8.10 per share, exercisable during the period from August 20, 1960 to February 20, 1961. On June 1, 1960, the Board of Directors changed the plan by extending to February 20, 1964 the period during which the options presently outstanding may be exercised and providing that any additional options granted will be exercisable during a period commencing four and one-half years after the options are granted and ending eight years after the date granted. These changes are subject to the approval of the Corporation Commissioner of the State of California and the stockholders.

(6) PENSION PLAN

A pension plan for pilots, applicable to future service, negotiated as a part of a union contract, will become effective beginning July 1, 1960. The plan had not been formally adopted at June 30, 1960.

(7) FEDERAL INCOME TAXES

Federal income tax returns for the years 1952 through 1959 have been examined by the Internal Revenue Service. Deficiencies resulting from these examinations have been offset by the carryback of the 1960 net operating loss.

(8) PREPAID ENGINE OVERHAUL COST

Under regulations of the Federal Aviation Agency, engine overhauls are required after a specific number of hours flown. Since the cost of a new engine includes the prepaid overhaul cost and since an engine is usually overhauled several times a year, as of June 30, 1960 the prepaid overhaul cost, less a reserve provision based upon hours flown since the last overhaul of each engine (the Company's engines are overhauled by outside contractors), has been reclassified from property and equipment. This reclassification had the effect of increasing reported working capital by \$656,038 as of June 30, 1960.



OFFICERS—

ROBERT W. PRESCOTT	President
FRED BENNINGER	Executive Vice-President-Treasurer
FRANK B. LYNOTT	Executive Vice-President—Operations
JOHN L. HIGGINS	Vice-President—Sales
WILLIAM E. BARTLING	Vice-President—Research
L. S. KIMBALL	Vice-President—Public Relations
GEORGE T. CUSSEN	Vice-President—Western Region Sales
GEORGE S. OBERDORF	Vice-President—Assistant to the President
O. R. BURGHARDT	Secretary and Assistant Treasurer
NORMAN L. MEYERS	Assistant Secretary
RALPH B. STUMP	Assistant Secretary

DIRECTORS—

SAMUEL B. MOSHER	Chairman of the Board Chairman of the Board of Signal Oil & Gas Company, Los Angeles
RUTH AXE	Vice-President, E. W. Axe & Co., Inc., New York
ALLEN T. CHASE	President, Standardized Aircraft, Inc., Los Angeles
JOHN C. COSGROVE	Executive Vice-President, Marsh & McLennan-Cosgrove & Co., Los Angeles
BORIS GRESOV	Axe Science & Electronics Corp., New York
ARTHUR G. LINKLETTER	Guedel-Linkletter Productions, Los Angeles
CHARLES LUCKMAN	Charles Luckman Associates, Los Angeles
NORMAN L. MEYERS	Meyers & Batzell, Washington, D.C.
ROBERT W. PRESCOTT	President
HOUSTON REHRIG	President, Rehrig Pacific Co., Los Angeles
JOHN C. TYLER	Farmers Insurance Group, Los Angeles

TRANSFER AGENTS—

THE CHASE MANHATTAN BANK
40 Wall Street
New York 15, N. Y.

BANK OF AMERICA
600 S. Spring St.
Los Angeles 54, Calif.

REGISTRARS—

THE BANK OF NEW YORK
48 Wall Street
New York 15, N. Y.

CITIZENS NATIONAL TRUST & SAVINGS BANK
457 S. Spring St.
Los Angeles 54, Calif.

GENERAL COUNSEL—

MEYERS & BATZELL
Shoreham Building
Washington 5, D. C.

AUDITORS—

ARTHUR ANDERSEN & Co.
1320 West Third St.
Los Angeles 17, California

EXECUTIVE OFFICES—

LOCKHEED AIR TERMINAL
Burbank, California



THE FLYING TIGER LINE INC.

SALES OFFICES

AKRON-CANTON, OHIO
Akron-Canton Airport
Akron: Tyler 6-2353
Canton: Hyacinth 9-5900

ALBANY, N. Y.
Erie Street
Hemlock 4-8223

BINGHAMTON, N. Y.
Broome County Airport
Raymond 9-1591

BOSTON, MASS.
Logan International Airport
Logan 7-6161

BUFFALO, N. Y.
81 Batsford Place
Bedford 5055

CHICAGO, ILL.
5833 So. Central Ave.
Partsmouth 7-8200

CLEVELAND, OHIO
Cleveland Hopkins Airport
Winton 1-5777

DETROIT, MICH.
Detroit-Metropolitan Airport
Logan 2-9700

GRAND RAPIDS, MICH.
525 Burton St., S.W.
Cherry 1-2221

HARTFORD, CONN.-SPRINGFIELD, MASS.
Bradley Field, Windsor Locks, Conn.
Hartford: Jackson 2-3145
Springfield: Republic 4-5675

HONOLULU, HAWAII
Honolulu International Airport
Honolulu, Hawaii
Tel. 4-4111, Ext. 4-3190

LONDON, ENGLAND
2 Marlborough House
Courlands
Richmond, Surrey
Surrey 3350

LOS ANGELES, CALIF.
Lockheed Air Terminal, Burbank
Triangle 7-3411

MILWAUKEE, WIS.
Mitchell Field
Humboldt 3-5000

MINNEAPOLIS-ST. PAUL, MINN.
2424 Minnehaha Ave.
Parkway 9-8321

NEWARK, N. J.
Newark Airport
Market 4-3700

NEW YORK, N. Y.
International Airport
Olympia 6-5157
Newark Airport
Whitehall 3-8787
60 East 42nd Street
Oxford 7-8850

PHILADELPHIA, PA.
International Airport
Saratoga 6-7100

PORTLAND, ORE.
International Airport
Atlantic 1-1158

PROVIDENCE, R. I.
577 So. Main Street
Elmhurst 1-8500

ROCHESTER, N. Y.
175 Jay Street
Baker 5-1473

SAN DIEGO, CALIF.
8050 Othello Street
Browning 8-4100

SAN FRANCISCO-OAKLAND, CALIF.
San Francisco International Airport
Plaza 5-9405

SEATTLE, WASH.
Boeing Field
Parkway 3-5916

SOUTH BEND, IND.
1415 So. Olive Street
Atlantic 8-4441

TOKYO, JAPAN
Room 110 Masonic Bldg.
#13 Shiba Sakae-Cho, Minato-Ku
Tel. 431-4121, Ext. 110

TOLEDO, OHIO
1831 E. Manhattan Blvd.
Randolph 6-5681



THE FLYING TIGER LINE INC.
-----AIRFREIGHT----->