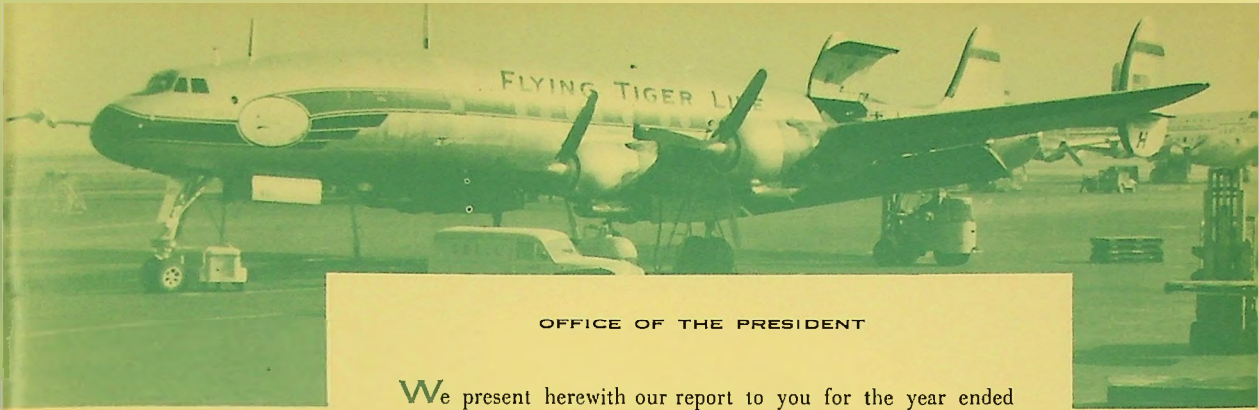




THE FLYING TIGER LINE INC.

Annual Report

year ended June 30, 1957



OFFICE OF THE PRESIDENT

**PRESIDENT'S
LETTER**

We present herewith our report to you for the year ended June 30, 1957.

Our operations for the first ten months were conducted at a loss. In May of 1957, however, we began to feel the impact of the new Constellation fleet and started making a profit. We received delivery of our last Constellation on June 24, 1957, so July of our new year will be the first full month of operations with the whole new fleet.

Again this year, as in almost every one of the past six years, there is a substantial gain on the sale of equipment. It was this item which offset this year's operating loss, and caused us to show a small profit. The net loss for the year was \$614,336, and the gain on equipment sales was \$716,005.

As stated above, with the new fleet we have begun to show a profit from operations and have reason to believe we can continue this through the current year.

As described elsewhere in this report, we plan further disposal of older types of aircraft during this current year, which should produce additional gains on equipment sales.

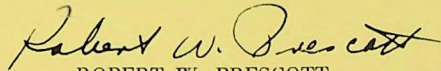
We have continued to maintain your company's position as the leading all-cargo carrier of the world. With the new fleet now installed we have plans to increase our cargo route capacity considerably, which gives us the opportunity to widen that lead.

The other part of our business, the contract and charter field, has increased appreciably as a result of our increased capacity. We can therefore reasonably expect a growth in gross volume of business by the Company of at least 60% for the current year.

We deeply regret to announce the death of Mr. James Davidson on June 23, 1957. Mr. Davidson was one of the original investors in the Company and has been a Director since its founding.

On behalf of our Directors and Management I would like to thank all employees and stockholders for their loyalty and helpful cooperation during the past year.

