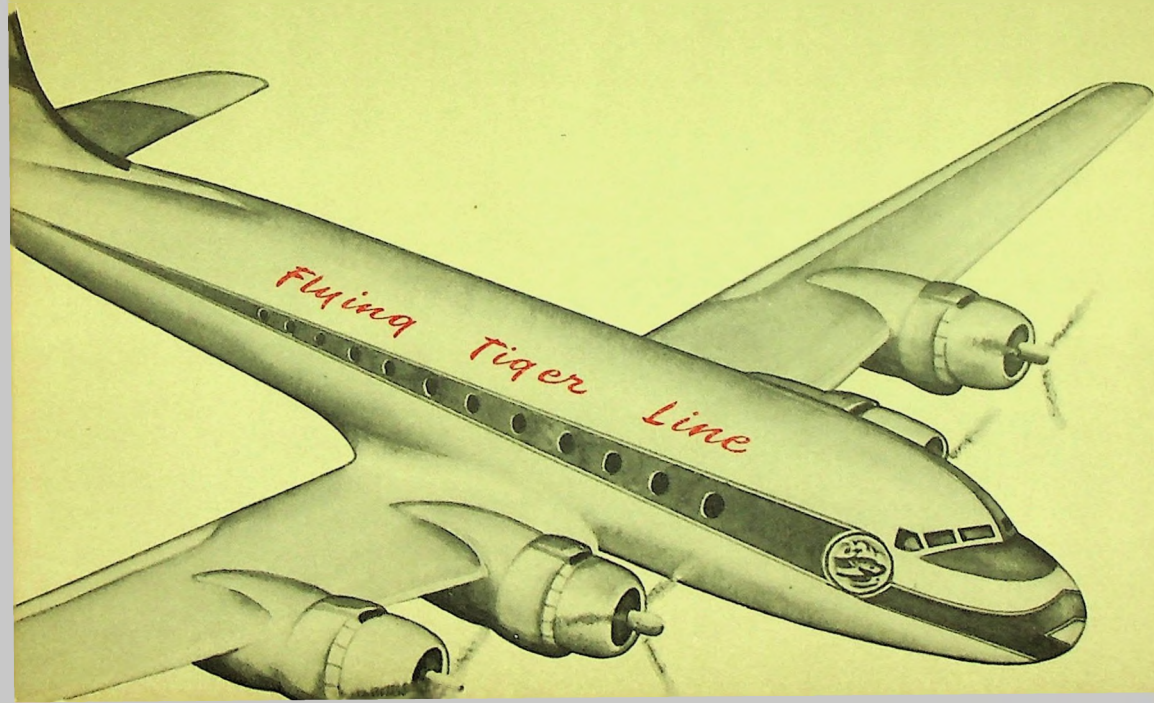


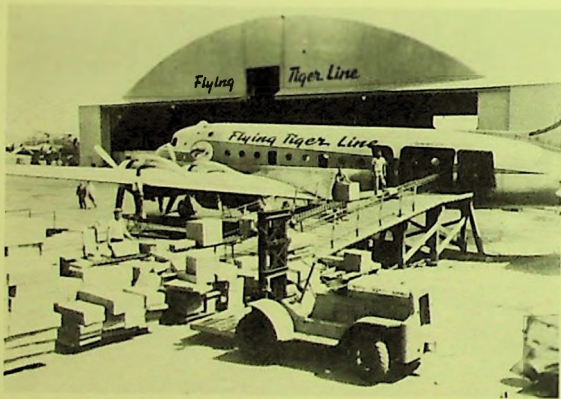
*The Flying Tiger Line Inc.*

**ANNUAL REPORT**

FOR THE YEAR ENDED  
JUNE 30

**1950**







# Summary

<b>WE RECEIVED FROM CUSTOMERS .....</b>	<b>\$4,964,168</b>
<b>WE PAID OUT OR SET ASIDE FUNDS FOR:</b>	
<b>Employees .....</b>	<b>\$1,693,760</b>
<b>Aircraft fuels .....</b>	<b>720,891</b>
<b>Other supplies .....</b>	<b>840,954</b>
<b>Replacement and maintenance       of equipment.....</b>	<b>461,303</b>
<b>Rentals.....</b>	<b>309,107</b>
<b>Insurance .....</b>	<b>111,836</b>
<b>Communications .....</b>	<b>109,161</b>
<b>Taxes .....</b>	<b>74,502</b>
<b>Interest .....</b>	<b>10,082</b>
<b>All other items.....</b>	<b>258,907</b>
	<hr/>
<b>LEAVING .....</b>	<b>\$ 373,665</b>
<b>Profit on sales of equipment and miscellaneous   income .....</b>	<b>126,682</b>
	<hr/>
<b>OUR GAIN FOR THE YEAR.....</b>	<b>\$ 500,347</b>
<b>Federal income tax (zero because of operating   loss during the 1947-1948 year).....</b>	
	<hr/>
<b>OUR TAKE-HOME PAY .....</b>	<b>\$ 500,347</b>



Samuel B. Mosher



Fred Benninger



William E. Bartling



Norman L. Meyers



Robert W. Prescott



George T. Cussen



Robert P. Hedman

## DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

ALLEN T. CHASE	ROBERT W. PRESCOTT
JAMES E. DAVIDSON	HOUSTON REHRIG
HARLAN B. ELDRID	T. J. SULLIVAN

## OFFICERS

<i>President</i> .....	ROBERT W. PRESCOTT
<i>Secretary-Treasurer</i> .....	FRED BENNINGER
<i>Vice-President of Sales</i> .....	GEORGE T. CUSSEN
<i>Vice-President of Traffic</i> .....	WILLIAM E. BARTLING
<i>Vice-President</i> .....	ROBERT P. HEDMAN
<i>Assistant Secretary-Treasurer</i> .....	HOWARD FINNEY
<i>Assistant Secretaries</i> .....	NORMAN L. MEYERS
	ELMER E. BATZELL
	RICHARD H. KEATINGE

## EXECUTIVE OFFICES

Lockheed Air Terminal  
 Burbank, California  
 Telephone: STANley 7-3411      Teletype:  
 CHARleston 6-7444      Burbank 7588  
 Cable Address—"FLYTIGER"

## TRANSFER AGENT

Chase National Bank of New York  
 18 Pine Street, New York 5

## REGISTRAR

Bankers Trust Company  
 16 Wall Street, New York 5

## GENERAL COUNSEL

Norman L. Meyers  
 Shoreham Bldg., Wash., D. C.

*Your Officers*

# President's Letter

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The year 1950 has witnessed vastly improved results in the operations of your Company. The most important contributing factor has been the award of our Temporary Certificate of Public Convenience and Necessity, issued by the Civil Aeronautics Board on July 29, 1949. Under this Certificate we have enjoyed a considerable expansion in the Company's airfreight business.

Our program for such expansion had been planned and presented in detail to the Civil Aeronautics Board at the lengthy hearings which preceded the well-considered action by the Board. In accordance with those plans, the first common carriage of airfreight under our Certificate was inaugurated in October, 1949. We are instituting certificated common carriage of airfreight over the full route awarded to us in progressive stages. During the year, common carriage service has been extended to additional points to build an integrated route pattern. In the course of time, and as we can build soundly, we plan to extend our service to other certificated points not yet served so as to fulfill the obligations of the Certificate and to provide a sound, economic route system. We fully expect the success of our operations will readily justify the award of a permanent Certificate upon the conclusion of the temporary five-year period of the present Certificate.

Since the institution of certificated schedules, the volume of airfreight transported has increased substantially and is constantly rising. This has been possible because certification has enabled us to open many new points for service which fall into a service pattern that is economically feasible and to develop more intensively the business in points already served. As pointed out in the Annual Report for 1949, the exemption order from the Civil Aeronautics Board under which we had previously operated, pending determination upon our pending application for a Certificate of Public Convenience and Necessity, had allowed us to do scheduled common carriage work between only a limited number of points and the route pattern thus permitted gave no opportunity for profitable expansion.

In addition, the Certificate has made possible many savings in operational expenses. The increased amount of business has not caused a proportional increase

in our expenses; consequently our indirect costs per ton-mile are less. The degree of permanence resulting from the Certificate has made possible judicious investments in handling equipment and in stations that heretofore we have been unwilling to make because of an uncertain future. And the very fact that we are "certificated" has reduced many airport costs; certificated carriers are generally favored in airport charges as against non-certificated and transient operators.

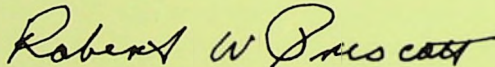
Moreover, in addition to the improvements in the Company's main business of certificated common carriage of airfreight, your Management has made aggressive strides in other directions to diversify and increase the income of the Company. The Maintenance Sales Division has shown considerable gain in the past year. In addition to maintaining our own aircraft, the Maintenance Division has performed work in increasing volume for other domestic and foreign carriers. Furthermore, the Company has gainfully leased equipment to other carriers both here and abroad. Also, in this past year we have instituted a foreign contract operation which has enjoyed considerable success. These operations are described elsewhere in this Report. While these operations have been vital to the success of the Company in this development period of airfreight, it is the belief of your Management that these operations have an attractive and permanent future and it will be the Management's policy to continue its efforts in these directions.

We are engaged in a public utility business which is new and there are many problems facing the companies engaged in it and the governmental agencies regulating it. With care and perseverance by industry and by government the airfreight and collateral activities will make a great new contribution to the American economy and they can make a profitable business for your Company and its competitors.

We should report, almost in passing, that the certificated passenger air carriers which have steadfastly opposed the certification of your Company and other non-subsidized all-cargo carriers, have petitioned for judicial review of the decision of the Civil Aeronautics Board awarding Certificates of Public Convenience and Necessity. The case will be heard in the courts in the months to come. Your Management does not anticipate adverse action by the courts on the Board's well-considered and well documented determination.

We have come a long way in the five years since your Company inaugurated the first regular commercial all-cargo carriage by air. Our progress has been most marked in this past year, the first under a Certificate of Public Convenience and Necessity. And again we wish to extend our sincere thanks to the employees and the stockholders to whom our success is due for their continuing efforts to improve the Company's welfare and to make it a sound and substantial concern.

For the Board of Directors



ROBERT W. PRESCOTT, *President.*

23 August 1950

# First Year of Scheduled Operations

## NEW SCHEDULES

New schedules and new route patterns have evolved as a result of certificated operations by the Flying Tigers. Since these operations commenced in October, 1949 their effect is not reflected throughout the fiscal year just concluded.

Prior to receiving our Certificate of Public Convenience and Necessity we operated two daily transcontinental schedules. Operating

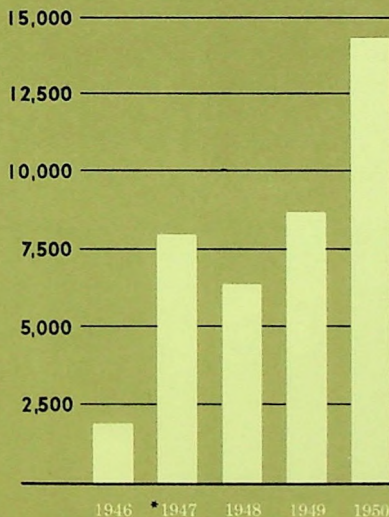
only under an exemption order from the Civil Aeronautics Board, these schedules were limited to serving only seven major cities in the United States.

Presently, under the Certificate, we are already operating four transcontinental schedules daily. These trunk line schedules are supplemented by numerous shuttle services. These schedules now service eighteen cities directly. Under interline agreements with both foreign and domestic carriers, service is extended for the cities directly served to all major points both in the United States and abroad.

Before our certification all transcontinental flights were flown via Kansas City, Kansas. This provided a southern and circuitous route. Flying on Route 100, as set out in our Certificate, we now fly through Denver, Colorado, instead. This provides the shortest and most direct transcontinental route.

The fast eastbound daily flights, originating in San Francisco and in Los Angeles, give the West Coast shippers first afternoon and second morning delivery to all the major cities served in the mid-west and in the east. The eastern and mid-western cities are also provided with fast westbound transcontinental flights originating in Boston and New York. In the past year a westbound schedule was established to provide New York shippers with first morning delivery in Los Angeles. This flight departs from New York early in the evening, allowing the aircraft to arrive in Los Angeles

### AVERAGE DAILY MILES FLOWN



\* Does not include Trans Pacific Military Contract

early enough the following morning to permit shipments to be delivered to consignees before noon.

The schedule of flights is so designed that all of the cities presently served are served by two to four flights daily. The Company thus already provides one of the most complete air cargo services available.

The magnitude of the growth of scheduled flying by the Company is readily demonstrated. In 1946 at the end of one year of operations the Tigers were flying an average of 1852 miles daily. In 1947, the average daily miles flown had grown to 7,915. In 1948, during a period of price wars, the average daily miles flown were decreased to 6,394. With the elimination of the destructive price wars, in 1949 the average daily miles flown rose to 8,765. And under the Certificate of Public Convenience and Necessity the average daily miles flown soared to 14,345 in 1950.

In addition to the scheduled flights, from time to time special charter or contract flights are made by the Company to carry cargo in plane-load lots. Such flights have provided substantial supplemental revenues.

During this last year the Company has executed interline agreements with twenty domestic and foreign carriers. The schedules of these carriers keyed to those of the Tigers provide a pattern for world-wide airfreight

distribution. Under these arrangements airfreight is shipped practically to any point within the United States or in the world, on one airwaybill.

## NEW STATIONS

Before certificated operations were initiated Tiger service was limited to San Francisco, Los Angeles, San Diego, Chicago, Cleveland, Detroit and New York. Since October, 1949, in addition to the original cities, the Tigers have opened new stations in and are regularly serving Oakland, Denver, Milwaukee, Toledo, Akron-Canton, Buffalo, Rochester, Philadelphia, Hartford, Providence and Boston.

## VOLUME INCREASE

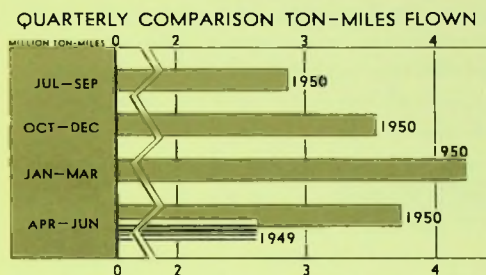
The past fiscal year evidences a progressive growth in airfreight volume. To a major extent this is attributable to the increasing number of cities in which service has been undertaken following certification. Steady increases have been evident, however, in cities where service has been in existence for several years past.

The quarterly ton mileage figures, while possibly prematurely encouraging, support the conclusion that airfreight has now passed from a post war novelty to a full scale business having tremendous growth potential. The



trend of the five quarters just concluded, a period unaffected by the demands of an accelerated military program, indicate the existence of this new operating level, providing illuminating comparisons. To prevent distortion in establishing a growth curve, the ton-mile figures of highly profitable charter and plane-load operations have been omitted from the analysis.

The last quarter of fiscal year 1949 showed total quarterly ton-miles of 2,603,160.3; a year later ton-miles for the months of April, May and June were 3,721,446.6. The increase was 43%.



Even more indicative, ton-miles flown for the last quarter of fiscal year 1950 exceeded the ton-miles flown in each of the first two quarters of this fiscal year as well as the last quarter of fiscal year 1949. In general terms, the ton-miles flown during the slower spring and summer months of this year were greater even than the ton-miles flown during the pre-Christmas and holiday months of October, November and December.

The upward level of operation seems to have become firmly established during the months January, February and March, 1950. Not only were the number of ton-miles flown greater than in any previous quarter, but the ton-miles for March, during the pre-Easter season, exceeded even the ton-miles flown during the preceding December. The previously experienced post-Christmas reduction in

traffic not only failed to materialize but the ton-miles flown in both January and February exceeded those flown during any one of twelve preceding months, December of 1949 excepted.

These evidences of traffic development have given marked support to the position taken by the Company in the long struggle for certification before the Civil Aeronautics Board. The progress apparent from the figures gives promise of a continued and steady growth and is testimony to the soundness of the Board action in granting certification.

## EQUIPMENT

Whereas formerly the Company used only DC-4 cargo aircraft for its scheduled service, it has added to its fleet in the past year C-46 Commando type aircraft. The C-46's have been acquired through lease from the U. S. Air Force. The C-46 aircraft has a smaller payload capacity (13,500 pounds) than the DC-4 (21,000 pounds). The combination of these two types of aircraft has made for greater flexibility of schedules, greater frequency of service, with lower costs and higher load factors.

At the close of the fiscal year, the Company's fleet, owned and leased, consisted of eleven DC-4, six C-46, and one C-47 type aircraft. With this large fleet the Company has been well able to service its expanded air-freight schedules and at the same time engage in profitable lease and contract work here and overseas.



# AIR FREIGHT REVENUE

THOUSANDS OF DOLLARS



## Revenue and Sales

Volume increases are reflected directly in air-freight revenues. Although revenues during the first few months of fiscal year 1949 exceeded those of the same period in fiscal 1950, the advantage was temporary. By November, high revenue levels of the preceding year were surpassed; throughout the remainder of the period total revenues by month materially exceeded revenues for parallel months in fiscal year 1949.

Incoming dollars grew rapidly immediately following commencement of certificated operations in October. The many attendant advantages of certification provided opportunity for making the year just passed the most successful in the history of the Company. Annual airfreight revenue in fiscal year 1950, the largest in the history of the Company, exceeded by nearly seven times annual revenue of the first year of operations. In 1950 there were four months in which freight revenues exceeded \$200,000 per month, a figure never previously reached; three of these were in the period January-June, a time when volume increases indicated development of a new and more stable level of airfreight operation.

Company services have grown with the increase in volume and revenue. Improved packaging and handling methods, revised schedules and increased plane service have helped materially in opening expanded uses for airfreight. An extensive advertising and public relations program has brought the Tigers' name before thousands of new potential customers. During the past year 250,000 pieces of direct mail advertising were sent and nearly 45,000

personal calls were made. Emphasis laid particularly upon assistance to shippers in solving unique packaging and traffic problems has brought measurable results.

The Tigers, in company with other all-cargo carriers, initiated rate adjustment requests with the CAB to correct imbalance in freight movements. This ultimately resulted in the issuance of an order pursuant to which late in May, the Company published reduced tariff schedules on a number of eastbound commod-

ities which can be profitably attracted to airfreight.

In airfreight education, the Company has actively assisted through lectures and suggestions as to curriculum, the development of specialized courses at the University of Southern California and Purdue University. A number of the students who have taken these courses were given practical introduction to airfreight through Company employment.

## *Financial Results*

Earnings this past year were the largest ever reported by an unsubsidized, certificated air carrier. These earnings are in excess of those reported for all but nine of the major, certificated and subsidized airlines during the last fiscal year.

Gross revenue in 1949-50 was \$4,964,168 compared to \$3,145,852 in the previous year, representing an increase of some 58%. It is ten times larger than gross revenue in the initial year of operation.

Net profits of \$123,620 in fiscal year 1949 and \$500,347 in the fiscal year just concluded were entirely tax exempt because of loss carryovers from operations in previous years. Attributable to the earnings for fiscal year 1950 was a tax credit of \$183,500. The increase in earnings in fiscal year 1950 was 305% of the earnings for fiscal year 1949.