For the Board of Directors



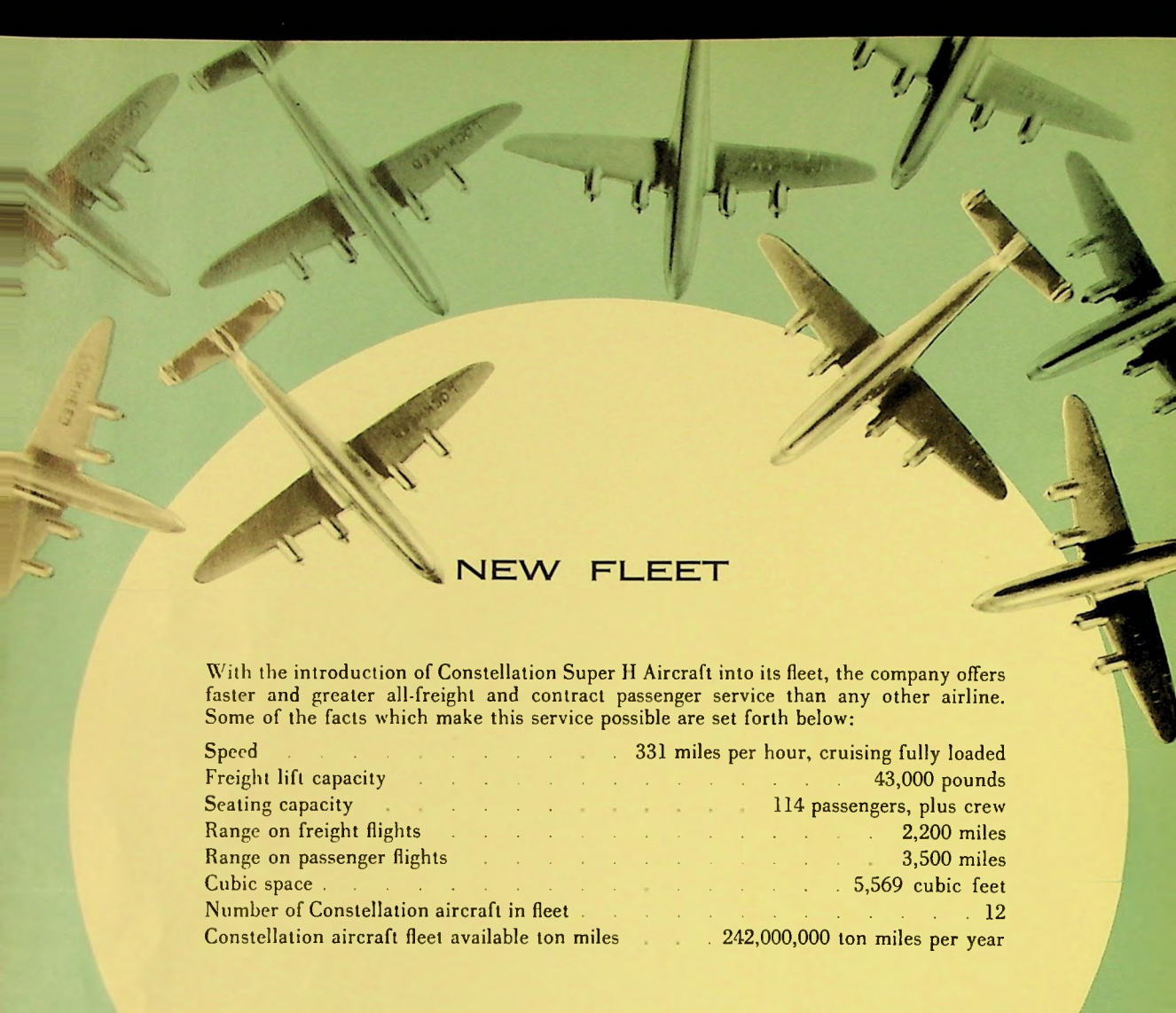
ROBERT W. PRESCOTT
President



AMERICAN SHIPPERS
AIR FREIGHT

N6913

Super
H
AIRFREIGHT



NEW FLEET

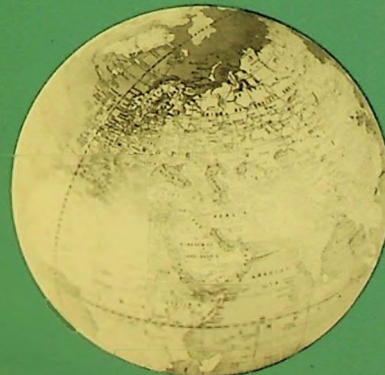
With the introduction of Constellation Super H Aircraft into its fleet, the company offers faster and greater all-freight and contract passenger service than any other airline. Some of the facts which make this service possible are set forth below:

Speed	331 miles per hour, cruising fully loaded
Freight lift capacity	43,000 pounds
Seating capacity	114 passengers, plus crew
Range on freight flights	2,200 miles
Range on passenger flights	3,500 miles
Cubic space	5,569 cubic feet
Number of Constellation aircraft in fleet	12
Constellation aircraft fleet available ton miles	242,000,000 ton miles per year





AIR FREIGHT GROWTH



A comparison of ton miles carried with previous fiscal years is the best indication of the continued growth of the company's domestic air freight business.

1954-1955	36,890,469 ton miles
1955-1956	49,648,556 ton miles
1956-1957	53,520,135 ton miles

The dollar revenue increase of individual stations over last year was most encouraging as the following examples indicate:

San Francisco	41%
Seattle	16%
Binghamton	48%
Cleveland	47%
Portland	8%
Detroit	38%

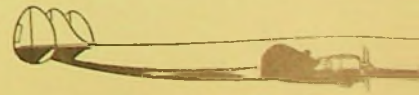
The impact of the introduction of the 1049H Super Constellation air freight fleet was not reflected to any degree in the increases achieved during the past year because the program was not completed until June 1957 when service was inaugurated between San Francisco and eastern destinations.

Air express traffic continued to show satisfactory increases until the advent of a strike by drivers of the Railway Express Agency in certain key cities on the system commencing the latter part of April and settled during the latter part of July. In spite of these unfavorable circumstances the company grossed \$175,000 in air express revenue during the year.

Authority for the carriage of air mail, which was granted us for a period of one year and which period has expired, is presently before the Civil Aeronautics Board for renewal and a favorable result is expected. During the period while the Civil Aeronautics Board is considering this matter authority to carry air mail has been extended.

We are continuing to participate in the experiment introduced by the Post Office Department of carrying First Class Mail at air freight rates on a space available basis.

The carriage of deferred air freight was described in last year's report and had been in effect then too short a time to evaluate its potential. When the Civil Aeronautics Board authorized the carriage of deferred freight, it did so for a period of one year as an experiment and to gain experience





A stack of freight is weighed before loading aboard the aircraft.



A portion of the interior of a Constellation airfreighter. The total cubic capacity is equal to two 40-ft. box cars.

background. As the one year period has expired, the renewal of this activity is presently being heard before the Board. The result of the experiment was, in our opinion, a complete success enabling us to top off regular air freight loads by filling space which might have gone empty. It has not only added to our revenues to the extent of \$335,000 but has not diverted any first class air freight. Undoubtedly there are many users of this service who would have used surface transportation were the deferred service not available. Authority to continue to handle deferred air freight until a final decision has been reached was granted by the Board.

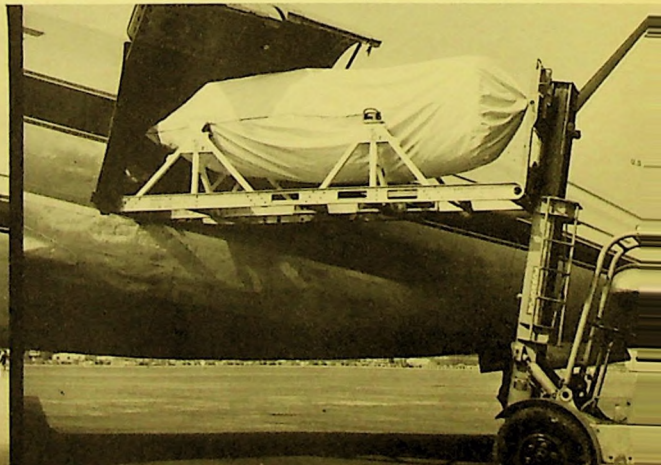
The company is presently negotiating with one of the largest van line companies in the United States to provide a specialized service for the movement of household goods which, when considered from the viewpoint of speed in transit, will be competitive costwise with surface movement. We expect to be able to announce this program shortly.

In cooperation with a well known aircraft manufacturer the company has developed a new method of carrying jet engines which will not only increase the speed of delivery from manufacturer to user by cutting pipe-line time, but will be competitive dollarwise with surface rates. The transportation dollar savings through the use of this program will be substantial to both Military and civilian users.