Gross revenue per year since the inception of the Company has been as follows:

1945-46	\$ 480,724	1947-48	\$3,281,815
1946-47	\$4,725,544	1948-49	\$3,145,852
		1949-50	\$4,964,168

The year 1946-47 bulked large because of a large single contract to operate military planes across the Pacific. In the year just closed, the revenues were from general business generated by the Company.

The excess of current assets over current liabilities has increased considerably. As of June 30, 1949, the Company had current assets of \$727,186 and current liabilities of \$364,430, or an excess of \$362,756. The Company ended this past year with current assets of \$1,417,879 and current liabilities of \$774,887, or an excess of \$642,992, representing an improvement of \$280,236 in working capital.

# Air Freight The Flyer



**UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D. C.**

**TEMPORARY CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY  
THE FLYING TIGER LINE, INC.**

is hereby authorized, subject to the provisions hereinafter set forth, the provisions of Title IV of the Civil Aeronautics Act of 1938, as amended, and the orders, rules, and regulations issued thereunder, to engage in air transportation with respect to property between any point or points specified in any one of the following paragraphs numbered 1 through 8 below and any point or points specified in any other of said paragraphs:

1. The terminal point Los Angeles, Calif., the intermediate points Bakersfield, Calif., Salinas, Monterey, Calif., Santa Barbara, Calif., San Francisco, Calif., Stockton, Calif., and Thermal, Calif.;
2. The intermediate points Longview, Wash., Wenatchee, Wash., and Yakima, Wash.;
3. The intermediate point Denver, Colo.;
4. The intermediate points Chicago, Ill., Cleveland, Ohio, Detroit, Mich., Fort Wayne, Ind., Grand Rapids, Mich., Milwaukee, Wis., St. Louis, Mo., and Toledo, Ohio.;
5. The intermediate points Albany, N. Y., Bangor, Me., Boston, Mass., Buffalo, N. Y., and Rochester, N. Y.;
6. The intermediate points Albany, N. Y., Philadelphia, Pa., Providence, R. I., and Worcester, N. Y.;
7. The intermediate point Portland, Maine, and the terminal point Portland, Maine.;
8. The intermediate point Portland, Maine, and the terminal point Portland, Maine.

The holder hereof is authorized to subject to the following terms, conditions, and limitations, to engage in air transportation with respect to property between any point or points specified in any one of the following paragraphs numbered 1 through 8 above and any point or points specified in any other of said paragraphs:

(1) The holder shall render service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations.

(2) The holder may render service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations, except as to temporary suspension of service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations.

(3) The holder may render service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations, except as to temporary suspension of service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations.

(4) The holder may render service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations, except as to temporary suspension of service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations.

(5) The holder may render service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations, except as to temporary suspension of service as authorized herein, without discontinuance with the provisions of Part 202 of the Federal Aviation Regulations.

This certificate shall be effective on the 12th day of August, 1949 and shall continue in effect for a period of five years.

IN WITNESS WHEREOF, the Civil Aeronautics Board has caused this certificate to be executed by its Chairman and the seal of the Board to be affixed herein, attested by the Secretary of the Board, on the 29th day of July, 1949.

(SEAL)  
ATTEST:  
M. C. Holligan  
Secretary

/s/ Joseph J. O'Connell, Jr.  
Chairman

# Flight Route 100

King Tiger Line Inc.



## LEGEND

- ESTABLISHED ROUTES
- PROPOSED ROUTES

# Overseas Operations

Early in this fiscal year the Tigers began an intensive program of foreign contract and lease flying.

The Company has regularly acquired equipment in excess of its immediate needs for airfreight so as to have the equipment readily available as the Company succeeded in expanding and increasing the airfreight business. This equipment has been busy and profitable in lease and contract work.

Acquisition of the two-engine C-46 aircraft, readily absorbed in airfreight common carriage, made available several four-engine DC-4s for long range overseas and foreign work. Some of this work has been accomplished by

leasing planes with crews and maintenance to foreign operators. Some by bare lease of equipment. And some has been by direct contract and Company operation.

These planes have carried freight and personnel for the Military to and from Europe, Displaced Persons to all points of the world, Catholic pilgrims to Rome, and Immigrants to Israel. And arrangements have been completed to carry Arabs on the pilgrimage to Mecca.



The Company has this year entered a new and important field, transporting student and religious groups overseas during the heavy travel season. As the year drew to a close, the Company was initiating a large forward movement of these groups to Europe.

The Civil Aeronautics Board issued exemptions to qualified carriers to carry these groups at low prices within the reach of student groups. The Tigers can transport such groups profitably at low rates because of high density

loading (60 per plane) and because of the high load factor resulting from group arrangements. These operations have opened a new vista for student travel abroad and have been a direct aid to American foreign policy. It is to be hoped that CAB will continue this program in the future both because it makes good business for the Company and because it makes an important contribution to our international good relations.

## *Military Lift*

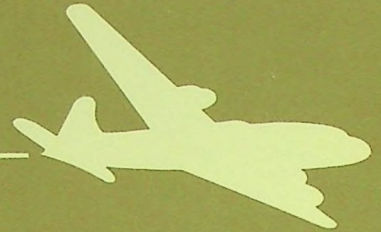
The Korean conflict broke out just at the end of the fiscal year. In response to a request from the Air Force for equipment and personnel available without destructive effect upon carriers, Tigers curtailed its European activities as quickly as possible, and put several of its DC-4s into the Air Force lift between California and Japan. This operation will be built up to fulfill military requirements. This large volume of flying is not reflected in revenues in this report.

The wisdom of the Air Force in leasing equipment to operators during peacetime is illustrated by the Korean incident. Had the Air Force planes leased to Tigers not been operated, they would have been in a de-activated condition. Without these planes, Tigers would not have had enough surplus both of equipment and of trained personnel to throw into

the emergency. There would have been neither sufficient air nor ground crews in readiness for the military job so suddenly at hand. As it was, the Tigers and other carriers were in position to commence the air lift to the Orient almost immediately upon call.

The military lift will bulk large in the business of the Company in following months. How long and how much will depend upon events yet to come. Tigers is prepared to throw more and more to military support, should that be necessary; and it is prepared to contract and divert to peaceful pursuits as rapidly as conditions shall warrant.





## *The Outlook*

It is the opinion of the Management that, under normal circumstances, the future of this Company would be bright. The peacetime activities in which the Company was and is engaged appear to have a continuing and profitable course. The program of diversifying activities to increase gross revenues and to spread out a relatively fixed overhead cost has proved successful. And the normal development of the new airfreight industry bids fair to make it the most important segment of all industry in the air.

War has a more direct and drastic impact upon air transport and aircraft building than upon almost any other industry in the country. Should a major conflict develop, the Management of this Company can not predict just where the Company will fit into the national defense. But its entire facilities and resources

will be at the disposal of the defense authorities.

The key to the future of the airfreight industry is to be found in the development of a more efficient cargo plane. The direct operating costs of aircraft are the only limiting factors to the growth of the industry. The volume of goods that will travel via airfreight is inversely proportional to the price that must be charged, and that price is governed primarily by the direct operating costs.

World War I brought the airplane into existence as a commercial vehicle. World War II created today's planes which have made the airfreight industry possible. It is probable that the greatly enlarged defense program into which the nation is now entering will cause the necessary research that will eventually produce an efficient cargo plane so es-

essential to the military as well as to commercial operators. All air transport will be heirs to this legacy.

On the peacetime front, the airfreight industry is witnessing an unequal, inequitable, and unfair competitive battle. Three certificated cargo carriers, including this Company, operating without mail pay and without subsidy are forced to compete with subsidized passenger lines which likewise engage in the carriage of air cargo; the losses of the latter are made up by the U. S. Treasury. And the amount of subsidy is concealed in the mail pay.

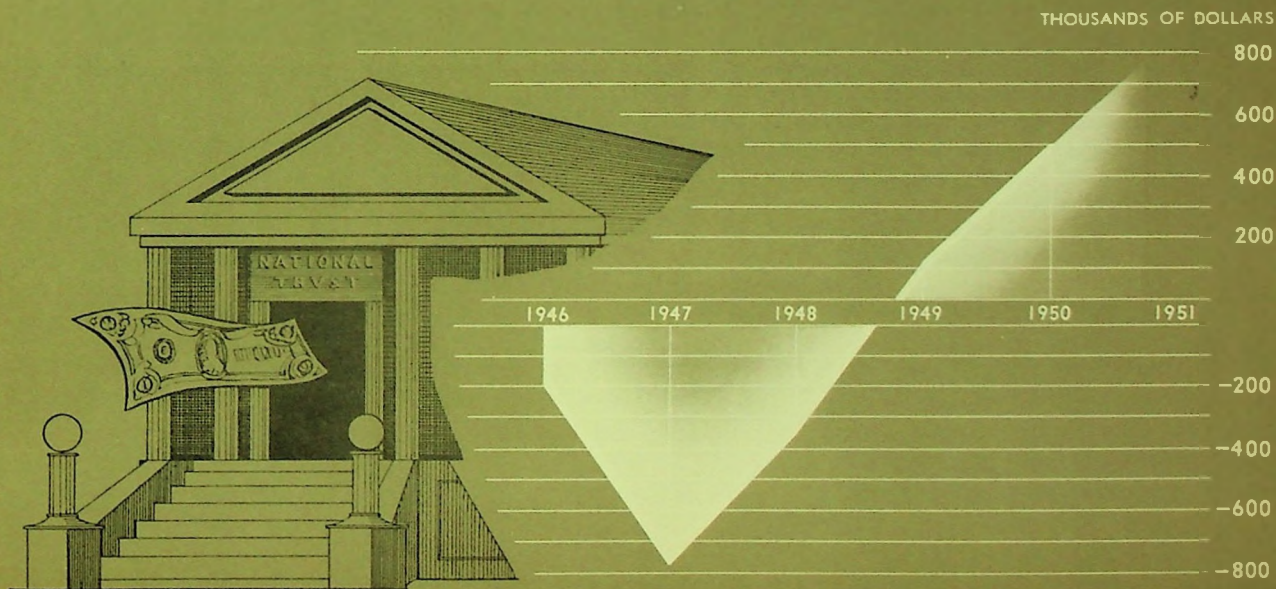
Legislation is now before the Congress to require a separation of subsidy from mail pay. The separation proposal has received the endorsement of President Truman, of the Hoover Commission and many other organizations interested in good government. The likely passage of this legislation will be the first important step to eliminating unfair or below-cost subsidized competition with which this Com-

pany is faced at the hand of the "passenger carriers".

If the competition is required to set forth its true costs of carrying airfreight, this Company is willing, ready and eager to meet it in the market place. If the competition is to be subsidized in the carriage of airfreight the public is entitled to know the amount of the subsidy bill.

Airlines which claim they receive no subsidy receive \$.65 and more per ton-mile from the Government for carrying the mail and at the same time and in the same plane carry air cargo for no more than \$.13 per ton-mile. The taxpayer is entitled to see that subsidy, in truth, is separated out and identified, in view of this anomaly. Separation is the first step toward eliminating subsidy from the airfreight picture. Its elimination will contribute to a healthy, progressive, and fair competitive industry. In such an industry this Company will thrive.

## THE UPWARD TREND - NET OPERATIONS



# The Flying 7

## BALANCE SHEETS

### Assets

	June 30, 1950	June 30, 1949
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 326,454.18	\$ 208,162.87
Receivables—		
Freight customers .....	\$ 233,266.36	\$ 175,687.34
Rentals and charters (including notes of \$20,000 at June 30, 1949) .....	307,000.50	103,964.57
Gasoline tax refunds .....	44,006.51	25,526.18
Sale of airplane (amount due within one year—see below) .....	166,111.01	
Advances to affiliated company .....	47,406.14	
Other (including \$18,435.78 and \$8,217.33 from officers and employees at respective dates) .....	137,347.98	54,871.04
	<u>\$ 935,138.50</u>	<u>\$ 360,049.13</u>
Less—Reserve for bad debt losses .....	37,399.70	31,957.62
	<u>\$ 897,738.80</u>	<u>\$ 328,091.51</u>
Inventories, at cost not in excess of market—		
Materials and supplies .....	\$ 174,078.23	\$ 92,917.96
Outside maintenance jobs in process (less progress payments of \$92,828.10 at June 30, 1949) .....	19,607.79	98,013.51
	<u>\$ 193,686.02</u>	<u>\$ 190,931.47</u>
Total current assets .....	<u>\$1,417,879.00</u>	<u>\$ 727,185.85</u>
<b>NONCURRENT RECEIVABLE</b> (amount due in monthly installments from sale of airplane, less current portion shown above, secured by mortgage on the airplane) .....	\$ 63,883.99	\$
<b>PREPAID EXPENSES</b> (insurance, taxes, etc.) .....	\$ 58,191.96	\$ 24,176.39
<b>PROPERTY AND EQUIPMENT</b> (Note 2):		
Cost (includes buildings, improvements and miscellaneous equipment totaling approximately \$238,000 at June 30, 1950, which are fully depreciated)—		
Aircraft and other flight equipment (in part pledged as security to note payable, per contra) .....	\$ 921,396.72	\$ 831,526.13
Hangar, shop and ramp equipment .....	128,154.23	120,332.34
Other equipment .....	109,685.56	78,438.41
Buildings and improvements on leased land (in part pledged as security to note payable, per contra) .....	139,911.81	174,611.81
	<u>\$1,349,148.32</u>	<u>\$1,204,908.69</u>
Less—Reserves for depreciation, etc. ....	611,026.24	553,250.59
	<u>\$ 738,122.08</u>	<u>\$ 651,658.10</u>
Modification costs of leased aircraft, in process of amortization .....	165,640.77	84,933.44
Aircraft engines at residual value plus unflown hours at cost .....	156,247.81	92,717.06
Surplus aircraft and engines at residual value .....	5,000.00	5,750.00
	<u>\$1,065,010.66</u>	<u>\$ 835,058.60</u>
	<u>\$2,604,970.61</u>	<u>\$1,586,420.84</u>

# Ever Line Inc.

JUNE 30, 1950 & 1949

## Liabilities

	<u>June 30, 1950</u>	<u>June 30, 1949</u>
<b>CURRENT LIABILITIES:</b>		
Notes payable—		
5% bank loan (secured by pledge of four airplanes carried at cost of \$753,141.02, per contra) .....	\$ 224,988.42	\$
Current maturities of note for purchase of airplane—see below .....		86,319.66
Other (secured by chattel mortgage on improvements on leased land, per contra) ....	6,837.72	
	<u>\$ 231,826.14</u>	<u>\$ 86,319.66</u>
Accounts payable .....	\$ 303,736.43	\$ 138,783.31
Accrued liabilities—		
Payroll, vacations and sick leave .....	\$ 102,494.93	\$ 76,563.84
Payroll, property and other taxes .....	31,031.04	30,190.83
Rent, insurance, etc. ....	25,384.19	17,862.34
	<u>\$ 158,910.16</u>	<u>\$ 124,617.01</u>
Provision for taxes based on income .....	\$ 64,000.00	\$ 4,200.00
Amount withheld from employees for income taxes .....	\$ 16,414.00	\$ 10,509.65
Total current liabilities .....	<u>\$ 774,886.78</u>	<u>\$ 364,429.63</u>
<b>LONG-TERM DEBT:</b>		
Note payable (for purchase of airplane) secured by pledge of two airplanes, less current maturities shown above .....	\$	\$ 26,492.70
<b>CONTINGENT LIABILITIES AT JUNE 30, 1950:</b>		
Under pending claims, etc.. approximately \$9,000.		
<b>UNEARNED INCOME</b> (equipment rentals and charter revenues applicable to future periods, less provision for income taxes) .....		
	<u>\$ 134,238.79</u>	<u>\$</u>
<b>CAPITAL STOCK EQUITY:</b>		
Capital stock of \$1.00 par value (Note 3)—		
Authorized—1,000,000 shares		
Issued and outstanding—761,227 shares .....	\$ 761,227.00	\$ 761,227.00
Capital surplus (excess of proceeds from sale of 500,000 shares of capital stock over par value thereof) .....	1,637,639.31	1,637,639.31
Deficit .....	703,021.27	1,203,367.80
	<u>\$1,695,845.04</u>	<u>\$1,195,498.51</u>
	<u>\$2,604,970.61</u>	<u>\$1,586,420.34</u>

part of the above balance sheets.

# The Flying Tiger Line Inc.

## STATEMENTS OF INCOME FOR THE YEARS ENDED JUNE 30, 1950, AND 1949

	<u>Year Ended June 30</u>	
	<u>1950</u>	<u>1949</u>
<b>OPERATING REVENUES</b> (freight, rentals, charters and service sales) . . . . .	\$4,964,168.19	\$3,145,852.44
<b>OPERATING EXPENSES AND COSTS:</b>		
Flying operations . . . . .	\$1,405,082.26	\$1,153,588.86
Ground operations . . . . .	456,013.43	292,970.77
Maintenance . . . . .	921,417.70	643,350.23
Cost of service sales . . . . .	872,528.38	183,669.64
Traffic, sales, advertising and publicity . . . . .	319,550.00	274,046.04
General and administrative . . . . .	422,891.68	329,147.72
Depreciation and amortization . . . . .	175,937.84	134,139.10
<b>TOTAL</b> . . . . .	<u>\$4,573,421.29</u>	<u>\$3,010,912.36</u>
Net income from operations . . . . .	<u>\$ 390,746.90</u>	<u>\$ 134,940.08</u>
<b>OTHER INCOME (NET):</b>		
Profit on sale of capital stock investment acquired during the year . . . . .	\$ 20,000.00	\$
Miscellaneous (net) . . . . .	6,524.32	1,943.61
Interest on notes payable . . . . .	10,081.91	6,328.00
<b>TOTAL</b> . . . . .	<u>\$ 16,442.41</u>	<u>\$ 4,384.39</u>
Net income before profit on sale of aircraft, etc. . . . .	<u>\$ 407,189.31</u>	<u>\$ 130,555.69</u>
<b>PROFIT OR (LOSS) ON SALE OF AIRCRAFT AND OTHER EQUIPMENT</b>	<u>100,157.22</u>	<u>2,685.80</u>
Net income before taxes based on income . . . . .	<u>\$ 507,346.53</u>	<u>\$ 127,869.89</u>
<b>PROVISION FOR TAXES BASED ON INCOME:</b>		
California franchise . . . . .	\$ 7,000.00	\$ 4,250.00
Federal income . . . . .	183,500.00	55,000.00
<b>TOTAL</b> . . . . .	<u>\$ 190,500.00</u>	<u>\$ 59,250.00</u>
Net income for the year . . . . .	<u>\$ 316,846.53</u>	<u>\$ 68,619.89</u>
<b>SPECIAL CREDIT</b> , representing the reduction in Federal income taxes attributable to carrying forward losses of preceding years . . . . .	<u>183,500.00</u>	<u>55,000.00</u>
Total income and special credit transferred to deficit account . . . . .	<u>\$ 500,346.53</u>	<u>\$ 123,619.89</u>

The accompanying notes are an integral part of the above statements.

## STATEMENTS OF DEFICIT FOR THE YEARS ENDED JUNE 30, 1950, AND 1949

	<u>Year Ended June 30</u>	
	<u>1950</u>	<u>1949</u>
Balance at beginning of year . . . . .	\$1,203,367.80	\$1,326,987.69
Deduct—Total income and special credit per accompanying statements . . . . .	500,346.53	123,619.89
Balance at end of year . . . . .	<u>\$ 703,021.27</u>	<u>\$1,203,367.80</u>

The accompanying notes are an integral part of the above statements.