With Constellation air freight service already established at Los Angeles, San Francisco, Chicago, Detroit, Cleveland and New York and as a result of the very favorable response to its introduction from the shipping public, your company expects to increase the air freight fleet substantially during

A jet engine is being loaded in a Flying Tiger aircraft.

The same type of jet engine is shown on a shipping buck perfected by the shipper and The Flying Tiger Line, resulting in 3,000 pounds less weight.





Military freight destined for Tokyo, Japan, is loaded on a Super Connie at Travis Air Force Base.



Household goods are being transferred from van line to airfreighter to expedite delivery.

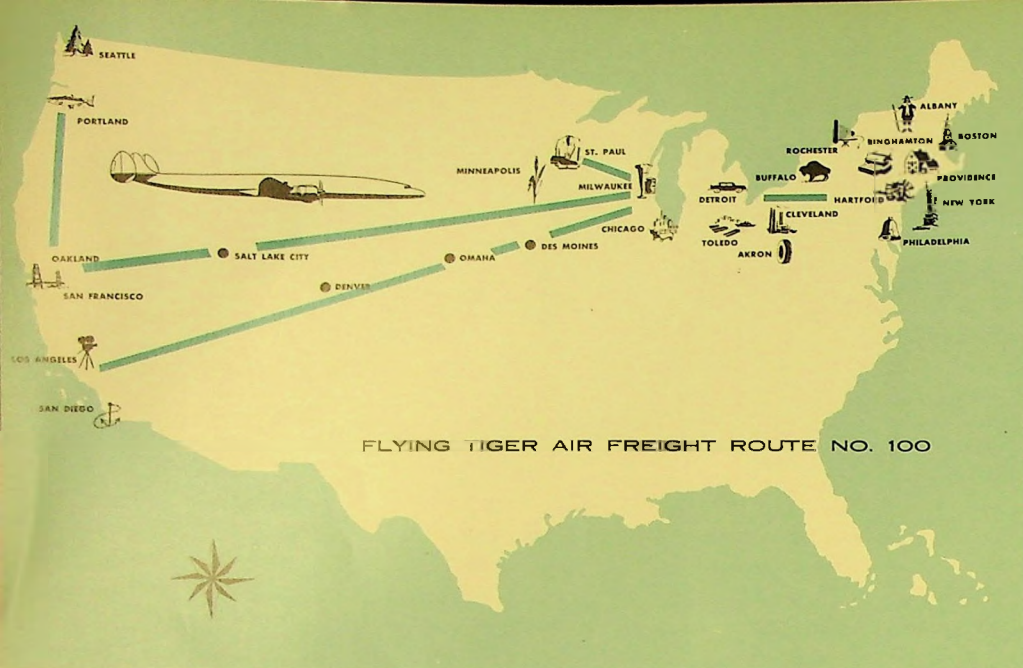
the coming year to provide additional and faster service to New England points and to Seattle and Portland in the Northwest as well as to increase existing service to and from New York, Binghamton, Chicago, San Francisco and Los Angeles. The air freight fleet will be standardized to consist of Super Constellations only, resulting in a far better service to the public and a more economical operation. With the introduction of these additional aircraft to the freight fleet the company will be in a position to offer more lift capability than any other cargo carrier as well as representing the greatest overall lift capacity in the history of the industry.

During May and June an extensive advertising and sales promotion program was launched to herald the beginning of the new service which is exclusive with The Flying Tiger Line since no other domestic airline has Super H equipment. This program featured the fact that the Super H is the largest, fastest airfreighter in commercial service, lifting one-third more than any other comparable aircraft and flying ten per cent faster. Additionally, it has a longer range. This permits the company to schedule longer non-stop flights, thus eliminating costly fuel and weather stops and adding speed to cargo in transit. For example, non-stop service now is rendered from Detroit to either Los Angeles or San Francisco, an impossibility with the equipment which the Super H replaced. Initial results of the sales and advertising programs were gratifying. The inquiries and comments received showed that the shipping public was aware of the new service and the freight loads reported by various stations proved that shippers were making good use of it. Advertising and sales promotion campaigns will be placed in effect previous to the introduction of the additional Constellations to the air freight fleet.

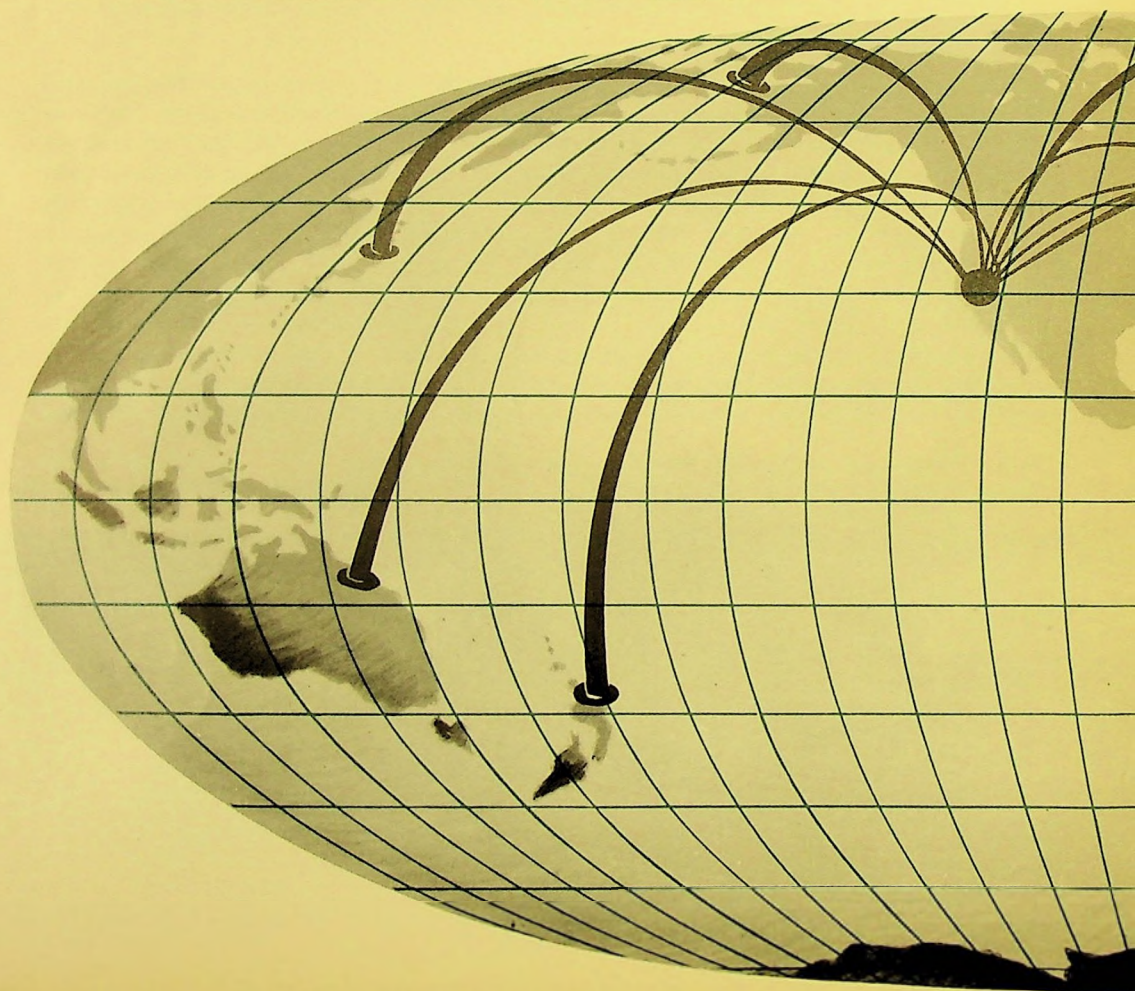
The immense stacks of boxes of cut flowers are dwarfed against the background of the triple tail section of the new Constellation.

Freight is received and dispatched at all hours of the day and night.





WORLD-WIDE
ROUTES OF
THE FLYING
TIGER LINE

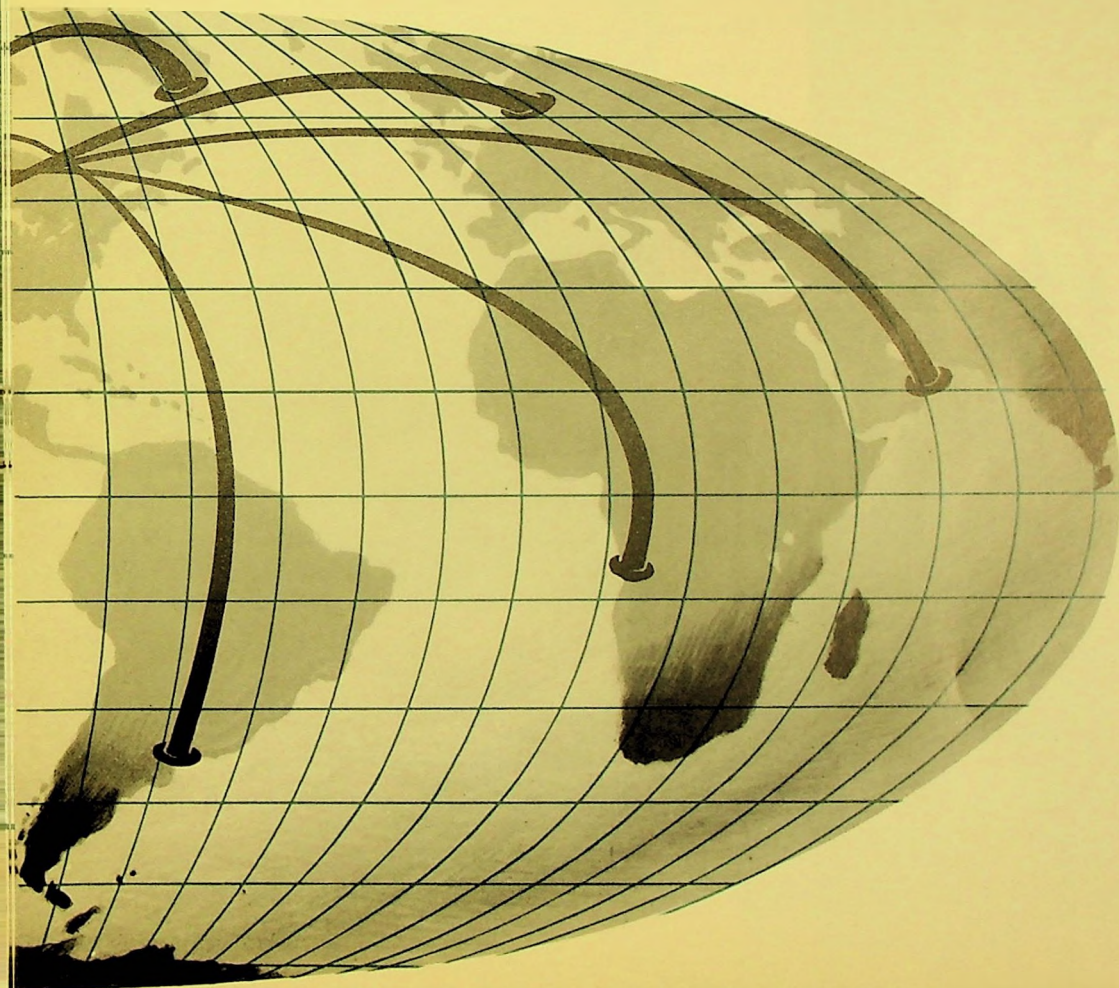


THE UNITED STATES

Within the United States, The Flying Tiger Line operates a certificated air freight system more than 10,000 miles long, extending from the North Atlantic states through the Midwest to all principal Pacific Coast points. Designated by the Civil Aeronautics Board as U. S. Air Freight Route No. 100, it serves the principal terminal points of Boston, Hartford-Springfield, New York-Newark, Philadelphia, Binghamton, Buffalo, Cleveland, Detroit, Chicago, Milwaukee, Minneapolis-St. Paul, Los Angeles, San Francisco, Portland (Oregon), and Seattle. Special hub-trucking services directly link terminal points to the cities of Providence, Albany, Rochester, Akron-Canton, Toledo, Grand Rapids, South Bend, San Diego and Oakland. Special charter flights are operated to any point within the United States.