# Notes to Financial Statements

1

The amounts for the fiscal year 1949 shown in the statements of income have been reclassified to the classification used for 1950.

2

At June 30, 1950, the company was operating a fleet of eleven C - 54, six C - 46 and one C - 47 aircraft. Four of the C - 54 and all of the C-46 aircraft were being rented from the United States Government under leases expiring December 31, 1954, in the case of the C-54s and in September 1953 and April 1954 in the case of the C-46s; all of such leases may be terminated by either party at will. Three of the C-54s and the C-47 are being rented from other owners under leases expiring in August, September and December 1950.

3

A total of 180,800 shares of the issued capital stock of the company is held in escrow and cannot be sold or transferred without the written consent of the Commissioner of Corporations of the State of California. These shares will be held in escrow until in the discretion of the Commissioner, upon a satisfactory showing of earnings of the company, they may be released. During the period that these shares are held in escrow the owners of such shares have agreed to (a) waive their right to participate in any distribution of assets of the company until all other stockholders who have paid cash or its equivalent for their shares have received the return of the full amount of the purchase price, and (b) waive all right to receive any dividends until all other shareholders who have paid cash or its equivalent for their shares shall have received dividends in amount not less than 30 cents per share per annum cumulatively from date of issue.

In February 1946, the board of directors of the company adopted a resolution reserving 50,000 shares of authorized but unissued capital stock to meet stock purchase warrants or options which may be issued by the company prior to July 1, 1951, to executive, administrative or other employees of the company in the discretion of the board of directors and upon terms determined by it. Except for the warrant or option for the purchase of 2,000 shares of capital stock granted during the fiscal year 1948, to a retired vice president of the company, no determination has yet been made as to the exact number of warrants, or options, which may be so granted, nor as to the officers and employees to whom such warrants or options, if any, will be granted. Without further action by the board of directors no warrant or option will be issued exercisable at a price less than \$5.00 per share.

ARTHUR ANDERSEN & Co.  
ACCOUNTANTS AND AUDITORS

919 SOUTH FLOWER STREET  
LOS ANGELES 14

To the Board of Directors,  
The Flying Tiger Line Inc.:

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1950, and the related statements of income and deficit 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, except that we were unable to obtain confirmations of current and noncurrent receivables totaling approximately \$411,000 from four debtors, as to which amount we satisfied ourselves by other auditing procedures. We previously had made a similar examination for the year June 30, 1949.

In our opinion, the accompanying balance sheet and statements of income and deficit present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1950, 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, 1950.

*Auditor's  
Report*

## SALES OFFICES

AKRON-CANTON, Ohio  
c/o Air Services, Inc.  
P. O. Box 244, North Canton  
Telephone—North Canton 9-7108

BOSTON, Mass.  
Logan International Airport  
Telephone—East Boston 7-6161

BUFFALO, N. Y.  
Hanger #6, Municipal Airport  
Telephone—Plaza 3071

CHICAGO, Ill.  
Room 240—35 E. Wacker Drive  
Telephone—Andover 3-7071

CLEVELAND, Ohio  
Municipal Airport  
Telephone—Winton 5777

DENVER, Colo.  
Stapleton Airfield  
Telephone—East 1869

DETROIT, Mich.  
Detroit-Wayne-Major Airport—Romulus  
Telephone—Logan 2-9700

HARTFORD, Conn.  
Administration Building, Brainard Field  
Telephone—Hartford 2-3145

LOS ANGELES, Calif.  
Lockheed Air Terminal—Burbank  
Telephone—Stanley 7-3411  
Charleston 6-7444

MILWAUKEE, Wis.  
Mitchell Field  
Telephone—Humboldt 3-5000

NEW YORK CITY, N. Y.  
Room 1906 Guardian Life Building  
207 Fourth Ave., New York 3  
Telephone—Spring 7-6260

PHILADELPHIA, Pa.  
International Airport  
Telephone—Saratoga 7-5300  
Saratoga 7-5301

SAN DIEGO, Calif.  
1803 Pacific Highway  
Telephone—Franklin 6504

SAN FRANCISCO, Calif.  
Room 403—406 Sutter St.  
Telephone—Garfield 1-6237

OAKLAND, Calif.  
Municipal Airport—Oakland  
Telephone—Lockhaven 9-1777

TOLEDO, Ohio  
137 Hamilton Avenue  
Telephone—Garfield 4276

## SALES AGENCY OFFICES

PROVIDENCE, R. I.  
1 India Street  
Telephone—Dexter 1-7272  
Enterprise 4720

ROCHESTER, N. Y.  
c/o Endres Delivery, Inc.  
Telephone—Hamilton 8490

**FOOD EXPERTS STUDY AIR-FREIGHT**—Watching the unloading of a Flying Tiger Line airfreighter at Lockheed Air Terminal are 10 European food experts who are touring the United States to learn better means of applying Marshall Plan aid. Air transportation of perishables was studied by the group during their Los Angeles visit. Left to right are M. Bosquet, France; E. Kjelleras, Sweden; James B. Osler, Great Britain; I. Brandin, Sweden; Karl Koop, Germany; P. Damiano, Italy (foreground); Charles Glachant, France (center); Dr. R. P. Plank, Germany (rear); John Bannard, Great Britain; Pierre Everaert, Belgium; and Al Jansen, Flying Tiger operations executive.





*The Flying Tiger Line Inc.*

LOCKHEED AIR TERMINAL  
BURBANK, CALIFORNIA



# ANNUAL REPORT

*The Flying Tiger Line Inc.*

FOR THE YEAR ENDED JUNE 30, 1951



Flying Tiger Line



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# ANNUAL REPORT

*The Flying Tiger Line Inc.*

FOR THE YEAR ENDED JUNE 30, 1951

# OFFICERS

## DIRECTORS

Samuel B. Mosher, *Chairman of the Board*

Allen T. Chase	Robert W. Prescott
James E. Davidson	Houston Rehrig
Harlan B. Eldred	T. J. Sullivan

## OFFICERS

<i>President</i> .....	Robert W. Prescott
<i>Vice-President</i> .....	William E. Bartling
<i>Vice-President</i> .....	George T. Cussen
<i>Secretary-Treasurer</i> .....	Fred Benninger
<i>Assistant Secretary-Treasurer</i> .....	Ralph B. Stump
<i>Assistant Secretary</i> .....	Norman L. Meyers

## EXECUTIVE OFFICES

Lockheed Air Terminal, Burbank, California

Telephone: STanley 7-3411,

Teletype:

CHarleston 6-7444

Burbank 7588

Cable Address: "FLYTIGER"

## TRANSFER AGENT

The Chase National Bank New York

## CO-TRANSFER AGENT

The Bank of America Los Angeles

## REGISTRAR

Bankers Trust Company New York

## CO-REGISTRAR

Citizens National Trust & Savings Bank Los Angeles

## GENERAL COUNSEL

Norman L. Meyers, Meyers and Batzell	201 Shoreham Bldg. Washington 5, D. C.
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## AUDITORS

Arthur Andersen & Co.	612 S. Flower Street Los Angeles 17, Calif.
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# SUMMARY

WE RECEIVED FROM CUSTOMERS.....	\$15,582,059
WE PAID OUT OR SET ASIDE FUNDS FOR:	
Employees' salaries and wages...	\$4,881,815
Employees' travel and per diem..	625,542
Aircraft fuels .....	2,933,955
Passenger supplies and expense..	133,785
Other supplies .....	265,081
Depreciation .....	280,942
Maintenance of equipment.....	1,733,817
Rentals .....	1,052,901
Insurance .....	290,000
Communications .....	203,113
Taxes .....	201,359
Interest .....	5,402
All other items .....	<u>588,083</u>
	<u>13,195,795</u>
LEAVING .....	\$ 2,386,264
Profit on sales of equipment and miscellaneous income .....	<u>549,966</u>
GAIN BEFORE INCOME TAXES.....	\$ 2,936,230
FEDERAL INCOME TAXES.....	<u>1,536,358</u>
NET GAIN .....	\$ 1,399,872



# *The Flying Tiger Line Inc.*

GENERAL OFFICES: LOCKHEED AIR TERMINAL    BURBANK, CALIF.    STANLEY 7-3411  
UNITED STATES AIRFREIGHT ROUTE NO. 100                      CABLE ADDRESS: FLYTIGER

To the Stockholders and Employees:

The past year has been one of tremendous expansion for your Company — expansion of facilities, equipment, personnel, operations and gross business and a gratifying increase in net income.

During this period we have doubled our domestic airfreight business and have increased our world-wide contract and charter business manifold. Some of this expansion has been the natural growth of a new company in a brand new industry. In fairness, however, it must be stated that a great part of the growth is attributable to the emergency military situation that arose with the beginning of our fiscal year.

During the years our airfreight certification case was being processed, we argued constantly before the government authorities the potential value of a company such as ours in case of a military emergency. We are justly proud that events in the past few months have allowed us to prove that contention. The Flying Tiger Line was among the first on the job when the emergency call for airlift to Japan was given last year. We have remained constantly on the Tokyo lift since its commencement and the lift capacity we have produced has been equal to that of any of the air carriers, including the largest of the United States carriers, and has surpassed the contribution of most of them.

In addition to the Tokyo lift, your Company is busily engaged in transporting military loads on the North Atlantic run and also has several planes assigned to the task of shuttling troops between domestic training centers.

While your Company has attempted to provide the aircraft required by the mobilization needs of the country, it has done so with an eye to the peacetime future. The Company's operation is flexible and the military lift can be quickly curtailed when the mobilization needs fall. Plans for future use of the equipment now busily engaged in mobilization work are constantly rechecked and revised in the light of the rapidly changing conditions in airfreight and contract carriage. Meanwhile, the normal civilian activity is growing and is on a profitable level.

This has been our second year of operations in the common carriage of airfreight under our Certificate of Convenience and Necessity which was issued in August, 1949. The results have surpassed our most optimistic prognostications. As we have pointed out in previous reports, the assurance of continued operating rights as evidenced by this franchise has given us justification to risk money in opening new routes, new flight pat-

terns and inaugurating service into communities heretofore without the advantages of airfreight service. These investments are paying off in continually increasing volumes of profitable business. It will be our policy to continue this expansion process. Your Company and Slick Airways, the other major all-cargo line, have between them recaptured from the entire passenger line industry the lead in total volume of domestic airfreight carried. The figures show that these two lines transported 53% of the entire volume of airfreight in the country in the past year.

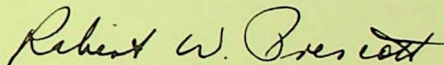
Our contract maintenance and overhaul work for other carriers has continued to increase and has come to be a very important segment of our operations. We have more than doubled our working area at the main base in Burbank to take care of this increasing business. We are maintaining a reputation of a high standard of quality in our output in this field and feel confident that we will continue to expand this phase of our business.

In last year's report we stated that the certificated passenger carriers had petitioned for judicial review of the Civil Aeronautics Board's decision awarding our Certificate of Public Convenience and Necessity. This case was heard by the Circuit Court of Appeals in Washington, D. C., during the past year and on September 27, 1951, resulted in a unanimous decision of the Court upholding the Civil Aeronautics Board. A Supreme Court reversal of a unanimous decision is unlikely. Thus, the only cloud in the sky shadowing our certification has been dissipated.

Our original certificate was for a five year period expiring in 1954. This temporary certificate was issued by the Civil Aeronautics Board in accordance with its usual procedure in new route cases of issuing a certificate of public convenience and necessity on a temporary basis to provide opportunity for the applicant to demonstrate a successful operation. We are confident that we have so successfully developed our route in accordance with our original claims that we will have little difficulty in obtaining a permanent certificate to follow our existing one. In due course we shall apply for permanent status.

In anticipation of our future requirements for the best and lowest cost equipment we have ordered a fleet of seven DC-6 all-cargo aircraft, all to be delivered before the end of 1953. This order constitutes the largest order for all-freight aircraft yet to be made by any company in the world. This program presages still greater financial and traffic expansion in the coming years.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert W. Prescott". The signature is written in dark ink and is positioned above the typed name.

Robert W. Prescott, President.

October 2, 1951

# A YEAR OF EXPANSION

## VOLUME INCREASE

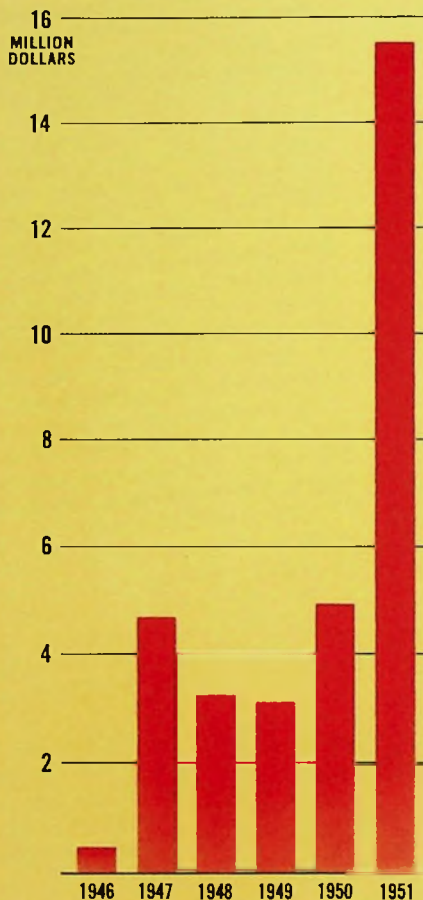
In over-all operations, including world-wide charters and leases, the Company's aircraft flew a total of 74,671 hours and a distance of 13,543,368 miles. This was more than two and one-half times the record of the previous year. In terms of globe-girdling, the mileage was equal to a trip and one-half around the world every day of the year. This daily mileage was twenty times that flown in 1946, the first full year of operations.

Revenue from common carriage air-freight and domestic freight charters increased to \$4,118,252 from \$2,386,645 in the preceding year. Freight ton-miles rose to 28,125,047 against 15,674,021, or a gain of approximately 80% for the year. A year-round load factor of 82.5% was recorded compared to 70.2% in the previous year. This was accomplished despite the large increase in aircraft put into the freight service.

For contract and charter flights and for leasing of aircraft the Company's revenues mounted to \$11,463,807, including \$7,492,469 for flying the Pacific Air Lift to Tokyo. In the preceding year these activities accounted for revenue totalling \$2,794,911. Apart from the Pacific Air Lift revenue, the gain in revenue from these activities increased nearly 50%.

The fleet's efficiency is reflected in a record of 9.9 hours of utilization per day, compared to 7 hours daily in 1950-51. This pro-

## TOTAL REVENUE



vides one of the highest aircraft use records among the world's carriers.

## NEW SCHEDULES

The past year witnessed an expansion and intensification of traffic on the Company's airfreight route, U. S. Route 100, by the additions of new schedules, more direct city-to-city connections and the use of second-section type of operation.

Direct service was inaugurated between the major manufacturing centers of Boston and Hartford in the east and Cleveland, Detroit, Milwaukee and Chicago in the mid-west, eliminating transfers formerly made at New York. This greatly expedites traffic between these points.

Daily through service, both east and west-bound, was added at Buffalo and Philadelphia, eliminating combination flights with transfers at New York.

Late evening departures were scheduled from Chicago and Milwaukee to eastern terminals in order to give shippers more convenient service to the east.

Oakland was made a direct stop on transcontinental flights, eliminating truck shuttle service from San Francisco. The total number of transcontinental flights was increased. A long range schedule pattern is taking firm shape.

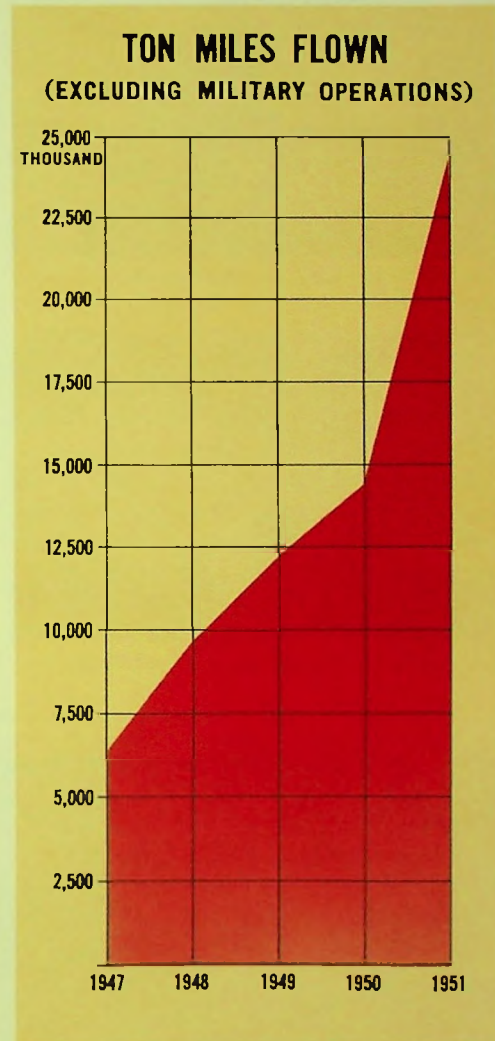
From a schedule of six daily transcontinental flights weekly, the airfreight traffic rose to a schedule of ten to twelve flights daily. The growing demands of the military and industry are thus being met. The increased number of flights has made possible increased handling of late-breaking, heavy freight movements.

## EQUIPMENT INCREASE

During the past year the Company created the world's largest airfreight and contract air fleet. The Company built its fleet

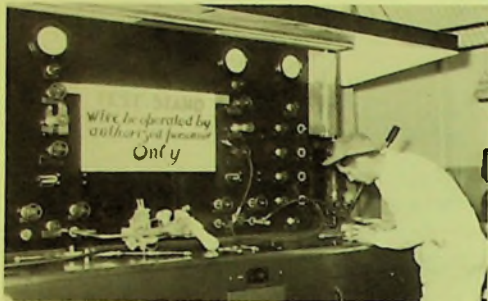
to a total of thirty-four aircraft, twenty-six of the twin-engine C-46 type and eight of the four-engine C-54 type.

In the fall of 1950, the Company was the successful bidder for a fleet of eighteen C-46 aircraft sold by the Air Force. A crew of Company mechanics was set up at the Air Force base at Pyote, Texas, where the air-





*New hydraulic lift bed truck*



*New maintenance shop equipment*



*Pickup and delivery trucks*

craft had been stored. Although some of the aircraft were in poor condition, we were able to reclaim all of them, none being cannibalized. Through replacement and manufacture of parts these aircraft were modified to meet Civil Aeronautics Administration specifications and by the summer of 1951 all were awarded airworthiness certificates by the Civil Aeronautics Administration and were put in service.

The C-54 aircraft are used primarily in overseas operations, particularly on the Pacific Air Lift, while the C-46 equipment is employed in domestic operations and auxiliary flights from the United States to Alaska, Canada, Mexico and Puerto Rico. The aircraft not presently required for airfreight use or in the military airlift are in contract service or leased for passenger service, now primarily in the movement of military personnel.

## FACILITIES INCREASE

New ground equipment designed to speed up operations, achieve greater efficiency, and lower costs was installed in the various stations. A freight-handling device of the Company's own design was adopted; this is a stationary metal pallet with a 6,000 pound capacity. This pallet, used in conjunction with a lift-bed truck, can be loaded either from the ground or the airplane door and

*A portion of the newly acquired TIGER C-46 fleet*



can be readily transferred from the aircraft to a truck for loading or unloading, thus reducing the use of fork lift equipment and permitting much faster and continuous freight handling while freeing the truck equipment for other work. Also, additional fork lifts were provided at most stations to expedite freight handling and to reduce ground time of aircraft. Ram air units designed to cool or heat aircraft while on the ground were installed in some stations; in due course will be installed in all stations; these units protect perishable cargo and improve working conditions for cargo crews, and thus speed up operations aground.

In the aircraft themselves improved tie-down equipment designed by Company engineers has been installed, materially reducing loss-and-damage experience.

The maintenance department has likewise added substantial new equipment to handle the expanded volume of work. New tooling has been installed to provide adequate service for the enlarged C-46 fleet, including equipment to manufacture some parts which are no longer available from the original manufacturer. Engine analyzers, which quickly spot minor but otherwise time-consuming engine defects, and heater-checking equipment which expedites heater repairs and avoids serious delays in winter weather, have been acquired. New Company-design-

ed tools, such as wheel and tire pullers, have been put into service. It is the objective of the Company to provide the best equipped maintenance facilities possible.

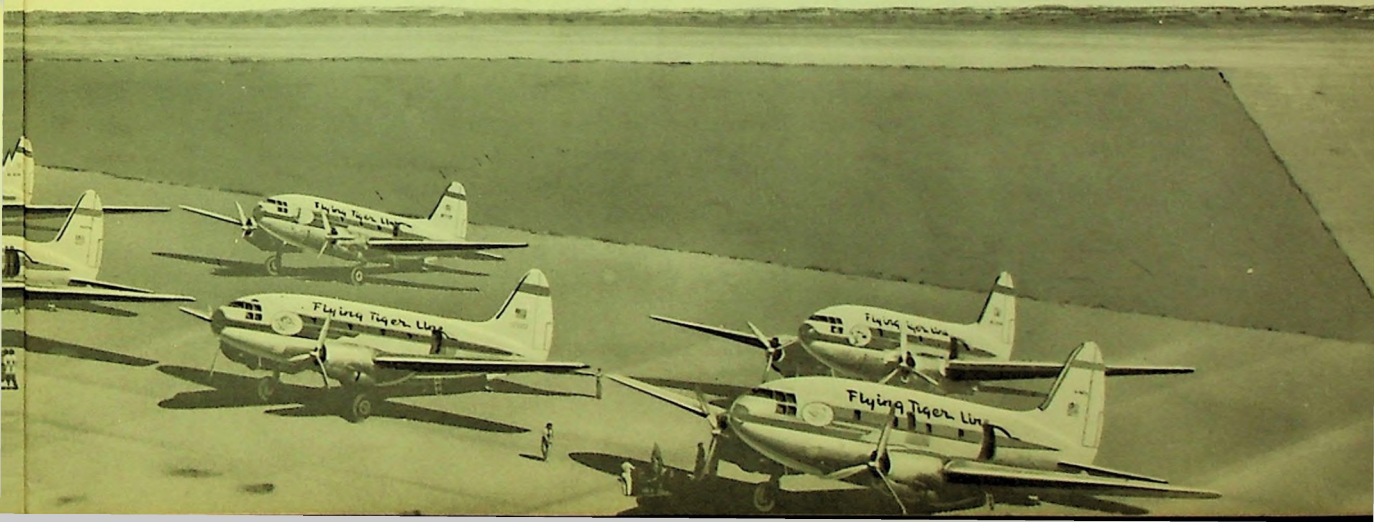
To provide against critical parts shortages, the Company has built up its inventory of spares. This has been particularly so in the case of engines. The Company has acquired 125 aircraft engines, whereas in the previous year a stock of only 50 was maintained.

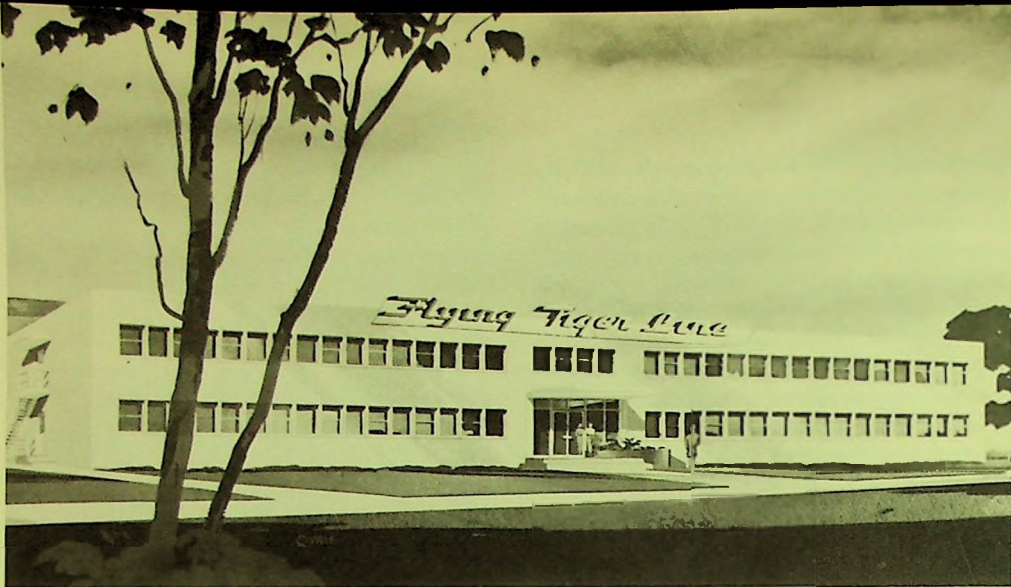
The Company also initiated an experiment in improving ground services. In Los Angeles a fleet of six 2½ ton Ford and Chevrolet trucks were acquired to perform the Company's own pick-up and delivery service within the Los Angeles metropolitan area, replacing a contract trucker. The operation appears to be working very successfully and the Company is planning to extend this type of operation to other cities where this service can be performed more advantageously than through an outside concern.

## NEW BUILDINGS

In support of the major increase in the size of the Company's fleet there have been substantial additions to the plant facilities in the past year. These enlarged facilities have been designed to take care of the increased business during the year and for the demands of the future.

The chief additions have been made at the





*General office building at Burbank, California*

east and west terminals of Burbank and Newark. In Burbank the Company acquired by lease from the Lockheed Air Terminal a second hangar, adding 40,000 square feet to much-needed maintenance facilities. At the same time the Lockheed freight depot was modernized to handle the largest type truck equipment with dispatch. The Company also commenced construction on its own two-story office building adjacent to the Lockheed airport. This stucco building will provide 17,000 square feet of space to house the greatly increased activities of the general offices and of the district sales office. The offices have been located in the Lockheed hangar, and their removal from the hangar makes still more needed space available for improved maintenance operations.

At Newark the Company leased a hangar from the Newark Airport, to which has been moved the maintenance and freight station for the eastern terminus. The hangar provides 21,000 square feet of maintenance space, while the freight station was increased to 16,000 square feet.

In addition, the Company has leased or constructed new freight station quarters at Boston, Detroit, Philadelphia, San Francisco, Oakland and San Diego. Plans are under way for new freight facilities at Chicago and Cleveland, and there will be a further expansion at San Francisco. The original facilities have been outgrown by present-day traffic. The Company, where possible, is leasing space on the airports. However, at some points, notably Chicago and Cleveland, it is necessary to erect our own structures.

New regional freight docks were opened at Los Angeles, Long Beach and New York, and a considerable number of agent-freight docks were set up to provide more convenient pick-up and delivery accommodations for shippers. The Company established the first branch airfreight dock at the New York International Airport at Idlewild; this dock is rapidly becoming of major importance in the handling of foreign airfreight, eliminating the need for crosstown surface hauling of shipments.

Temporary bases were established during

the year at numerous other points to handle special activities. For example, it was necessary to base a staff of mechanics at Pyote, Texas, to prepare the C-46 aircraft purchased from the Air Force for ferrying to Burbank for modification and overhaul. In connection with the Pacific Air Lift to Tokyo, bases were set up at Travis Air Force Base, California, and at Honolulu and Tokyo to provide maintenance and crew change for the air lift. At various times personnel was based in Amsterdam and Luxemburg for the duration of foreign contract operations.

## PERSONNEL

To handle the rapidly growing business the Company embarked upon a personnel program to meet the growing shortage of skilled workers. New employees were recruited, particularly for the mechanical and operating departments. The pilots' roster alone now exceeds 250 men. Employment rose in the year from 528 at the beginning of the year to 1,337 employees at the close. The rolls are still open.

Relations between employees and management have continued the close and cordial cooperation which has marked the history of the Company. Contracts with the Air Line Pilots Association and with the International Association of Machinists were adjusted and renewed. The employees and management are proud of the high level of wages and the satisfactory working conditions which prevail.

The Company is justifying the confidence of its employees in its position in air transportation. That the Flying Tiger affords a permanent career to qualified personnel is demonstrated by the large number of employees who received the first five-year pins awarded in 1950 for service to the Company in its first five years of existence.



*Hangar terminal—Newark, New Jersey*



*Tiger Station—Boston, Mass.*



*Tiger Station—Detroit, Mich.*

*Enlarged main base—Burbank, California*



# FREIGHT REVENUE AND SALES

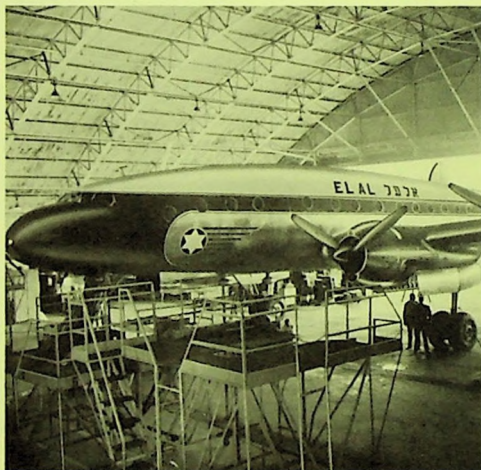
The development of the airfreight movement has proved gratifying over the past year. The system-wide volume for the year rose to 28,125,047 ton-miles, yielding a total revenue of \$4,118,252, as against 15,674,021 ton-miles yielding \$2,386,645 in the preceding year. Of equal importance to profitable operations has been the balancing out of east and westbound traffic, the leveling off of seasonal business, and the build-up of traffic at the various stations.

In December, 1950, the Civil Aeronautics Board granted the last of a series of directional commodity rate tariffs in a program which the Company inaugurated three years ago. These directional rates provide lower tariffs west-to-east for a number of commodities which would not otherwise move in volume as airfreight under the higher general commodity rate. The increase in volume of west-to-east traffic in these commodities has proved spectacular in many instances. Based on five-month comparison periods before and after the new rates, nursery stock shipments spurted from 2,514 to 487,274 pounds; business machines from 15,592 pounds to 167,745 pounds; electronic equipment from 37,300 pounds to 275,000 pounds; cosmetic and toilet preparations from 16,125 pounds to 98,246 pounds; drugs and biologicals from 11,162 pounds to 47,802 pounds.

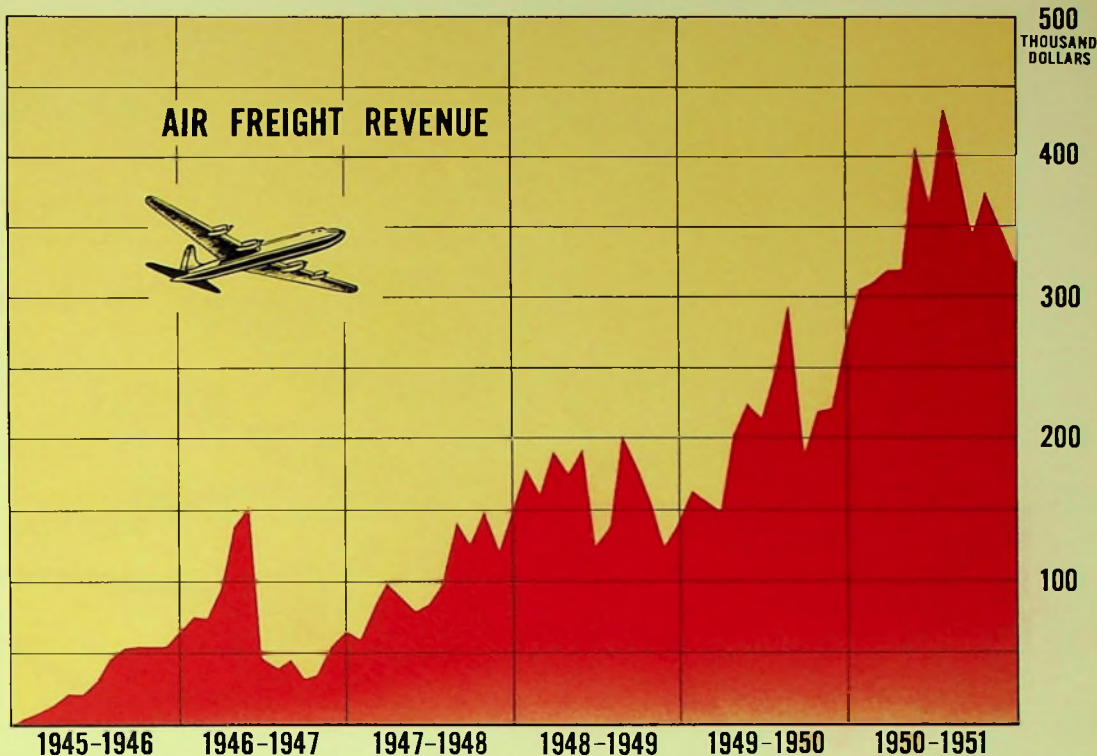
As a result, the over-all load factor in the year increased from 70.2 per cent to 82.5 per cent. In the month of June, 1951, the



*A typical freight load*



*Maintenance performed for other carriers*



Company enjoyed one of the highest load factors ever reported by a carrier for a month, 94.6 per cent. Unused space on eastbound flights in the first quarter of 1951, compared to the same quarter of 1950, decreased from 38 per cent to 30.6 per cent. The freight moving under directional rates gained from 18 per cent of total load to 48 per cent, or from 265,000 pounds for the quarter to 1,090,000 pounds.

The year saw a strong reversal of the usual mid-winter letdown in traffic. System freight revenues through the year, with the exception of July, 1950, the first month of the fiscal year, exceeded \$300,000 per month, a monthly mark never before achieved by the Company. January, 1951

proved one of the largest revenue months of the year for domestic freight, totalling \$366,897, while February broke all records with a total of \$433,356. Business in air-freight alone in these two months exceeded the Company's entire revenue in its first year of operation by about \$300,000. A comparison of combined January and February traffic from 1947 graphically illustrates the rate of freight traffic growth, rising successively year by year from \$86,309 to \$181,289 to \$251,037 to \$393,448 to \$800,253 in 1951.

Every station exceeded its 1949-1950 revenue by substantial margins. Boston exceeded its previous volume by 200 per cent, Hartford by 250 per cent, Los Angeles by

# AIR FREIGHT LINE *The Flying Tiger*



SEATTLE

• WENATCHEE

• YAKIMA

• LONGVIEW

• PORTLAND

DENVER

SACRAMENTO

OAKLAND

• STOCKTON

SAN FRANCISCO

• FRESNO

• SALINAS

• MONTERREY

• BAKERSFIELD

SANTA BARBARA

LOS ANGELES

LONG BEACH

SAN DIEGO

• THERMAL

• BRAWLEY

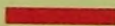
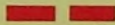
• EL CENTRO

N88552

Flying Tiger Line

# ROUTE 100 *Line Inc.*



 ESTABLISHED ROUTES  
 PROPOSED ROUTES

70 per cent, and Chicago by 50 per cent.

A total of 80,915 shipments were carried in the year. The average shipment weighed 392 pounds and the revenue averaged \$45.17 per shipment.

Undoubtedly the movement of military airfreight contributed largely to the great increase in traffic. However, civilian traffic has likewise mounted, and it can be anticipated that the experience with airfreight by military suppliers will keep them in the air for civilian freight traffic.

Interline relations were cultivated intensively during the year to build up connecting traffic at major gateways. Interline traffic rose to 13 per cent of the total airfreight volume. Such traffic should develop into an increasing factor in the Company's business.

The sales department continued with a long range program for the development of traffic. During the year customer service bureaus were established in the larger cities served by the Company. A sales office was set up in Washington to handle contracts for military traffic. A foreign freight department was created to develop overseas traffic and to cooperate with carriers handling foreign airfreight. Surveys of traffic potentials at possible additional points of service, such as in the Pacific Northwest, were made.

The customer service bureaus have been particularly successful in telephone solicitation of new accounts. In a single month, one station developed new business by telephone calls exceeding 60,000 pounds. Other promotional activities, such as the use of direct mail, outdoor and space advertising, were expanded.

The sales department is pointing to a heavier traffic year in 1952. The coming year should break all previous records.

## CONTRACT SALES

The Company has continued its successful policy of devoting aircraft in excess of its immediate needs for airfreight traffic to contract, charter, and lease operations. Such aircraft have provided a major contribution to the military requirements arising out of the current emergency and have enabled the Company to fulfill one of the prime objectives set forth in the Civil Aeronautics Act, that of providing air transportation for the national defense.

The Company has throughout the year been one of the chief civilian contractors in the Pacific Air Lift to Tokyo, and has provided planes for movement of military personnel between domestic military bases and for contract loads of material. In addition, the Company has cooperated with Government agencies in the mass movement of persons from Puerto Rico to the United States and from this country to Mexico. The Company continued its participation in the group movement of students to Europe and in the contract movement of displaced persons to all parts of the world.

The enlarged maintenance facilities have enabled the Company to expand its outside maintenance service for other airlines and aircraft operators. Approximately 10 per cent of the annual revenue has been derived from this source in the past year. The additional facilities make possible this increased activity while at the same time providing space and facilities to perform maintenance work for the military should such become available.

The purchasing department, intensively engaged in meeting parts shortages, found opportunity to acquire supplies and parts in demand by others. The purchase and re-sale of such parts resulted in a profit more than sufficient to pay the entire cost of operating the department for the year.

## NEW EQUIPMENT

While the Company's present equipment is adequate for current needs and is competitive with that of other carriers, the Company has been looking forward to the time when new and lower cost aircraft will be available. Aircraft presently available and projected for the near future have been surveyed and appraised. While military requirements limit the availability of new aircraft for many years to come, a new plane well designed to meet the needs of this Company is available.

At the close of the year the management arranged for the acquisition of new aircraft. A contract was entered into with the Douglas Aircraft Corp. for the delivery to this

Company of seven DC-6A aircraft. Delivery will be effected in 1953. This is the largest order ever placed for cargo planes.

Each airplane will do the work of two C-54 aircraft, or the work of nearly three C-46 aircraft. Carrying nearly twice as much cargo as the C-54, the DC-6A flies 100 miles an hour faster and represents the most modern version of today's cargo aircraft. The DC-6A, a modification of the popular DC-6 passenger model, has been specifically designed for airfreight service.