FOREIGN

From the principal bases of San Francisco on the Pacific Coast and New York on the Atlantic Coast, The Flying Tiger Line conducts the world's largest contract operations to all points of the globe. The main operations lie across the North Atlantic to Europe and over the Pacific to Japan. During the past year, the airline also flew frequently over contract routes from the United States to Greenland, from England to Canada, from the West Indies to England, from the United States to North Africa, from Europe to Australia and South Africa, from the Orient to Europe and from the United States to the Carribean, and the Middle East.





CONTRACT OPERATIONS



The development of low cost passenger charter business between New York and Europe, which was described in last year's report, has continued on a very satisfactory basis. During the summer of 1957 the company will have carried in excess of 16,000 passengers in tourist charter groups. For example, more than 1,000 Canadian Boy Scouts will have used The Flying Tiger Line Group Charter Service to Europe and return during the 1957 summer season. Plans have been formulated to further expand this activity. Including military contract business the company carried more than 50,000 individuals during the year.

The company has been successful in securing a number of freight charters from the United States to Greenland and to Europe.

The Contract Division supplied the first flight for Hungarian refugees to the United States, which movement secured world-wide publicity and was followed by many other flights. In addition, the first flight was flown with immigrants from Europe to Australia and from Europe to South Africa, and we engaged in the famous "Air Bridge" flights of immigrants from the United Kingdom to Canada. Revenues from this type traffic are expected to exceed \$5,000,000 for the 1957 season.

With the expansion of the passenger group charter business, the company has opened a Charter Sales Office in the Lincoln Building in mid-town Manhattan, New York City.

A jubilant group of tourists bound for Frankfurt, Germany, "Mit Flying Tiger Line Inc."



One of the many musical groups flown under the Flying Tiger Line low cost group plan to their fatherland. This group, RATTVIKS SPELMANSLAG, is bound for Stockholm, Sweden.



Passengers on the new Super Constellation group flights have all conveniences including hot food and snacks from this modern galley. Here Irene Chervachidze prepares a tray for Flying Tiger passengers.

A group of employees of Republic Aviation Corporation boarding a Flying Tiger Line Super H Constellation bound for London, Paris and Rome.



Low-cost air travel hits the peak in passenger comfort with the inauguration by the Flying Tiger Line of Super Constellation flights. This shot shows how passengers on this new plane, which seats either 114 or 96, ride in perfect comfort. Three stewardesses take care of passenger needs and also serve hot meals aloft.



OPERATIONS



Under this heading, all of the physical operations of the Company's transportation system are handled. This includes maintenance, flight operations, ground handling of cargo and passengers, and training of personnel for each of these activities.

At the beginning of this year the Company had in its operating fleet the following flight equipment:

- 4—DC-6As
- 8—DC-4s
- 19—C-46 Commandos

At the end of the year we had the following:

- 2—DC-6As
- 3—DC-4s
- 15—C-46 Commandos
- 12—1049H Super Constellations



As apparent, this radical turnover in types of equipment has caused a considerable amount of problems and expense in training flight crews and mechanics and in changing procedures to fit the new type of equipment. We hope the greatest part of this is behind us now.

One item of expense in operations that has been with us in the past is that extra cost of operating multiple types of equipment. This arises from having to keep flight and maintenance crews trained on the several types, plus the supply problems of keeping several separate inventories of spare parts. We have not until now been able to do much about this situation because we lacked the financial ability to secure enough modern equipment to fulfill our commitments and have had to supplement our fleet with whatever older equipment we could secure.

With the acquisition of the 12 Super Constellations, management has made the decision to narrow down its types to the minimum. In keeping with this policy it is now planned to retire all the C-46



Commando fleet in October of this year. This plane is a twin-engine freighter with a load capacity of 13,000 pounds. It has been used as a feeder plane into our larger stations to supply loads to the larger long range airplanes, such as the Constellation with a payload of 42,000 pounds. We have decided to serve all points with Constellation service beginning in October. This not only eliminates the multiple-plane expense mentioned above, but will also eliminate a large amount of station expense in loading and off-loading that was incurred in the feeder type of operations. It will also give us a great deal of flexibility in our operations and allow us to give faster and better airfreight service to our customers.

With this new schedule we will have the best pattern of all-cargo service ever offered in the United States, including non-stop flights from the West Coast to the Eastern seaboard.

This will leave the company operating 12 Super Constellations and 2 DC-6s. We are presently seeking a way to eliminate the DC-6s without injuring our capacity so that we will be down to only one type of equipment. This, of course, is the ideal situation in cutting operating expenses to the minimum.

During this past year, in addition to our domestic airfreight operations, the Contract Division has operated the following number of flights between the areas listed below:

- 757 trips, U. S. and Europe
- 199 trips, U. S. and the Far East
- 68 trips, Canada and Europe
- 54 trips, Europe and Australia
- 7 trips, Europe and South Africa
- 30 trips, Europe and the Far East

This is shown to give you an idea of how widespread and far-flung your Company's operations have become.