With the acquisition of the DC-6s the Company will have a well diversified fleet adapted to meet all developments in its rapidly expanding volume of business.



*DC-6A—the coming Tiger fleet*

# CONTRACT OPERATIONS

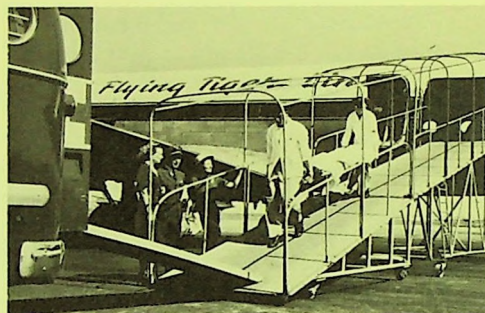
## MILITARY LIFT

Throughout the fiscal year the Company has been actively engaged in the Pacific Air Lift to Tokyo. Practically all of its C-54 equipment has been committed to flying the Pacific carrying passengers and materiel for the armed forces. The Company has contributed about 10 per cent of the total lift provided by eighteen carriers. Our participation was 40 per cent greater than that of the so-called "Big Four" domestic passenger carriers. Our loads consisted approximately of two-thirds freight and one-third passengers. This airlift, crossing 8,000 miles of ocean to Japan, is the greatest over-ocean operation ever attempted and was conducted by all operators with complete safety throughout the year.

Flights for troop movements have been conducted by this Company under contracts with the Air Force to a growing extent. In this service Air Force and Army trainees are moved between military bases;

it has been found that the speed and reduction in numerous surface "enroute" costs makes mass movement by air economical and desirable.

Special charters of freight aircraft both to the military and private industry also developed more than a half million dollars in revenue, auxiliary to the Company's common carriage freight operation. And to the extent that aircraft proved available, they were leased to irregular carriers operating



*Litter ships from Korea*



*Engineering, modification and overhau*



*Pacific air-lift to Tokyo*

under their own Letters of Registration issued by the Civil Aeronautics Board.

## PIONEERING IN NEW FIELDS

The Company has continued to generate new mass movements.

In the spring of 1951, under a contract approved by the Puerto Rican Labor Department and Air Transport Authority, the Company transported more than 11,000 Puerto Rican farm laborers to the East coast. More than 200 flights was involved, making a substantial contribution to the economic program of Puerto Rico and providing essential farm labor to meet the demands of the eastern markets.

Likewise, the Company undertook a contract with the Immigration and Naturalization Service of the Department of Justice to transport illegal Mexican immigrants from

U. S. border points to the interior of Mexico. This movement proved to be the chief weapon of the governments of the United States and of Mexico in combatting the illegal migration of agricultural workers crossing the border to work in U. S. farm fields at substandard wage and working levels. This government movement commenced in May and has continued into the year 1951-1952. Before completion this will involve more than 400 flights and the transportation of some 24,000 illegal entrants into the United States.

The Company continued the movement of student groups to Europe. At the year end some twenty trans-Atlantic flights from New York to London and Luxembourg were under way. During the year, the Company transported thousands of displaced persons for the International Relief Organization from Europe and Asia to many havens throughout the world.

Trans-Atlantic flights for the military were provided. Domestic contract movements were numerous. As a new development the Company contracted to fly newborn calves. More than 2,000 head were moved in the "calf-lift". In this fashion cattle losses are materially reduced, enroute feeding and attendants are eliminated, and areas burdened with surplus calves find a market in other areas short of good breed dairy stock.



*Deportees for American and Mexican Governments*

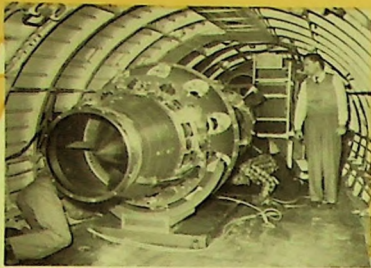


*Tiger calf-lift*



*Special charters of air freight*

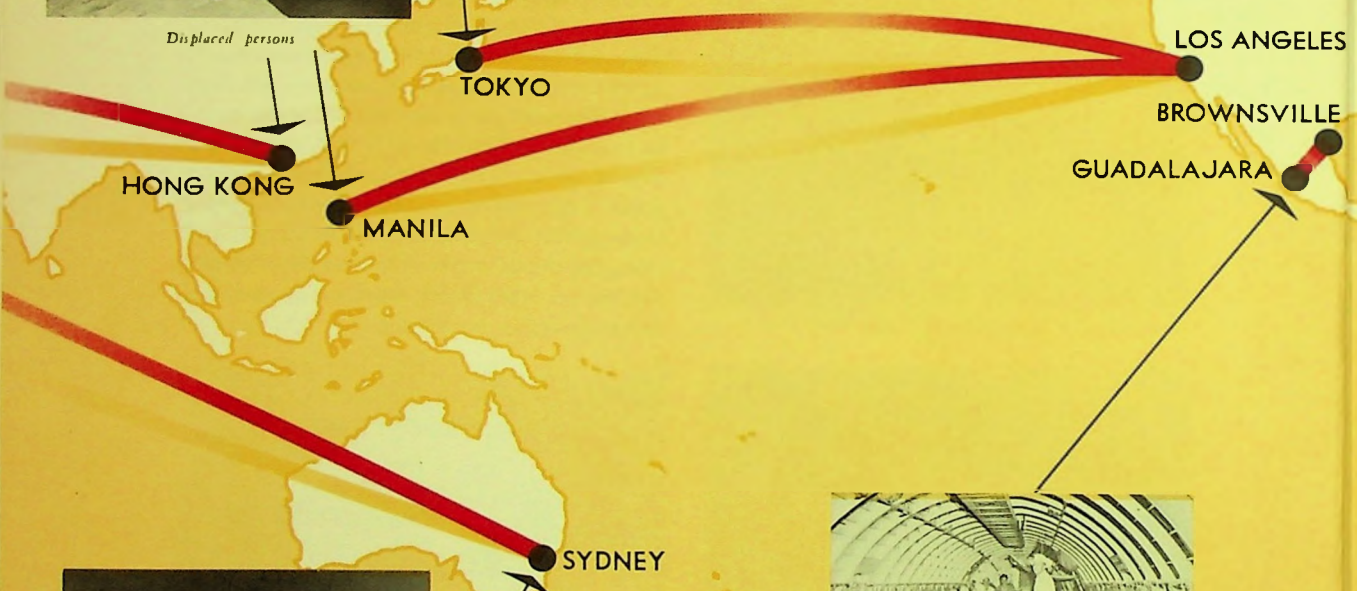
# OVERSEAS AIR *The Flying Tapes*



*Military equipment*



*Displaced persons*



*International Relief Organization movement*



*Mexican departees*

# OPERATIONS

## *er Line Inc.*



*Military movement to Germany*



*Student groups to Europe*



*Puerto Rican farm labor*



*Contract flight—Indian sailors to Bombay*

## THE OUTLOOK

A forecast of the Company's level of business in the near future is difficult to make. The unsettled conditions worldwide and the Korean conflict directly affect the character of the Company's business and in a large measure its volume. Domestic airfreight, the Company's primary business, during each passing year has demonstrated a sound and healthy growth, and the civilian airfreight picture is bright. The new DC-6A cargo planes now on order by the Company will, once in service, bring costs down well below even present levels and will make possible rates which will permit the tapping of a tremendous volume of traffic now dependent solely on surface shipping. How smoothly the transition to the large-scale operation will be made will be determined in major part by the world events which the Company must both prepare for and plan against.

As long as the present mobilization program continues this Company should be fully engaged in contract operations largely military in character; and a substantial portion of domestic airfreight will be mobilization products. A successful conclusion of the Korean warfare may lessen the need for the Pacific Air Lift, but other military needs to other parts of the world may well occupy the four-motored equipment now on the Pacific. If not, there is a large field of private contract work to be fulfilled throughout the world and the Company is alert to world trends. The completion or curtail-

ment of mobilization activity inside the country will dry up "military airfreight"; however, it may well be that the momentum of airfreight movement will keep the suppliers of the military as air shippers for civilian traffic and will generate both replacement and new tonnage. In any event, the Company stands prepared to expand or contract activities as the need requires.

For the present the only limiting factor on the Company's level of business is the amount of aircraft available. It is not the intention of the Management to increase the number of aircraft of the type now flying to any significant degree. Replacements or additions will be made only when it proves financially advantageous. The financial resources of the Company will be kept as fluid as possible, looking forward to the acquisition of the new DC-6s, and to retrenchment in operations, if that should prove necessary.

In the coming year plans to finance the acquisition of the fleet of new aircraft will be worked out and adopted. It will not be necessary until late in the spring of 1952 to be prepared with an approved plan for this financing. Surveys for new financing are under way. Meanwhile, the Company will accumulate additional earnings and cash from depreciation, strengthening the financial position of the Company and looking to the problems of the future.

Meanwhile, during the past year there have been legislative developments directed

at the existing inequities in the competitive position of the subsidized carriers. Passenger carrying airlines are still subsidized to the disadvantage of the non-mail cargo carriers. However, the air mail pay-subsidy separation bill, discussed in the report of last year, has passed the Senate. It will come before the House of Representatives in the next session of Congress. The Senate version excludes the air-cargo industry from any subsidy support but in requiring the separation of subsidy from mail pay, the proposed legislation is a great stride forward in preventing the reckless use of subsidy for competition in the airfreight business.

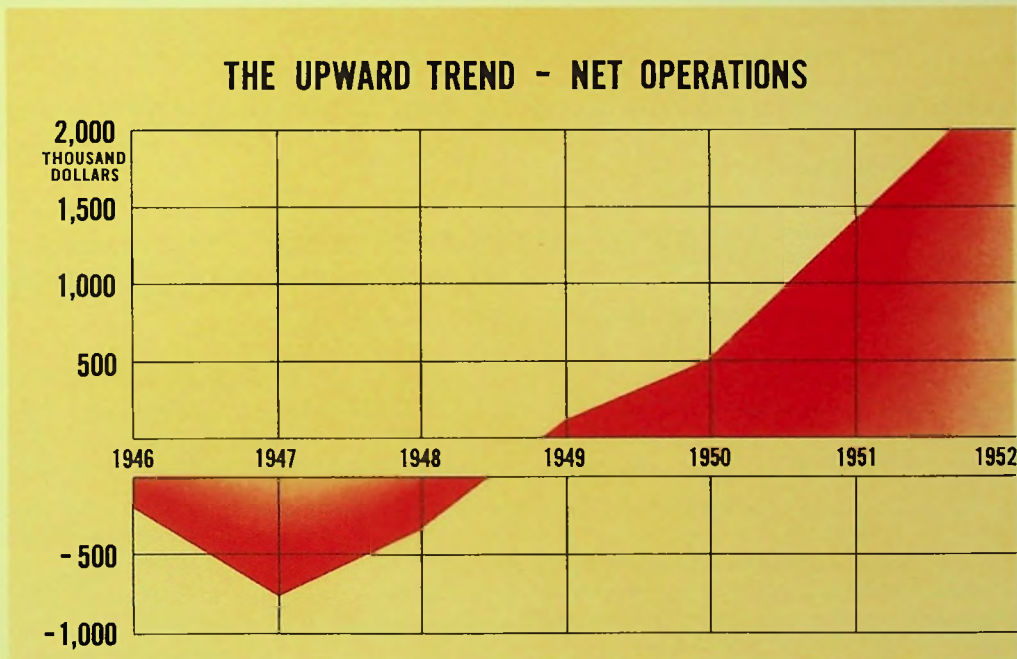
### A DAY WITH THE TIGERS

As this report discloses, this Company is busily engaged in diversified activities which span the globe. This can well be illustrated by the activity of a typical day in the spring

of 1951 which found the Company's fleet deployed as follows:

- 12 aircraft flying on the domestic freight system to 24 cities;
- 6 aircraft flying the Pacific Air Lift to Tokyo;
- 2 aircraft carrying Air Force and Army trainees from Texas bases to bases in the east;
- 4 aircraft flying farm labor from Puerto Rico to northern agricultural areas;
- 1 aircraft enroute from Bremen, Germany, to Sydney, Australia, with displaced persons;
- 1 aircraft enroute across the North Atlantic to Europe with student groups;
- 2 aircraft on military and domestic freight charters from the United States to Alaska and from Milwaukee to Twin Falls, Idaho;
- 4 aircraft shuttling from California and Texas into Mexico with illegal immigrants being returned to Mexico by the U. S. Government;
- 2 aircraft in maintenance in Burbank.

In addition to the Tiger planes in maintenance, planes of other carriers had the maintenance facilities at top capacity.



# The Flying T

## BALANCE SHEETS

### ASSETS

CURRENT ASSETS:	June 30, 1951	June 30, 1950
Cash .....	\$ 1,951,107	\$ 326,454
Receivables—		
Freight customers .....	\$ 335,551	\$ 233,266
United States Government (charters, Pacific airlift and freight) .....	970,476	—
Other rentals, charters, etc. (including \$38,303 and \$18,436 from officers and employees at respective dates) .....	612,000	491,755
Gasoline tax refunds .....	78,098	44,007
Sale of airplane .....	—	166,111
	<u>\$1,996,125</u>	<u>\$ 935,139</u>
Less—Reserve for bad debt losses .....	41,895	37,400
	<u>\$1,954,230</u>	<u>\$ 897,739</u>
Inventories, at cost not in excess of market—		
Materials and supplies .....	\$ 218,453	\$ 174,078
Outside maintenance work in process .....	7,214	19,608
	<u>\$ 225,667</u>	<u>\$ 193,686</u>
Total current assets .....	<u>\$4,131,004</u>	<u>\$1,417,879</u>
PREPAID EXPENSES (insurance, taxes, etc.) .....	\$ 57,862	\$ 58,192
INVESTMENTS, ETC.:		
Noncurrent receivable .....	\$ —	\$ 63,889
Investment in and advances to wholly owned subsidiary, at cost less reserve of \$5,369 for operating loss since date of acquisition .....	73,241	—
	<u>\$ 73,241</u>	<u>\$ 63,889</u>
PROPERTY AND EQUIPMENT (Note 1):		
Cost—		
Aircraft and other flight equipment .....	\$1,909,183	\$ 921,397
Hangar, shop and ramp equipment .....	156,965	128,154
Other equipment .....	160,525	109,685
Buildings and improvements .....	60,337	189,912
	<u>\$2,287,010</u>	<u>\$1,349,148</u>
Less—Reserves for depreciation, etc. ....	559,019	611,026
	<u>\$1,727,991</u>	<u>\$ 738,122</u>
Land (in part pledged as security to note payable, per contra) .....	36,500	—
Modification costs of leased aircraft, being amortized over lives of leases .....	120,162	165,641
Aircraft engines at residual value plus unflown hours at cost .....	138,720	156,248
Surplus aircraft and engines, at residual value .....	—	5,000
	<u>\$2,023,373</u>	<u>\$1,065,011</u>
	<u>\$6,285,480</u>	<u>\$2,604,971</u>

# Per Line Inc.

JUNE 30, 1951 & 1950

## LIABILITIES

CURRENT LIABILITIES:	June 30, 1951	June 30, 1950
Notes payable—		
5% bank loan (secured by pledge of four airplanes) .....	\$ —	\$ 224,988
Other (secured by pledge of certain property, per contra) .....	20,000	6,838
	<u>\$ 20,000</u>	<u>\$ 231,826</u>
Accounts payable .....	<u>\$1,007,536</u>	<u>\$ 303,737</u>
Accrued liabilities—		
Payroll, vacations and sick leave .....	\$ 338,907	\$ 102,495
Payroll, transportation and other taxes .....	70,294	31,031
Rent, insurance, etc. ....	87,684	25,384
	<u>\$ 496,885</u>	<u>\$ 158,910</u>
Provision for taxes based on income .....	<u>\$1,491,746</u>	<u>\$ 64,000</u>
Amount withheld from employees for income taxes .....	<u>\$ 55,096</u>	<u>\$ 16,414</u>
Total current liabilities .....	<u>\$3,071,263</u>	<u>\$ 774,887</u>

### CONTINGENT LIABILITIES AT JUNE 30, 1951

(Notes 2 and 3)

UNEARNED INCOME (equipment rentals and charter revenue applicable to future periods, less provision for income taxes) .....	<u>\$ 4,500</u>	<u>\$ 134,239</u>
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### CAPITAL STOCK EQUITY:

Capital stock of \$1.00 par value (Note 4)—		
Authorized — 1,000,000 shares		
Issued and outstanding — 784,027 and 761,227 shares at respective dates .....	<u>\$ 784,027</u>	<u>\$ 761,227</u>
Capital surplus (excess of proceeds from sale of capital stock over par value thereof — \$91,200 added in current year) .....	<u>\$1,728,839</u>	<u>\$1,637,639</u>
Earned surplus (deficit)—		
Balance at beginning of year .....	\$ 703,021	\$1,203,368
Net income including special items per accompanying statement .....	1,399,872	500,347
Balance at end of year .....	<u>\$ 696,851</u>	<u>\$ 703,021</u>
	<u>\$3,209,717</u>	<u>\$1,695,845</u>
	<u>\$6,285,480</u>	<u>\$2,604,971</u>

# *The Flying Tiger Line Inc.*

## STATEMENTS OF INCOME FOR THE YEARS ENDED JUNE 30, 1951 AND 1950

	Year Ended June 30	
	1951	1950
<b>OPERATING REVENUES:</b>		
Common carriage freight .....	\$ 3,578,863	\$2,169,257
Rentals, charters and service sales .....	4,510,727	2,794,911
Pacific airlift .....	7,492,469	—
Total .....	<u>\$15,582,059</u>	<u>\$4,964,168</u>
 <b>OPERATING EXPENSES AND COSTS:</b>		
Flying operations .....	\$ 6,225,590	\$1,405,082
Ground operations .....	1,235,999	456,013
Maintenance (including cost of service sales) .....	4,170,131	1,793,946
Traffic, sales, advertising and publicity .....	426,055	319,550
General and administrative .....	836,676	422,892
Depreciation and amortization .....	280,942	175,938
Total .....	<u>\$13,175,393</u>	<u>\$4,573,421</u>
Net income from operations .....	\$ 2,406,666	\$ 390,747
 <b>OTHER INCOME</b> (net of interest expense of \$5,402 and \$10,082 in respective years) .....		
	26,284	16,443
Net income before income taxes and special items .....	<u>\$ 2,432,950</u>	<u>\$ 407,190</u>
 <b>PROVISION FOR TAXES BASED ON INCOME</b> (based on rates currently in effect):		
Federal—		
Normal tax and surtax .....	\$ 1,131,000	\$ 158,500
Excess profits tax .....	250,000	—
California franchise tax .....	27,000	7,000
Total .....	<u>\$ 1,408,000</u>	<u>\$ 165,500</u>
Net income before special items .....	<u>\$ 1,024,950</u>	<u>\$ 241,690</u>
 <b>SPECIAL ITEMS:</b>		
Profit on aircraft and other equipment disposed of (less applicable income taxes) .....	374,922	75,157
Reduction in Federal income taxes attributable to carrying forward the loss of a preceding year .....	—	183,500
Net income including special items .....	<u>\$ 1,399,872</u>	<u>\$ 500,347</u>

The accompanying notes are an integral part of these statements.

# NOTES TO FINANCIAL STATEMENTS

1 At June 30, 1951, the company was operating a fleet of 34 aircraft as follows:

	Owred	Leased	Total
C-54 .....	3	5	8
C-46 .....	19	7	26
Total .....	22	12	34

Of the leased aircraft, 4 of the C-54's and 5 of the C-46's were rented from the United States Government under leases expiring December 31, 1954, in the case of the C-54's, and in September 1954 and June 1955 in the case of the C-46's; the remaining leased C-54 was under lease for the duration of the company's participation in the Pacific airlift. All of these leases may be terminated by either party at will. Since June 30, 1951, the company has acquired 1 C-54 aircraft and has been notified that the leases on 3 C-54 aircraft are to be terminated on September 20, 1951. Negotiations regarding a reinstatement of these leases have not been concluded.

2 Since July 1950, the company has participated in the Pacific airlift under a contract with the United States Government, revenue therefrom having been recorded on the basis of rates determined quarterly by negotiation. This contract is subject to the provisions of the Renegotiation Acts of 1948 and 1951. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the company or on the results of operations for the year ended June 30, 1951.

3 The company has agreed to purchase from a bank, upon demand, three C-54 aircraft should a note held by the bank for \$600,000, which is secured by a chattel mortgage on the three aircraft, go in default. The company's possible liability under this agreement is limited to the balance owing on the note at the time of default, plus unpaid accrued interest. The company is involved in various lawsuits for damages, etc. which in the opinion of the management and legal counsel will not result in any material liability.

4 A total of 180,800 shares of the issued capital stock of the company is held in escrow and cannot be sold or transferred without the written consent of the Commissioner of Corporations of the State of California. These shares will be held in escrow until in the discretion of the Commissioner, upon a satisfactory showing of earnings of the company, they may be released. During the period that these shares are held in escrow the owners of such shares have agreed to (a) waive their right to participate in any distribution of assets of the company until all other stockholders who have paid cash or its equivalent for their shares have received the return of the full amount of the purchase price, and (b) waive all right to receive any dividends until all other shareholders who have paid cash or its equivalent for their shares shall have received dividends in amount not less than 30 cents per share per annum cumulatively from date of issue.

Pursuant to resolutions of the board of directors of the company adopted in February 1946 and November 1950, options were given to 11 administrative and executive employees to purchase a total of 39,500 shares of common stock at \$5.00 per share, including 2,000 shares covered by an option given during the fiscal year 1948 to a retired vice president of the company. Prior to July 1, 1951, the expiration date of all of such options, the holders had exercised their rights to and had purchased 22,800 shares of stock at \$5.00 per share.

ARTHUR ANDERSEN & Co.  
ACCOUNTANTS AND AUDITORS

612 SOUTH FLOWER STREET  
LOS ANGELES 17

To the Board of Directors,  
The Flying Tiger Line Inc.:

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1951, and the related statement of income 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. We were unable to confirm accounts receivable from the United States Government totaling \$689,362, but we applied other auditing procedures with respect thereto. We previously had made a similar examination for the year ended June 30, 1950.

In our opinion, the accompanying balance sheet and statement of income present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1951, 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 28, 1951.

## SALES OFFICES

- AKRON-CANTON, Ohio  
Akron-Canton Airport  
Telephones—North Canton 9-2568  
Enterprise 7100
- BOSTON, Mass.  
Logan International Airport  
Telephone—East Boston 7-6161
- BUFFALO, N. Y.  
Hangar No. 6, Municipal Airport  
Telephone—Plaza 3071
- CHICAGO, Illinois  
6054 South Cicero  
Telephones—Portsmouth 7-8200  
Portsmouth 7-2406
- CLEVELAND, Ohio  
Municipal Airport  
Telephone—Winton 1-5777
- DENVER, Colorado  
Stapleton Field  
Telephone—East 1869
- DETROIT, Mich.  
Detroit-Wayne Major Airport  
Telephone—Logan 2-9700
- HARTFORD, Conn.  
Brainard Field  
Telephone—Hartford 2-3145
- LONG BEACH, Calif.  
1224 E. Wardlow Road  
Telephone—Long Beach 40-1323
- LOS ANGELES, Calif.  
Lockheed Air Terminal  
Telephone—Stanley 7-3411
- MILWAUKEE, Wis.  
Mitchell Field  
Telephone—Humboldt 3-5000
- NEWARK, N. J.  
Hangar No. 6, Newark Airport  
Telephone—Market 3-7466
- NEW YORK, N. Y.  
Room 1906, Guardian Life Building  
207 Fourth Avenue, New York 3,  
Telephone—Spring 7-6260  
International Airport  
Telephone—Olympia 6-5165
- OAKLAND, Calif.  
Hangar No. 27, Municipal Airport  
Telephone—Lockhaven 9-1777
- PHILADELPHIA, Penna.  
International Airport  
Telephone—Saratoga 7-5300
- SAN DIEGO, Calif.  
1803 Pacific Highway  
Telephone—Franklin 6504
- SAN FRANCISCO, Calif.  
Municipal Airport  
Telephones—Juniper 7-3662  
Delaware 3-6860
- TOLEDO, Ohio  
137 Hamilton Avenue,  
Telephone—Garfield 4276
- WASHINGTON, D. C.  
201 Shoreham Bldg.  
Telephone: STerling 5959

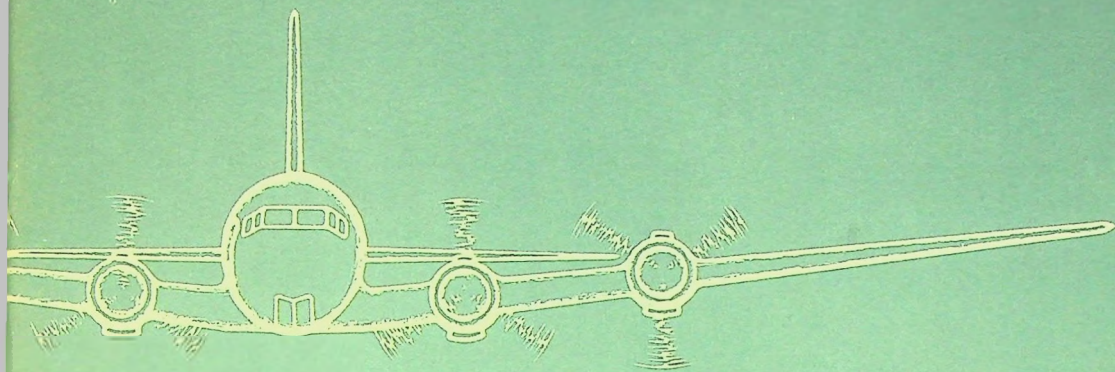
## SALES AGENCY OFFICES

- PROVIDENCE, R. I.  
Dave's Motor Transportation Co.,  
189 Charles Street  
Telephones—Union 1-3112  
Gaspee 1-4653
- ROCHESTER, N. Y.  
Endres Delivery Service  
22 Edinburgh Street  
Telephone—Hamilton 8490



*The Flying Tiger Line Inc.*

LOCKHEED AIR TERMINAL  
BURBANK, CALIFORNIA



# ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 1952

*The Flying Tiger Line Inc.*

# HIGHLIGHTS

## *Of the Year's Operation*

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In all phases, substantial gains were realized. The Company possesses a strong financial base for continuing progress.

Arrangements for financing the purchase of seven DC-6As were completed at the close of the fiscal year. This equipment added to the present fleet will result in a 150% increase in capacity over 1950.

Gross operating income	\$21,837,496	\$15,582,059
Domestic airfreight revenues	4,985,097	4,118,252
Net income after taxes	1,561,695	1,399,872
Net worth per share	4.78	4.09
Net income per share	1.95	1.78
Ton-miles domestic airfreight	31,788,962	28,125,047
Total assets	10,452,375	6,285,480

## SUMMARY

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<i>We Received from Customers</i>		\$21,837,496
<i>We Paid Out or Set Aside Funds for:</i>		
Employees' salaries and wages	\$7,587,240	
Employees' travel and per diem	1,035,115	
Aircraft fuels	4,186,697	
Passenger supplies and expense	133,785	
Other supplies	1,624,361	
Depreciation	818,955	
Maintenance of equipment	1,998,085	
Rentals	807,019	
Insurance	455,777	
Communications	397,749	
Taxes	261,950	
Interest	34,476	
Advertising	216,351	
All other items	833,281	20,390,841
<i>Leaving</i>		\$ 1,446,655
Profit on sales of equipment and miscellaneous income		1,204,040
<i>Gain Before Income Taxes</i>		\$ 2,650,695
<i>Federal Income Taxes</i>		1,089,000
<i>Net Gain</i>		\$ 1,561,695



## *The Flying Tiger Line Inc.*

GENERAL OFFICES: LOCKHEED AIR TERMINAL BURBANK, CALIF. STANLEY 7-3411  
UNITED STATES AIRFREIGHT ROUTE NO. 100 CABLE ADDRESS: FLYTIGER

To the Stockholders and Employees:

In the past year, the seventh of its corporate existence, your Company has continued to attain new highs in its operations. The Company has flown more miles, it has carried more ton-miles of airfreight, it has grossed more dollars of revenue, it has employed more people, and it has performed more services than in any previous year.

The Company's net income in the fiscal year ended June 30, 1952 was \$1,556,968.00. While this amount exceeds that of any other year in the history of the Company, it must be remembered that we are operating in a "war economy" and we must prepare for adjustments in the future as the country is able to return to a peace economy. Intensive development of civilian airfreight and contract operations is necessary to replace the military work as it may phase out.

During the fiscal year just ended we have expended considerable sums on the future expansion of our certificated route and in the construction of facilities along the route. We have opened new stations: the most important of the additions opened the Pacific Northwest to all cargo aircraft for the first time. Permanent airfreight warehouses, offices and other traffic facilities have been built and additional ones are under construction. Our Route 100 now actively services about 95% of our certificated points on a regular basis, and we are about a year ahead of our projected schedule of developing completely our nationwide route structure. Our daily airfreight service now encompasses twenty-four cities ranging from Seattle to San Diego on the West Coast and Boston to Philadelphia on the East Coast. This has been accomplished while we have supported the Armed Forces with airlift; the Company is one of the largest, if not the single largest contributor of military air transport services.

Looking to the future, the Company has negotiated a ten-year lease with the County Airport Corporation for a large maintenance base at the Westchester County Airport, adjacent to New York City. Under the lease the Company will be provided with a new hangar, now under construction, and costing approximately \$2,000,000. This new maintenance base will take over a large portion of our own fleet maintenance; maintenance bases located on both coasts will provide greater flexibility in aircraft scheduling and economies in maintenance work. Also, at this base, as at Burbank, we will provide

commercial aircraft service to other operators. There is a great lack of maintenance facilities on the Eastern seaboard, and it is anticipated that capacity business will be developed at Westchester in short order.

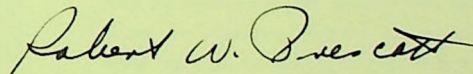
In our Annual Report for last year we announced the purchase of seven DC-6A Liftmaster Airfreighters from the Douglas Aircraft Company. In your management's opinion these four-engined aircraft are the most efficient available in the foreseeable future for operation over the Company's domestic route. These planes should reduce our direct operating expenses by about 20% to 25% and will materially improve the delivery time for customers' shipments. These planes are scheduled to be delivered to the Company at the rate of about one per month beginning in June, 1953.

Arrangements for the financing of the acquisition of this new fleet were completed at the close of the fiscal year. The new planes and a complement of spare engines and parts will cost approximately \$8,000,000. Bank loans up to \$5,500,000 were committed and a subordinate debenture issue for \$2,750,000 was accepted by underwriters.

During the year the Company initiated another major program for its long range development. An application was filed with the Civil Aeronautics Board for authority to carry air express and air mail, including air parcel post, on a non-subsidy basis, and at rates materially below those now paid by the Post Office Department for the carriage of air mail and air parcel post on passenger aircraft. It is your Company's contention that lower cost air service can be provided to the Post Office by utilizing, in addition to passenger planes with their attendant higher costs, air cargo planes at their lower cost levels. The lowest ton-mile cost paid by the Government today for air mail and air parcel post is 45c. Meanwhile this Company's rates are based upon a return of about 16c per ton-mile for airfreight on all cargo planes. It is patent that if the Post Office could utilize, along with the services presently available by passenger planes, the services of cargo planes at rates comparable to airfreight rates, it could reduce its postal charges, particularly for air parcel post. A tremendous increase in air parcel post and air mail volume would result to the benefit of the public and to the air carrier industries.

By their loyal and conscientious efforts, our employees have made outstanding contributions to the success of the Company in 1952, as they have in the past, and they have in large measure been responsible for making The Flying Tiger Line Inc. the largest and most economical in its field of operations.

Respectfully submitted,



ROBERT W. PRESCOTT, *President.*

September 2, 1952.

## CONTINUING EXPANSION

The Company has continued to expand its operations in all of its fields of activity. In addition to its basic business of domestic airfreight the Company has increased its complementary business, broadening and diversifying its operations. The Company has engaged in extensive contract and charter carriage of airfreight and passengers, it has increased the volume of overhaul and maintenance of aircraft for other operators, and to the extent that aircraft have been available it has leased them for short term operations by others.

Revenues from common carriage airfreight and domestic airfreight charters increased from \$4,118,252 in the fiscal year 1951 to \$4,985,097 for this past year. Airfreight increased from 28,125,047 to 31,788,962 ton-miles.

Contract and charter operations continue to provide a dominant portion of the Company's income. These operations span the world for both civilian customers and the military. Because of the increasing requirements of the military, an even larger portion of such operations are under contract or charter with the Armed Forces of the United States. The Company has continued its large participation in the Tokyo airlift. In addition it has been providing an increasing volume of services to the Armed Forces in Trans Atlantic, do-

mestic, and other Trans-Pacific movements. As a consequence the Company has become one of the largest, if not the largest, single civilian contributor of civilian air support to the military. Because of the concentration on military service, the Company has curtailed its services in the growing civilian market for contract air service.

### *New Stations*

During the year the Company continued its program of opening additional points allotted to it in its Certificate of Public Convenience and Necessity. In the spring of 1952 the Pacific Northwest was opened to all cargo service for the first time with the establishment of Company stations at Seattle, Washington and Portland, Oregon. In the first months of operation in the Northwest the gross volume of in-bound and out-bound airfreight met expectations and this new segment of the Company's common carriage route is expected to provide a large and profitable volume of traffic.

A new station was established in November, 1951 at Binghamton, New York. This station was set up to serve the tri-city area of Binghamton, Endicott, and Johnson City, as well as the surrounding highly industrial area. The success of this station has demonstrated that the potential for airfreight is not confined

to the large metropolitan centers.

New and larger ground facilities have been acquired to handle the increasing volume of airfreight. New cargo quarters were obtained in Seattle, Portland and Oakland. Additional quarters were set up in San Francisco, Denver, Chicago, and Cleveland. Plans are under way for additional facilities at other intermediate points.

The Newark Airport, the terminal and maintenance base for New York, was closed in 1952 after a series of unfortunate air crashes and has only been reopened on a restricted basis thus far. This closing required an emergency move to temporary facilities at the Idlewild International Airport on Long Island, New York. The Company, as well as other carriers, operated out of tents and trailers at Idlewild until June when a temporary cargo building was provided by the Port of New York Authority.

During the year plans were completed for a large, permanent base at the Westchester County Airport near White Plains, Westchester County, New York, for the entire New York area. A ten year lease has been executed with the County Airport Corporation for two bays of a large hangar now under construction.

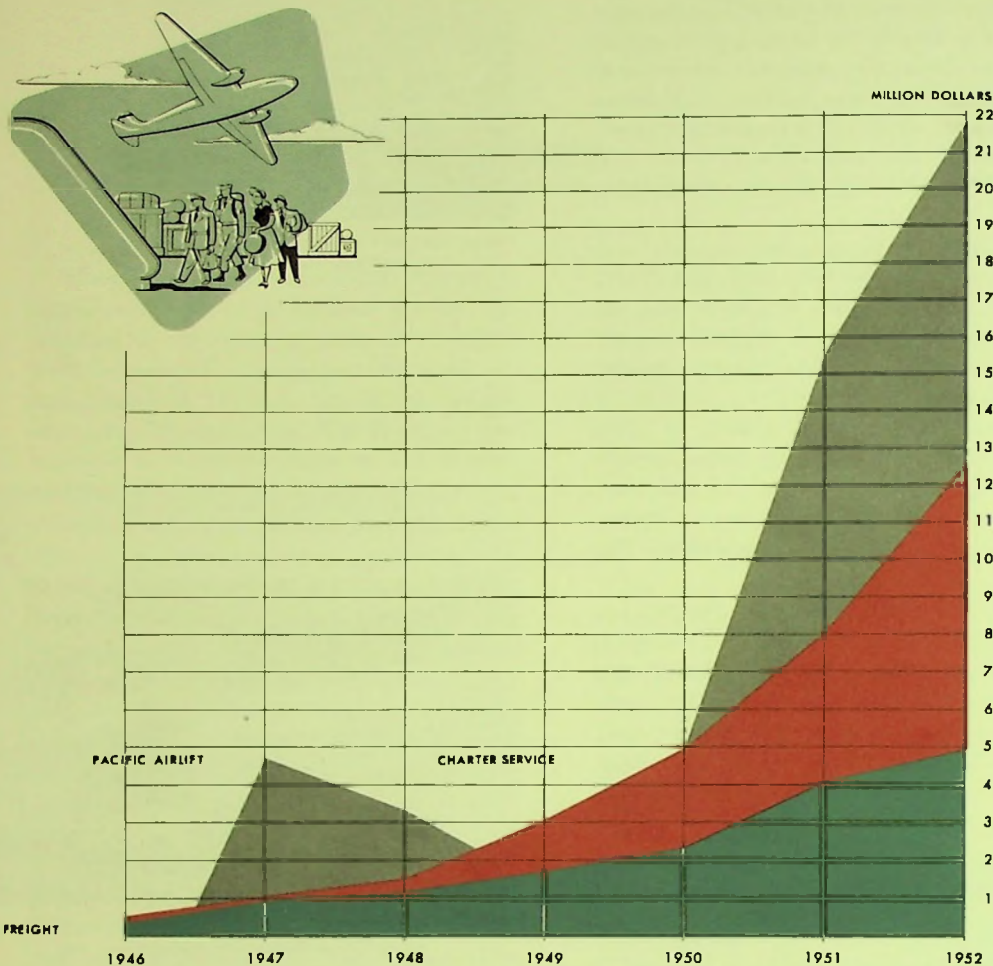


Flying Tiger Line initiates airfreight service to the Pacific Northwest.



Newly completed headquarters in Burbank, California, for Flying Tigers Worldwide operations.

Modern freight depot provides platform level loading for expeditious freight handling.



### *Revenue Over the Years*

The vastly increased freight volume has been balanced by diversification of activities. Contracts, charters, service sales and rentals continue to provide large revenues. The contribution of the company to the Armed Forces has been of major proportions.

Occupancy is planned for early 1953. The Westchester base will provide large and adequate cargo facilities for New York and a large maintenance base as well, where major maintenance will be supplied to the Company's fleet and to other operators.