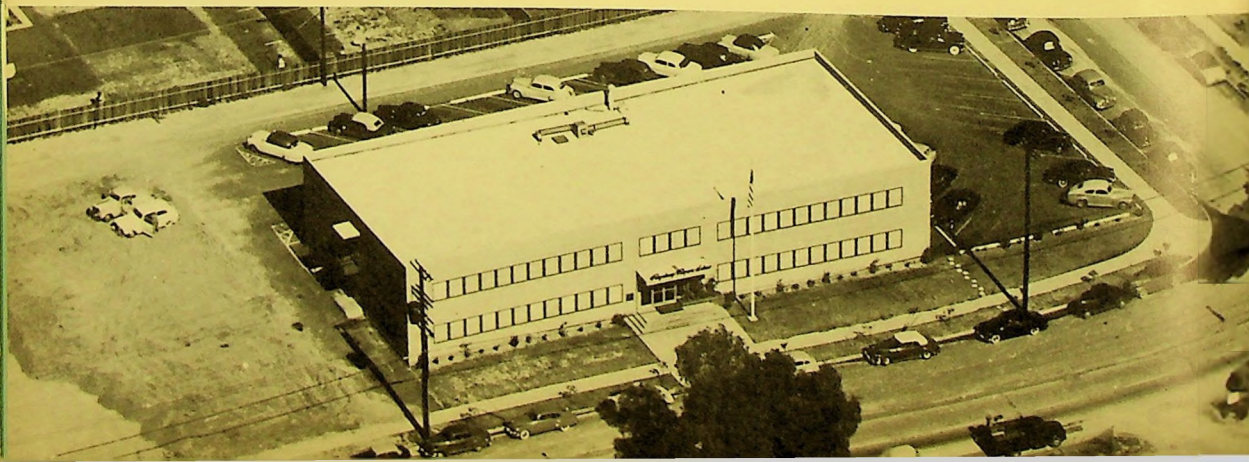


HIGHLIGHTS OF YEAR'S OPERATIONS

Gross operating revenues for the 1957 fiscal year increased \$2,719,826 or 12% over the previous fiscal year. Operating expenses increased \$3,819,346 or 17% during the same periods. These and other highlights are set forth below:

	1957	1956
Gross operating revenue.....	\$24,651,146	\$21,931,320
Domestic freight revenues (included above).....	\$ 9,350,375	\$ 8,664,714
Operating expenses.....	\$25,668,596	\$21,849,250
Net income or (loss) and special items.....	\$ 101,669	\$ 2,975,771
Net worth of company.....	\$10,917,798	\$10,367,685
Net worth per common share.....	\$10.09	\$10.04 (1)
Ton miles domestic air freight.....	53,520,135	49,648,556
Total assets.....	\$36,077,854	\$17,701,128

(1) Adjusted, for comparison purposes, to give effect to increase in common shares in fiscal year 1957.



FINANCING EQUIPMENT EXPANSION PROGRAM

During the year, Constellation aircraft, spare engines
and parts were purchased at a total cost of.....\$23,675,000

The company also incurred costs for training of per-
sonnel in connection with the equipment expansion
program in the amount of..... 750,000

To further increase the Super Constellation fleet, the
company leased two additional Constellation
aircraft, making an advance rental deposit of..... 525,000

The total outlay was.....\$24,950,000

These expenditures were financed as follows—

Deposits on equipment..... \$ 5,470,000

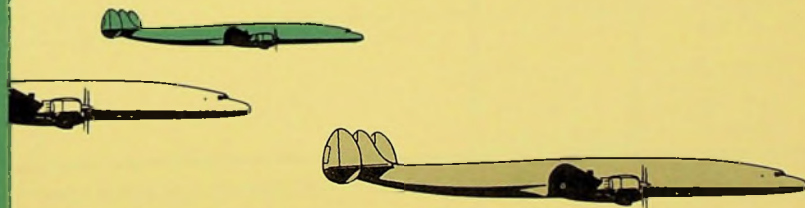
Long-term bank loan..... 13,000,000

Sale of common stock and
debentures..... 2,000,000

Proceeds from sale of aircraft,
engines, etc..... 2,225,000

Current working capital..... 2,255,000

\$24,950,000





THE FLYING TIGER LINE INC.

A S S E T S	1 9 5 7	1 9 5 6
CURRENT ASSETS:		
Cash.....	\$ 2,571,993	\$ 2,085,998
Marketable securities, at cost	—	1,000,000
Receivables—		
Freight customers.....	791,965	696,605
United States Government—		
Charters, freight, service sales, etc.....	2,168,125	1,557,900
Estimated refund of Federal income taxes.....	200,722	—
Other—charters, service sales, etc.....	2,581,845	2,233,344
Reserve for bad debt losses.....	(38,000)	(30,000)
Inventories of materials and supplies, at cost not in excess of market.....	581,572	549,387
Prepaid insurance, rents, etc.....	385,094	302,803
Total current assets.....	\$ 9,243,316	\$ 8,396,037
INVESTMENTS AND SPECIAL FUNDS:		
Deposits on purchase of aircraft and equipment.....	\$ 35,310	\$ 5,505,750
Subsidiary company.....	—	62,500
Other.....	8,720	8,500
	\$ 44,030	\$ 5,576,750
PROPERTY AND EQUIPMENT—Note 1:		
Cost—		
Aircraft, engines, and other flight equipment.....	\$28,143,236	\$ 6,279,263
Other equipment.....	1,331,842	1,109,308
Land and buildings.....	640,483	579,456
	\$30,115,561	\$ 7,968,027
Less—Reserves for depreciation.....	4,696,214	4,440,620
	\$25,419,347	\$ 3,527,407
DEFERRED CHARGES:		
Long-term prepayments.....	\$ 656,032	\$ 73,325
Training and other costs applicable to new aircraft—Note 2.....	582,932	—
Debt discount and expense, being amortized.....	132,197	127,609
	\$ 1,371,161	\$ 200,934
	\$36,077,854	\$17,701,128

The accompanying notes are an integral part of these statements.