### **Hub Trucking**

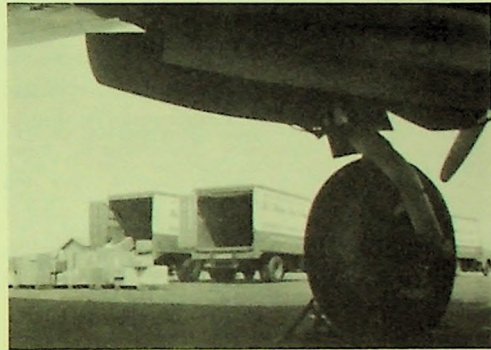
The Company has developed a system of "hub trucking" to provide the same airfreight service to outlying cities as is provided at the points directly served by the Company. Airfreight originating or destined to cities within short trucking distance of the airports served by the Company can be trucked to and from the nearest airplane landing station to meet the long-range, through planes in time to provide the same morning delivery for the entire area radiating out from the service airport. The Company is making each station the hub to serve its surrounding area, including cities more than a hundred miles from the airport. Minimizing the number of landings for aircraft increases the over-all speed of delivery and economizes on costs of operation. Arrangements have been made with truckers, and the Company in some instances is operating its own trucks. Both large metropolitan areas and clusters of smaller industrial cities are thus provided with the same fast, area service for which the Company's system has been devised.

### **New Financing**

At the close of the fiscal year the Company completed arrangements for the financing of the purchase of the seven DC-6A aircraft the Company has on order. A total of \$8,250,000 is to be obtained from bank loans and from a public offering of a subordinate debenture issue. A credit agreement was entered into



Aerial view of the expanded maintenance and cargo handling facilities at Burbank, California.



Tiger owned trucks provide speedy plane-to-door delivery for industrialized and metropolitan areas.

with The Chase National Bank of the City of New York and The New York Trust Company under which the Company may borrow an aggregate amount of \$5,500,000. The bank loans are to be secured by a chattel mortgage on the entire fleet of the Company's aircraft. Arrangements were made for a public offering late in July, 1952 of 5½% Debentures Due 1967 (Subordinate) for a total of \$2,750,000. The indebtedness evidenced by the Debentures will be subordinate to any superior debt of the Company, including the secured bank loans.

The seven DC-6A aircraft will cost approximately \$1,000,000 each. It is estimated that a complement of spare parts and engines will cost an additional \$1,000,000. Under the purchase contract for the new aircraft the Company has paid \$250,000 to the Douglas Aircraft Company and an additional down payment of approximately \$1,500,000 is due. Additional payments are due upon delivery of the aircraft and the spares. Final payments will be made by requisite bank loans.

The loans from the banks are to be due in twenty equal quarterly installments from March 31, 1954 or three months after the last delivery date of the seven aircraft, whichever shall be the earlier. The Debentures, due in 1967, will be convertible on or before July 1, 1952 at \$9.375 per share of common stock. If all Debentures are converted there will be an increase of 293,334 shares of the common stock. The Debentures will be re-

deemable at the option of the Company and will have the benefit of a sinking fund, commencing in July, 1960 after the liquidation of the bank loans; the sinking fund is designed to retire at least 70% of the Debentures by 1967.

Under the terms of the Credit Agreement with the banks and of the Trust Indenture for the Debentures there will be restrictions on cash dividends by the Company. During the life of the bank loans the Company will not pay cash dividends (other than on presently outstanding Preferred Shares) in an amount exceeding 40% of the aggregate earnings of the Company from the end of this fiscal year. Thereafter and as long as Debentures are outstanding, cash dividends will not exceed 50% of the aggregate earnings of the Company from the end of this fiscal year.

### *Personnel*

The close and cordial cooperation between employees and management which has characterized the past history of the Company



Tiger airmen enroute to Tokyo fly over a World War II casualty.

The coming fleet of DC-6As will provide greater capacity and accelerated service.



has continued through the year just ended. Contracts have been made and renewed with the Air Line Pilots Association and with the International Association of Machinists. The contract with the Air Line Pilots Association covers all pilots and co-pilots. Contracts with the International Association of Machinists covers mechanics and related employees and cargo handlers and related employees; negotiations were concluded for a contract to cover security guards. Navigators are now covered by a contract with the Air Carrier Navigators Association.

On semi-annual occasions the Company has awarded five-year pins to employees who have attained five years of service with the Company. Despite the short payrolls of the early years of the Company's existence, a total of one hundred and thirty-four pins have been awarded.

With expanding traffic the personnel employed by the Company has gradually increased. By the end of the fiscal year the Company's roster of employees had reached the total of 1650.

### ***Dividend***

In this fiscal year the Company, as a dividend, issued 99,533 shares of Preferred Shares, Series "A", of \$10.00 par value with a dividend rate of 5%, cumulative. The Pre-

ferred Shares are non-voting except under certain conditions. If at any time dividends on the Preferred Shares shall be in default for periods aggregating eight or more quarters the holders of the Preferred Shares as a class shall be entitled to elect the smallest number of directors which will constitute a majority of the authorized number of directors, and the holders of the Common Shares shall be entitled to elect the remaining members of the Board of Directors.

The dividend of Preferred Shares was paid to holders of all outstanding Common Shares except to those holding 180,800 Common Shares which were held in escrow subject to order of the California Corporation Commissioner. The escrowed shares were shares originally issued to founders of the Company. After the payment of the dividend these shares were released from escrow pursuant to an order of the California Corporation Commissioner.

### ***Listing on Exchanges***

With the financial development of the Company it has become advisable to list the Common Shares of the Company on national exchanges. In the spring of 1952 the Common Shares were listed for trading both on the New York Curb Exchange and on the Los Angeles Stock Exchange.



Tiger employees entertain visitors on an inspection tour.

## AIR FREIGHT DEVELOPMENTS

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The fiscal year 1952 has been the most successful year of airfreight carriage in the history of the Company. In the year the Company transported 31,788,962 ton-miles of domestic airfreight as compared with 28,125,047 ton-miles in the previous year. Because of increased rates the increase in dollar revenue was even more pronounced. Revenues for domestic airfreight during the year just closed totalled \$4,985,097 as against \$4,118,252 for the preceding year. The upward trend of business continued steadily throughout the year, and a continuing increase in business in the coming years can be confidently expected.

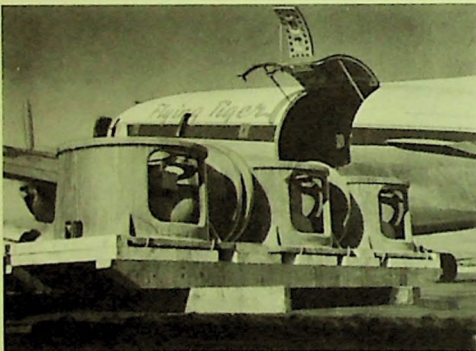
Despite the traditional "off-seasons" in transportation, the Company has been able

to maintain a firm volume of traffic throughout the year. Sales revenues for airfreight for the first time in the history of the Company exceeded \$500,000 a month; this occurred both in May and June. During the preceding ten months revenues from airfreight at no time were less than \$400,000 per month.

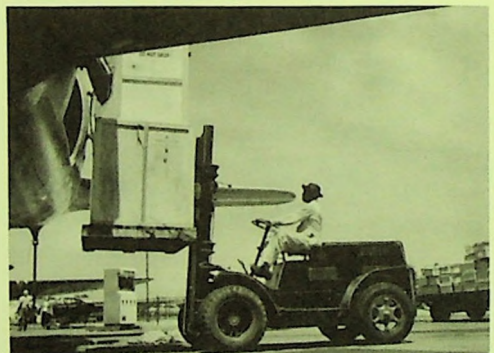
Again every sales office on the system bettered its record for the preceding year. Increases proved substantial and well distributed over the entire system. Los Angeles showed a 30% increase, Milwaukee one of 70%, San Francisco-Oakland, 41%, Buffalo 86% and San Diego 76%. In the spring of the year new stations opened in Seattle and Portland added new volumes of traffic.

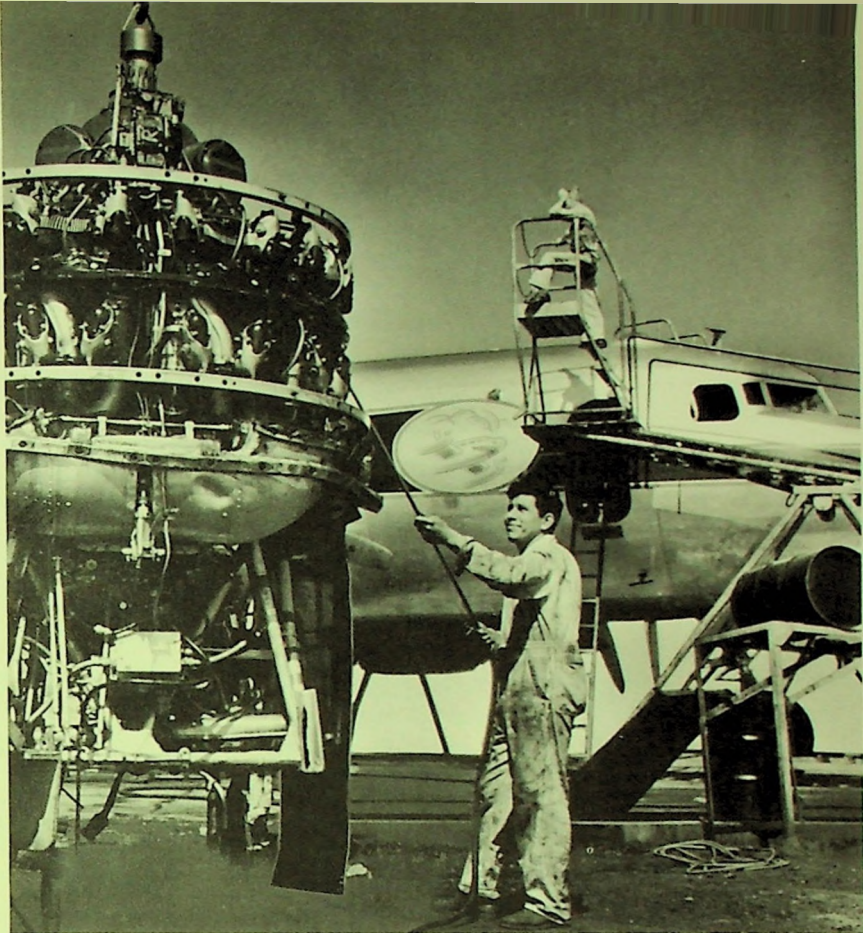
Directional rates providing lower rates east-

Shipment of naval gear for the mobilization program.



Modern fork lifts load a variety of airfreight.





Rapid engine changes help keep Tiger planes at a high utilization level.



Tiger trucks and motor carriers maintain a constant flow of airfreight to and from Tiger planes.

# The Flying Tiger



# AIR FREIGHT ROUTE 100





### *The Fleet Capacity*

The company's policy of full expansion to meet projected needs will result in a 150% increase in carrying capacity over that of 1950. Utilization of DC-6A aircraft, beginning in 1953, will add not only to the total aircraft capacity but will also, because of their greater speed, add even more to the total available payload.

bound for commodities which would not otherwise move in volume by air have been continued to resolve the imbalance of traffic which is experienced by all forms of transportation between the east and west. The directional rates, formerly on a temporary basis, were made permanent by the Civil Aeronautics Board. The additional traffic thus generated increased the load factor eastbound to 77.2% from a high of 69.4% for the preceding year. The over-all load factor for the system rose to 80.6%. The high load factor, well distributed over the route, and maintained at a high level throughout the year, has made for an efficient and profitable operation.

As airfreight has become more and more accepted as a usual and customary method of shipping, the volume of traffic for various commodities has increased and new commodities in ever increasing number are appearing on the Company's aircraft. Familiar items to airfreight such as industrial machinery, electrical products, machine parts and office and business machines have experienced very substantial gains. Meanwhile scores of commodities new to the Company's business have become airfreight. In June, 1952, for example, the Company's records show that 692 different major commodities were carried as compared with only 437 for the same month in 1951.

In the coming year the Company is undertaking a contract with the Navy to provide daily transcontinental trips for Navy cargo to parallel the Company's Route 100. The Navy has found that such transportation provides it with fast service at rates competitive with surface carriage because of the volume movement entailed. It is expected that this operation will increase the domestic airfreight

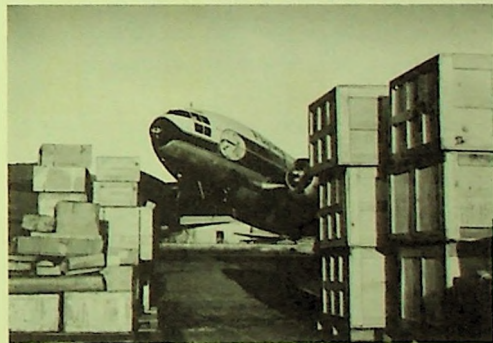
volume carried by the Company by approximately 60%.

In addition the authority requested for carriage of air mail and air parcel post will, if granted, add materially to volume. Present air mail costs adjusted downward by carriage at cargo costs would enable the Post Office to make a material reduction in the cost of air mail and particularly of air parcel post. The resulting economies to the public would attract traffic which existing passenger planes would be unable to handle.

The Company's equipment will have to operate at a maximum capacity to handle the volume of traffic anticipated. Another major increase in total volume must await the delivery of the seven new DC-6A aircraft in 1953. The DC-6A is specifically designed for airfreight traffic, but is convertible for passenger operation when so needed. The new aircraft will increase the airlift capacity of the Company's fleet by nearly 40%.

Today the Company is one of the largest, if not the largest, single civilian contributor of airlift to the Armed Forces. It is looking forward to being able to report that it is also the largest airfreight carrier.

Commodities of many kinds ready for loading greet an incoming Tiger plane.



## CONTRACT OPERATIONS

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Contract and charter operations have continued to provide a major portion of the Company's total business. The requirements of the Armed Forces have taken an increasing proportion of the lift the Company can provide. Civilian business has suffered accordingly. Inasmuch as new DC-6As are on order it has been the policy of the Company not to expand the fleet of present model aircraft and to be ready to dispose of such old aircraft should there be any material change in military demands. Continuing experience with military traffic now indicates a continuing demand for a large number of civilian aircraft.

During the year the Company has continued to be one of the largest civilian operators on the Pacific airlift. The Company maintained an average of seven DC-4 aircraft on the Pacific airlift. In the year the Company carried 20,400 passengers and 7,600,000 pounds of materiel across the Pacific. The aircraft operated with a record high utilization of 14 hours per day.

Meanwhile the Company has operated regularly over the Atlantic and the Pacific transporting military personnel and dependents. All of the Company's DC-4 equipment has been used almost exclusively in trans-oceanic movements.

Troop movements between military bases within the continental United States have in-

creased materially during the year. Such movements have been conducted with two-motored C-46 aircraft. Such aircraft have also been used for domestic airfreight charters for the Armed Forces for the movement of critical materiel.

While the military demands have minimized the airlift available for civilian contract operations, the Company has conducted a sizeable volume of such business. In the early months of the fiscal year the Company transported large numbers of migrant agricultural contract workers from Puerto Rico and Mexico to the truck gardens and farms on the eastern seaboard and in the far west. Under a single contract approved by the Puerto Rican Transportation Authority approximately 11,000 agricultural workers were transported



from San Juan, Puerto Rico to various points on the eastern seaboard. Another large mass movement was undertaken for the Department of Justice, that of transporting illegal Mexican immigrants (known as "wetbacks") from the United States into the interior of Mexico. All such movements were conducted in two-motored C-46 aircraft. To the extent that four-motored DC-4 aircraft were not required by the military trips were made transporting migrants from Europe to various points in the world under the auspices of the IRO.

In addition to charter flights for the trans-

portation of materiel for the Armed Forces, the Company has made numerous contract and charter flights carrying cargo for private industry. While this traffic has been stimulated by the defense program, industry is finding more and more reason to utilize plane-load services of the Company. The reduction of inventory and inventory losses, the relief of production bottlenecks, the need for critical materials, and the economics of plane-load movements of ordinary cargo have called for an increasing use of contract and charter aircraft.



Korean veterans homeward bound leave Tokyo for a speedy flight stateside.



Tiger stewardesses help on the long trips across the Pacific.



Tiger maintenance performs major overhauls of aircraft for other carriers under contract.

## THE OUTLOOK

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Airfreight as an industry has continued to grow at a spectacular rate. When this Company originated an all cargo business in 1945 there was considerable question among aviation and transportation experts as to whether airfreight would survive as a separate industry or would remain as simply an adjunct to the airline passenger business. The present volume and rate of growth now give proof that airfreight is and will be a separate industry. We can look forward with confidence that within a decade the volume of airfreight will exceed that of the air passenger business. Such a trend, of course, spells the future for the Company.

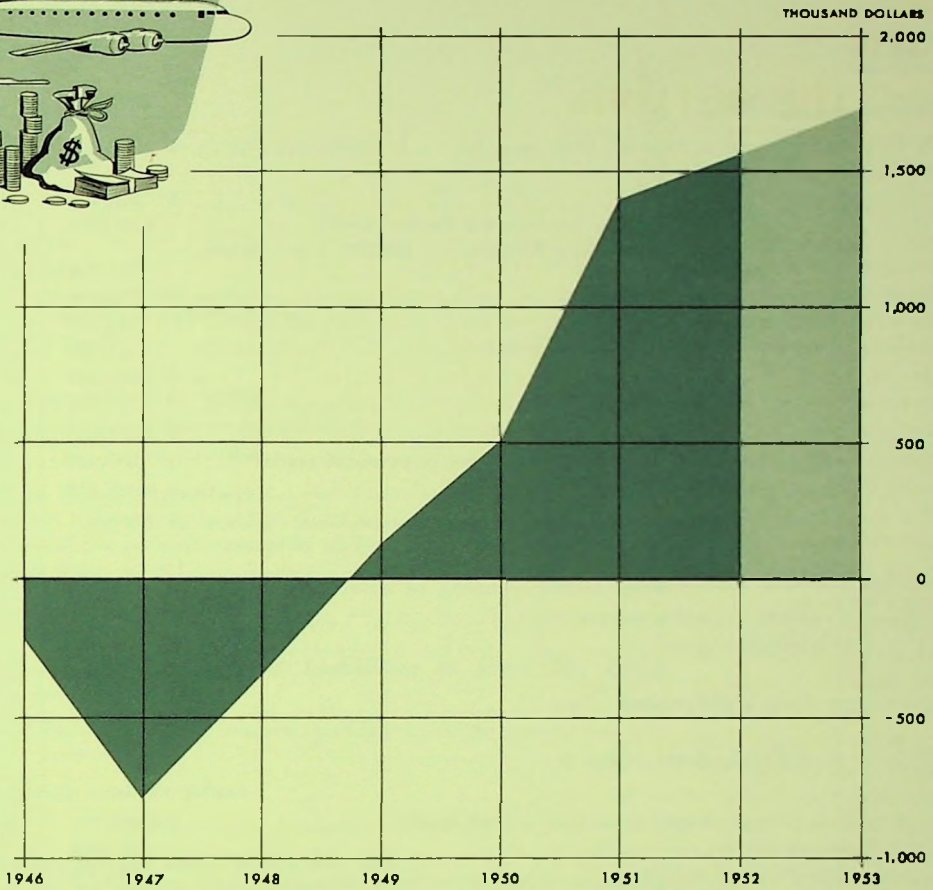
If this Company is to gain a full measure of growth it must overcome the handicaps of the one-sided competitive struggle in which it is engaged with the mail and passenger carrying airlines. These airlines continue to receive extraordinarily high rates of pay for carrying the United States mail and parcel post and for carrying air express. These commodities carried along with airfreight in the passenger airlines' cargo planes offset the lower revenues from carrying airfreight in competition with the non-subsidized airfreight carriers who thus far are not authorized to carry either air mail, air parcel post or air express.