BALANCE SHEETS

JUNE 30, 1957 AND 1956

LIABILITIES	1957	1956
CURRENT LIABILITIES:		
Bank loans—		
Note payable (paid July 2, 1957).....	\$ 700,000	\$ —
Current installments of long-term debt.....	2,888,889	—
Accounts payable.....	5,499,809	1,896,185
Accrued payroll.....	233,271	219,359
Other accrued liabilities.....	584,102	236,973
Dividend payable on preferred stock.....	—	24,778
Federal taxes on income.....	—	200,522
Reserve for vacations.....	357,658	233,303
Advance charter deposits.....	214,323	381,705
Total current liabilities.....	<u>\$10,478,052</u>	<u>\$ 3,192,825</u>
LONG-TERM DEBT—Notes 3 and 4:		
5½ per cent debentures due 1967 (subordinate).....	\$ 2,724,000	\$ 2,724,000
Series A, 5½ per cent debentures due 1967 (subordinate).....	500,000	—
Bank loan—payable in monthly installments of \$240,741 plus interest at 5 per cent, secured by pledge of aircraft, engines, and other flight equipment, less current installments shown above.....	9,870,370	—
Equipment purchase contract, secured by pledge of related assets.....	72,945	—
Total long-term debt.....	<u>\$13,167,315</u>	<u>\$ 2,724,000</u>
DEFERRED CREDITS:		
Deferred income taxes.....	\$ 1,229,978	\$ 1,229,978
Deferred charter revenue, etc.....	284,711	186,640
Total deferred credits.....	<u>\$ 1,514,689</u>	<u>\$ 1,416,618</u>
CAPITAL STOCK AND SURPLUS:		
Preferred stock—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,112 shares Series A, 5 per cent cumulative	\$ 991,120	\$ 991,120
Common stock—		
Authorized, 1,500,000 shares of \$1 par value (at June 30, 1957, 340,677 shares were reserved for conversion of outstanding debentures and 70,000 shares for stock options)—Notes 4 and 5.		
Issued and outstanding, 983,635 and 886,796 shares at respective dates.....	983,635	886,796
Capital surplus—per accompanying statement.....	3,448,855	2,640,663
Earned surplus (see Note 3)—per accompanying statement.....	5,494,188	5,849,106
Total capital stock and surplus.....	<u>\$10,917,798</u>	<u>\$10,367,685</u>
Total liabilities and capital stock and surplus.....	<u>\$36,077,854</u>	<u>\$17,701,128</u>

The accompanying notes are an integral part of these statements.



THE FLYING TIGER LINE INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 1957 AND 1956

	1957	1956
OPERATING REVENUES:		
Common carriage freight.....	\$ 8,448,604	\$ 7,833,598
Rentals, charters, and service sales (net).....	16,202,542	14,097,722
Total.....	<u>\$24,651,146</u>	<u>\$21,931,320</u>
OPERATING EXPENSES:		
Flying operations.....	\$12,587,836	\$10,522,937
Ground operations.....	3,332,179	2,491,307
Maintenance.....	5,227,865	4,956,104
Traffic, sales, advertising and publicity.....	1,395,333	1,023,632
General and administrative.....	1,297,297	1,142,173
Depreciation and amortization.....	1,828,086	1,713,097
Total.....	<u>\$25,668,596</u>	<u>\$21,849,250</u>
Net income (loss) from operations.....	<u>\$ (1,017,450)</u>	<u>\$ 82,070</u>
OTHER INCOME AND (EXPENSE):		
Interest expense.....	\$ (383,783)	\$ (315,130)
Amortization of debt discount and expense.....	(16,742)	(15,691)
Miscellaneous (net).....	137,639	51,854
Total.....	<u>\$ (262,886)</u>	<u>\$ (278,967)</u>
Net (loss) before Federal income taxes.....	<u>\$ (1,280,336)</u>	<u>\$ (196,897)</u>
CREDIT FOR FEDERAL INCOME TAXES	666,000	102,000
Net (loss).....	<u>\$ (614,336)</u>	<u>\$ (94,897)</u>
SPECIAL ITEMS:		
Gain on disposals of aircraft, less provisions of \$775,000 and \$1,514,682 for income taxes in respective years.....	716,005	3,070,668
Net (loss) and special items.....	<u>\$ 101,669</u>	<u>\$ 2,975,771</u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF SURPLUS

FOR THE YEARS ENDED JUNE 30, 1957 AND 1956

CAPITAL SURPLUS

	1957	1956
BALANCE AT BEGINNING OF YEAR	\$ 2,640,663	\$ 1,732,398
ADD—		
Excess of proceeds from sale of common stock (50,000 shares and 100,000 shares in respective years) over par value thereof.....	448,000	890,000
Excess of fair value of stock dividend of 46,839 shares over par value thereof.....	360,192	—
Surplus arising from conversion of debentures into common stock.....	—	18,265
BALANCE AT END OF YEAR	<u>\$ 3,448,855</u>	<u>\$ 2,640,663</u>

EARNED SURPLUS

BALANCE AT BEGINNING OF YEAR	\$ 5,849,106	\$ 2,922,891
ADD—		
From accompanying statement—		
Net (loss).....	(614,336)	(94,897)
Special items.....	716,005	3,070,668
	<u>\$ 5,950,775</u>	<u>\$ 5,898,662</u>
DEDUCT—		
Cash dividends on preferred stock—50 cents per share.....	\$ 49,556	\$ 49,556
5 per cent common stock dividend— 46,839 shares at fair value of \$8.69 per share.....	407,031	—
	<u>\$ 456,587</u>	<u>\$ 49,556</u>
BALANCE AT END OF YEAR (See Note 3)	<u>\$ 5,494,188</u>	<u>\$ 5,849,106</u>

The accompanying notes are an integral part of these statements.



THE FLYING TIGER LINE INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1957

(1) Aircraft:

At June 30, 1957, the company had a fleet of 36 aircraft as follows:

<u>Type</u>	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Cessna.....	1	—	1
C-46.....	15	—	15
C-54.....	3	3	6
DC-6A.....	—	2	2
1049-H.....	10	2	12
	<u>29</u>	<u>7</u>	<u>36</u>

Four of the C-46 and one of the C-54 aircraft were sold in July, 1957. A contract has also been signed for the sale of the remaining two C-54's, with delivery scheduled for September and October, 1957. Leases for the three C-54 aircraft expired in July, 1957.

The lease for the two DC-6A aircraft, which is subject to assignment under a supplement to the Credit Agreement, expires April 30, 1963, with an option of renewal for five years and with an option to purchase such aircraft during the third, fourth, or fifth year of the lease.

The lease terms for two 1049-H aircraft provide for termination on May 27, 1962, and June 24, 1962, with options to purchase such aircraft upon the expiration of the first two years.

(2) Deferred training costs:

Deferred training and other costs (less \$309,722 deferred income taxes attributable to the current deduction of such costs for tax purposes) applicable to new Super Constellation aircraft delivered during the latter part of the fiscal year, will be amortized over the two-year period beginning July 1, 1957.

(3) Long-term debt:

Under the Credit Agreement relating to the five per cent long-term bank loans, all of the earned surplus balance at June 30, 1957, is restricted against cash dividends on capital stock, other than \$50,000 annually for dividends on preferred stock.

The Credit Agreement also sets forth minimum amounts of working capital and net worth, as defined, which the company has agreed to maintain, and places restrictions on additional borrowings, capital expenditures, acquisitions of capital stock, and leasing of mortgaged property.

At June 30, 1957, the company's working capital (which did not reflect sales of certain aircraft and spare parts made or contracted for subsequent to June 30, 1957, in the amount of \$2,200,000) was approximately \$3,030,000 less than the minimum amount as defined in the Credit Agreement; expenditures (including commitments) for Super Constellation spare parts exceeded the specified limitation by approximately \$1,380,000, and other capital expenditures exceeded the specified limitation by approximately \$380,000.

(4) Debentures:

The 5½ per cent debentures due 1967 (subordinate) are redeemable at varying premiums to July 1, 1966, and if not so redeemed, a minimum of \$275,000 principal amount is redeemable at par annually on July 1 from 1960 to 1966 through the operation of a sinking fund; these debentures are presently convertible into common stock (until July 1, 1962) at a price of \$8.93 principal amount of debentures for each share of common stock.

The Series "A" 5½ per cent debentures due 1967 (subordinate) are redeemable at a premium of 10 per cent and are presently convertible into common stock (until June 27, 1967) at a price of \$14.03 principal amount of debentures for each share of common stock.

Surplus restrictions under the debenture indentures are less restrictive than under the terms of the Credit Agreement referred to in Note 3.

(5) Stock option plan:

During the year, the stockholders approved the granting of options to certain key employees to purchase 70,000 shares of the company's common stock at a price of \$9.375 per share; these options are subject to adjustment for subdivision of shares, and are exercisable during the period from August 20, 1960 to February 20, 1961.

(6) Profit-sharing plan:

Subsequent to June 30, 1957, a profit-sharing and retirement plan has become effective, providing for annual company contributions to the plan of 20 per cent of net profits (as computed for Federal income tax purposes before reduction for any contribution under the plan, but excluding capital gains and losses and an amount equal to 6 per cent of the company's net worth at the end of the preceding fiscal year) but not less than \$100,000 for the year ending June 30, 1958, and such additional amounts as the board of directors may determine, but not in excess of 15 per cent of the total compensation otherwise paid or accrued to the participants of the plan in any fiscal year.

(7) Reclassifications:

The accompanying statements for the year 1956 have been reclassified, where necessary, to conform to the revised Uniform System of Accounts prescribed by the Civil Aeronautics Board which became effective January 1, 1957.

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

612 SOUTH FLOWER 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, 1957, 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, 1957, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1956.

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, 1957, 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,
September 18, 1957.

THE FLYING TIGER LINE INC.

OFFICERS AND DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

ALLEN T. CHASE JOHN C. COSGROVE NORMAN L. MEYERS
 ROBERT W. PRESCOTT HOUSTON REHRIG
 WILLIAM ZECKENDORF

directors

President ROBERT W. PRESCOTT
Executive Vice-President and Treasurer FRED BENNINGER
Vice-President WILLIAM E. BARTLING
Vice-President GEORGE T. CUSSEN
Vice-President L. S. KIMBALL
Vice-President FRANK B. LYNOTT
Vice-President NEIL BERBOTH
Assistant Vice-President JOHN L. HIGGINS
Secretary and Assistant Treasurer O. R. BURGHARDT
Assistant Secretary NORMAN L. MEYERS
Assistant Secretary RALPH B. STUMP

officers

executive offices

Lockheed Air Terminal, Burbank, California

transfer agents

THE CHASE MANHATTAN BANK New York
 THE BANK OF AMERICA Los Angeles

registrars

BANKERS TRUST COMPANY New York
 CITIZENS NATIONAL TRUST & SAVINGS BANK Los Angeles

general counsel

MEYERS & BATZELL Washington

auditors

ARTHUR ANDERSEN & CO. Los Angeles



SALES OFFICES

GENERAL OFFICES

10811 Sherman Way, North Hollywood, California

DOMESTIC CARGO DIVISION OFFICES

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

ALBANY, N. Y.
60-74 Broadway
Albany 4-8223

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

BOSTON, MASS.
Logan International Airport
East Boston 7-6161

BUFFALO, N. Y.
Municipal Airport
Plaza 3071

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

CLEVELAND, OHIO
Cleveland Hopkins Airport
Winton 1-5777

DETROIT, MICH.
Detroit-Wayne-Major Airport
Logan 2-9520

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

LONG BEACH, CALIF.
2751 E. Wardlow Rd.
Nevada 6-2687

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

MILWAUKEE, WIS.
Mitchell Field
Humboldt 3-5000

MINNEAPOLIS-ST. PAUL, MINN.
International Airport
Parkway 1-3311

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

NEW YORK, N. Y.
International Airport
Olympia 6-5157
Newark Airport
Whitehall 3-8787

OAKLAND, CALIF.
International Airport
Lockhaven 2-1871

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.
22 Edinburgh Street
Baker 5-1473

SAN DIEGO, CALIF.
Lindbergh Field
Cypress 6-6273

SAN FRANCISCO, CALIF.
International Airport
Plaza 5-9406

SEATTLE, WASH.
Boeing Field
Lander 5916

SOUTH BEND, IND.
412 E. Tutt Street
Atlantic 9-2437

TACOMA, WASH.
1821 So. Dock Street
Market 7-2167

TOLEDO, OHIO
145 So. St. Clair Street
Cherry 4-4276

INTERNATIONAL CHARTER DIVISION OFFICES

NEW YORK, N. Y.
60 East 42nd Street
New York 17, N. Y.
Oxford 7-8850

GENEVA, SWITZERLAND
Geneva Airport
Tel: 34 34 60

PARIS, FRANCE
American Lloyd, 7 Rue Auber
Tel: Richelieu 63-69

LONDON, ENGLAND
London Central Airport
Queen's Bldg. Room 1036
Hounslow, Middlesex, England
Tel: Skyport 4321—Ext. 310