There is reason for optimism for the future. Airmail-subsidy separation legislation has been before the Congress in each of the two last sessions. In the first session a subsidy

separation bill passed the House; in the last session a similar bill was passed by the Senate. It is to be hoped that at the next session of Congress an adequate subsidy separation bill will be enacted into law.

Meanwhile the Company is pressing for action on its application before the Civil Aeronautics Board for authority to carry air mail and air parcel post on a non-subsidy basis and to carry air mail including parcel post and air express at rates in line with its airfreight tariffs for handling similar volumes. The Company has proposed that rates geared to cargo plane costs be set on a non-subsidy basis to parallel those set for passenger planes.

While the foregoing considerations affect the Company's long range plans, prospects for the year ahead are bright. Domestic airfreight will be carried in ever increasing volume. Our fleet devoted to this traffic should be occupied to its maximum capacity. The volume of traffic to be obtained from the Armed Forces is, of course, a matter of some conjecture and will depend in large measure upon developments in world conditions. When the Korean war is settled the need for the Pacific airlift will diminish. However other military needs for other parts of the world may continue to provide a maximum demand for the Company's facilities. It is becoming ever more clear that the Armed Forces, always a major customer for transportation services, will provide a steady demand for airlift for the years to come.



### *The Upward Trend — Income After Taxes*

Losses during the development years have been offset by the consistent upward trend in profits. Steady improvement in earnings provides the means for the continued expansion of the company.

# The Flying Tiger Line Inc.

## ASSETS

	1952	1951
<b>Current Assets:</b>		
Cash (\$50,000 restricted at June 30, 1952, Note 5) .....	\$ 1,352,745	\$1,951,107
Receivables—		
Freight customers .....	\$ 634,406	\$ 335,551
United States Government (freight, charters and Pacific airlift) .....	1,105,531	970,476
Other rentals, charters, etc. (including \$19,558 and \$38,303 from officers and employees at respective dates) .....	797,094	612,000
Advances to customers .....	215,106	—
Gasoline tax refunds .....	142,499	78,098
Air-Pack Corporation (a subsidiary company) .....	14,855	—
	\$ 2,909,491	\$1,996,125
Less—Reserve for bad debt losses .....	47,956	41,895
	\$ 2,861,535	\$1,954,230
Inventories of materials and supplies, etc., at cost not in excess of market .....	\$ 509,924	\$ 225,667
Prepaid insurance, taxes, etc. ....	\$ 243,873	\$ 57,862
Total current assets .....	\$ 4,968,077	\$4,188,866
<b>Investments and Advances:</b>		
Subsidiary companies, at cost less reserve (Note 1) .....	\$ 84,594	\$ 73,241
Other security investment, at cost .....	5,000	—
	\$ 89,594	\$ 73,241
<b>Deposit on New Equipment</b> (Note 3) .....	\$ 250,000	\$ —
<b>Property and Equipment</b> (Note 2):		
Cost—		
Aircraft hulls (in part pledged as security to bank loans) .....	\$ 4,060,291	\$1,611,807
Other flight equipment .....	467,954	297,376
Hangar, shop and ramp equipment .....	250,104	156,965
Other equipment (in part pledged as security to note payable) .....	307,531	160,525
Buildings and improvements (in part pledged as security to note payable) .....	385,188	60,337
	\$ 5,471,068	\$2,287,010
Less—Reserves for depreciation, etc. ....	1,017,804	559,019
	\$ 4,453,264	\$1,727,991
Land, at cost (in part pledged as security to note payable) .....	36,500	36,500
Modification costs of leased aircraft, being amortized over lives of leases .....	100,212	120,162
Aircraft engines, at residual value plus unflown hours at cost .....	534,153	138,720
	\$ 5,124,129	\$2,023,373
<b>Debt Discount and Expense</b> (applicable to financing in progress at June 30, 1952)—Note 6 .....	\$ 20,575	\$ —
	\$10,452,375	\$6,285,480

The accompanying notes are an

# BALANCE SHEETS *June 30, 1952 and 1951*

## LIABILITIES

	1952	1951
<b>Current Liabilities:</b>		
Current installments of notes payable (see below)—		
Bank loans (Note 6).....	\$ 650,436	\$ —
Other .....	17,960	2,400
	\$ 668,396	\$ 2,400
Accounts payable .....	\$ 2,295,388	\$1,007,536
Accrued liabilities—		
Payroll, vacations and sick leave.....	\$ 582,601	\$ 338,907
Payroll, transportation and other taxes .....	118,672	70,294
Rent, insurance, etc.....	66,408	87,684
	\$ 767,681	\$ 496,885
Provision for taxes based on income .....	\$ 1,714,496	\$1,491,746
Amount withheld from employees for income taxes .....	\$ 98,918	\$ 55,096
Total current liabilities .....	\$ 5,544,879	\$3,053,663
<b>Long-Term Notes Payable:</b>		
Bank (Note 6)—payable in monthly installments of approximately \$54,200 plus interest at five per cent; secured by pledge of five C-54 aircraft (current installments shown above).....	\$ 137,549	\$ —
Other—land and other contracts payable, secured by pledge of related assets (current installments shown above).....	23,239	17,600
	\$ 160,788	\$ 17,600
<b>Commitments and Contingent Liabilities at June 30, 1952</b> (Notes 3, 4 and 5)		
<b>Unearned Income</b> (charter revenue applicable to future periods, less provision for income taxes).....	\$ —	\$ 4,500
<b>Capital Stock and Surplus:</b>		
Capital stock—		
Preferred—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,533 shares designated as Series A (including 674 shares reserved for exchange of scrip expiring December 31, 1952)—entitled to five per cent cumulative dividends, redeemable at and entitled in liquidation to par plus unpaid dividends.....	\$ 995,330	\$ —
Common—		
Authorized, 1,500,000 shares of \$1 par value		
Issued and outstanding, 784,027 shares .....	784,027	784,027
	\$ 1,779,357	\$ 784,027
Capital surplus (excess of proceeds from sale of capital stock over par value thereof—\$91,200 added in year ended June 30, 1951; no change in current year) .....	1,728,839	1,728,839
Earned surplus (see Note 6 regarding restrictions)—per accompanying statement .....	1,238,512	696,851
	\$ 4,746,708	\$3,209,717
	\$10,452,375	\$6,285,480

# STATEMENTS OF INCOME

For the Years Ended June 30, 1952 and 1951

	1952	1951
<b>Operating Revenues:</b>		
Common carriage freight.....	\$ 4,532,742	\$ 3,578,863
Rentals, charters and service sales.....	8,026,183	4,510,727
Pacific airlift (Note 4).....	9,278,571	7,492,469
Total.....	<u>\$21,837,496</u>	<u>\$15,582,059</u>
<b>Operating Expenses and Costs:</b>		
Flying operations.....	\$ 8,723,230	\$ 6,225,590
Ground operations.....	2,054,427	1,235,999
Maintenance (including cost of service sales).....	6,773,098	4,170,131
Traffic, sales, advertising and publicity.....	769,311	426,055
General and administrative.....	1,187,343	836,676
Depreciation and amortization.....	818,955	280,942
Total.....	<u>\$20,326,364</u>	<u>\$13,175,393</u>
Net income from operations.....	<u>\$ 1,511,132</u>	<u>\$ 2,406,666</u>
<b>Other Income and Deductions*:</b>		
Interest expense.....	\$ 34,477*	\$ 5,402*
Provision for loss on investment in subsidiary.....	36,147*	5,369*
Miscellaneous (net).....	263	37,055
Total.....	<u>\$ 70,361*</u>	<u>\$ 26,284</u>
Net income before income taxes and special item.....	<u>\$ 1,440,771</u>	<u>\$ 2,432,950</u>
<b>Provision for Taxes Based on Income:</b>		
Federal —		
Normal tax and surtax.....	\$ 745,000	\$ 1,131,000
Excess profits tax.....	22,000	250,000
California franchise tax.....	17,000	27,000
Total.....	<u>\$ 784,000</u>	<u>\$ 1,408,000</u>
Net income.....	<u>\$ 656,771</u>	<u>\$ 1,024,950</u>
<b>Special Item:</b>		
Profit on sale of aircraft (less applicable income taxes of \$335,000 and \$131,000 for respective years).....	904,924	374,922
Net income and special item.....	<u>\$ 1,561,695</u>	<u>\$ 1,399,872</u>

\*Denotes red figure

The accompanying notes are an integral part of these statements.

# STATEMENTS OF EARNED SURPLUS

For the Years Ended June 30, 1952 and 1951

	1952	1951
<b>Balance at Beginning of Year</b> (Surplus or Deficit *)	\$ 696,851	\$ 703,021*
<b>Add or Deduct:</b>		
From accompanying statement—		
Net income .....	656,771	1,024,950
Special item .....	904,924	374,922
Dividend on 603,227 shares of common stock (excludes shares formerly held in escrow)—paid in preferred stock, Series A, at rate of \$1.65 par value of preferred for each share of common, totaling 99,533 shares recorded at par—	995,330*	—
Cash dividend on preferred stock, Series A—25 cents per share.....	24,704*	—
<b>Balance at End of Year (Surplus)</b>		
See Note 6 regarding restrictions.....	\$ 1,238,512	\$ 696,851

\* Denotes red figure

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

1 Investments in and advances to subsidiary companies at June 30, 1952, consist of:

Caribbean Clothing Corporation—

Cost—

Capital stock, 12,641 shares (a 100 per cent interest) .....	\$ 3,160	
Five per cent debentures, due December 1, 1957, (face amount \$9,500) .....	5,450	
Advances .....	75,000	
	\$83,610	
Less—Reserve for operating loss since date of acquisition .....	41,516	\$42,094

Air-Pack Corporation—

Capital stock, 425 shares (an 85 per cent interest)—at cost .....	42,500	
Total .....	\$81,594	

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2 Aircraft:

At June 30, 1952, the company was operating a fleet of 37 aircraft as follows:

	<i>Owned</i>	<i>Leased</i>	<i>Total</i>
C-54	6	6	12
C-46	20	5	25
Total	<u>26</u>	<u>11</u>	<u>37</u>

Of the leased aircraft, four of the C-54's and all of the C-46's were rented from the United States Government under leases expiring December 31, 1954; one of the remaining two leased C-54's was leased for the duration of the company's participation in the Pacific airlift and the other was leased for a six-month period ending October 10, 1952. All of the leases, except the six-month lease, may be terminated by either party at will.

One of the C-54 aircraft owned at June 30, 1952, was sold as of July 10, 1952, at a profit of approximately \$158,000, after applicable income taxes.

### 3 Purchase of aircraft:

The company has entered into an agreement with Douglas Aircraft Company, Inc. for the purchase of seven DC-6A aircraft to be delivered during the period from July 1953 to March 1954 at a total cost of \$6,989,878, subject to an escalator clause limited to 15 per cent. In August 1952, the company was notified by Douglas Aircraft Company, Inc. that there would be a five per cent increase, under this clause, on five of the aircraft. Under the terms of the agreement, as amended, \$250,000 has been deposited on the purchase price of these aircraft. The second payment, \$1,497,466, was made on July 9, 1952; final payments are due as the aircraft are received. The company has entered or proposes to enter into other contracts for the purchase of spare parts (including spare engines, propeller hubs, propellers and radio equipment) to be used in connection with such aircraft in quantities which are usual and customary, in an amount not to exceed \$1,200,000, prior to March 31, 1954.

### 4 Renegotiation:

Since July 1950, the company has participated in the Pacific airlift under a contract with the United States Government, revenue therefrom having been recorded on the basis of rates subject to price redetermination which has been effected through June 30, 1952. This contract is subject to the Renegotiation Acts of 1948 and 1951. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the company at June 30, 1952, or the results of operations for the two years ended that date.

### 5 Contingent liabilities:

The company is contingently liable—

- (a) Under an agreement with a bank to guarantee the indebtedness of a corporation, in which the company has a 6¼ per cent interest, in an amount

not to exceed \$45,000. Such guarantee is collateralized by a time certificate of deposit in the amount of \$50,000, which is included in the cash balance of \$1,352,745 in the balance sheet.

(b) Under an agreement to guarantee the payment for materials purchased by its wholly owned subsidiary, Caribbean Clothing Corporation, in an amount not to exceed \$37,500.

(c) Under various lawsuits for damages, etc., which in the opinion of the management will not result in any material liability.

## 6 Additional borrowings, etc.:

Under a credit agreement entered into on June 25, 1952, certain banks have agreed to loan the company a maximum of \$5,500,000 in connection with the purchase of aircraft referred to in Note (3) above, on five per cent notes maturing in equal quarterly installments beginning June 30, 1954, or three months after the last aircraft is delivered, whichever shall be the earlier date. The notes are to be secured by all aircraft, spare engines, spare propeller assemblies, and spare parts owned at the date of the agreement or acquired during its term. In the credit agreement, the company has agreed, unless prior approval is obtained from the banks, not to pay dividends (other than on presently outstanding preferred stock up to an annual amount of \$50,000) or make any other distribution (other than stock dividends) on any other stock of the company which would exceed 40 per cent of the net earnings of the company from June 30, 1952, to the date of declaration or payment. 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, among other things, on additional borrowings, capital expenditures and leasing of mortgaged property.

On July 10, 1952, the company filed a registration statement under the Securities Act of 1933 with the Securities and Exchange Commission covering \$2,750,000 face amount of 5½ per cent Debentures Due 1967 (Subordinate) and 293,334 shares (or such number as may be required) of common stock issuable upon conversion of such debentures. The indenture covering the debentures contains various restrictions on the company, including a limitation on cash dividends or other distributions on the capital stock of the company, except (1) as to dividends not to exceed \$50,000 annually on the preferred stock and (2) as to distributions, including dividends, on any class of stock of the company, such distributions (including cash dividends) not, however, to exceed 50 per cent of the consolidated net income of the company and its subsidiaries for the period from June 30, 1952, to the date of declaration or payment, provided that after giving effect thereto, consolidated net current assets of the company and its subsidiaries shall not be less than \$1,500,000.

On July 9, 1952, the company borrowed \$2,500,000 under the credit agreement referred to above, the proceeds of the loans being used for—

Payment in full of bank loans then outstanding .....	\$ 787,985
Payment of second installment on the Douglas Aircraft Company, Inc. contract referred to in Note (3) .....	1,497,466
Additional working capital .....	214,549
Total .....	<u>\$2,500,000</u>

The proceeds from the sale of the debentures, \$2,612,500, were received by the company on August 5, 1952, and used for—

Payment of bank loans made on July 9, 1952 .....	\$2,000,000
Added to working capital .....	612,500
Total .....	<u>\$2,612,500</u>

ARTHUR ANDERSEN & Co.  
ACCOUNTANTS AND AUDITORS

612 SOUTH FLOWER STREET  
LOS ANGELES 17

To the Board of Directors,  
The Flying Tiger Line Inc.:

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1952, and the related statements of income and earned 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 totaling \$928,389 at June 30, 1952, but we have satisfied ourselves by other auditing procedures with respect thereto. We previously had made a similar examination for the year ended June 30, 1951.

The company during the past two years has sold certain of its aircraft at amounts substantially in excess of book value. The credits from these transactions, after applicable income taxes, amounted to \$904,924 and \$374,922 for the years ended June 30, 1952, and 1951, respectively, and are included as special items in the statements of income. Because these credits arose from nonoperating transactions, in our opinion, it would have been preferable to reflect these credits as direct surplus items.

With this explanation, in our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1952, 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 3, 1952.

## SALES OFFICES

---

- AKRON-CANTON, Ohio**  
Akron-Canton Airport  
Telephones—North Canton 9-2568  
Enterprise 7100
- BINGHAMTON, N. Y.**  
Broome County Airport  
Telephone—Binghamton 9-1591
- BOSTON, Mass.**  
Logan International Airport  
Telephones—E. Boston 7-5305  
E. Boston 7-6161
- BUFFALO, N. Y.**  
Hangar No. 6, Municipal Airport  
Telephone—Plaza 3071
- CHICAGO, Ill.**  
5833 S. Central Ave.  
Telephones—Portsmouth 7-8200  
Portsmouth 7-2406
- CLEVELAND, Ohio**  
Hopkins Municipal Airport  
Telephone—Winton 1-5777
- DENVER, Colorado**  
Hangar No. 4, Stapleton Airfield  
Telephone—East 1869
- DETROIT, Mich.**  
Detroit-Wayne-Major Airport  
Telephone—Logan 2-9700
- GRAND RAPIDS, Mich.**  
Kent County Airport  
Telephone—Cherry 1-2221
- HARTFORD, Conn.**  
Brainard Field  
Telephone—Hartford 2-3145
- LONG BEACH, Calif.**  
Long Beach Municipal Airport  
Telephone—Long Beach 40-1323
- LOS ANGELES, Calif.**  
Lockheed Air Terminal  
Telephone—Stanley 7-3411
- MILWAUKEE, Wis.**  
Mitchell Field  
Telephone—Humboldt 3-5000
- NEWARK, N. J.**  
Hangar No. 6, Newark Airport  
Telephone—Market 3-7466
- NEW YORK, N. Y.**  
Room 1906 Guardian Life Bldg.  
207 Fourth Ave., New York 3  
Telephone—Spring 7-6260
- NEW YORK, N. Y.**  
Idlewild International Airport  
Telephone—Olympia 6-5140
- OAKLAND, Calif.**  
Municipal Airport  
Telephone—Lockhaven 2-1871
- PHILADELPHIA, Penna.**  
International Airport  
Telephone—Saratoga 7-5300
- PORTLAND, Oregon**  
International Airport  
Telephone—Garfield 1158
- PROVIDENCE, R. I.**  
577 So. Main Street  
Telephones—Elmhurst 1-8500  
Elmhurst 1-4815
- ROCHESTER, N. Y.**  
Rochester Airport  
Telephone—Genesee 9395
- SAN DIEGO, Calif.**  
1803 Pacific Highway  
Telephone—Franklin 6504
- SAN FRANCISCO, Calif.**  
Municipal Airport  
Telephone—Juniper 7-3662
- SEATTLE, Wash.**  
Boeing Field  
Telephone—Lander 5916
- SOUTH BEND, Ind.**  
412 E. Tutt Street  
Telephone—South Bend 6-2437
- SYRACUSE, N. Y.**  
106 Harbor Street  
Telephone—76-6255
- TOLEDO, Ohio**  
618 Broadway  
Telephone—Garfield 4276
- WASHINGTON, D. C.**  
201 Shoreham Building  
Telephone—Sterling 5959

## SALES AGENCY OFFICE

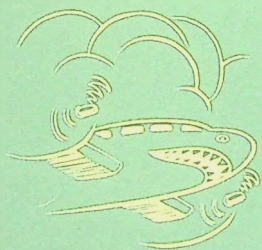
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TACOMA, Wash.  
Inter-City Auto Freight, Inc.

1821 Dock Street  
Telephone—Madison 2167

*Designed by Graham Associates Inc.*

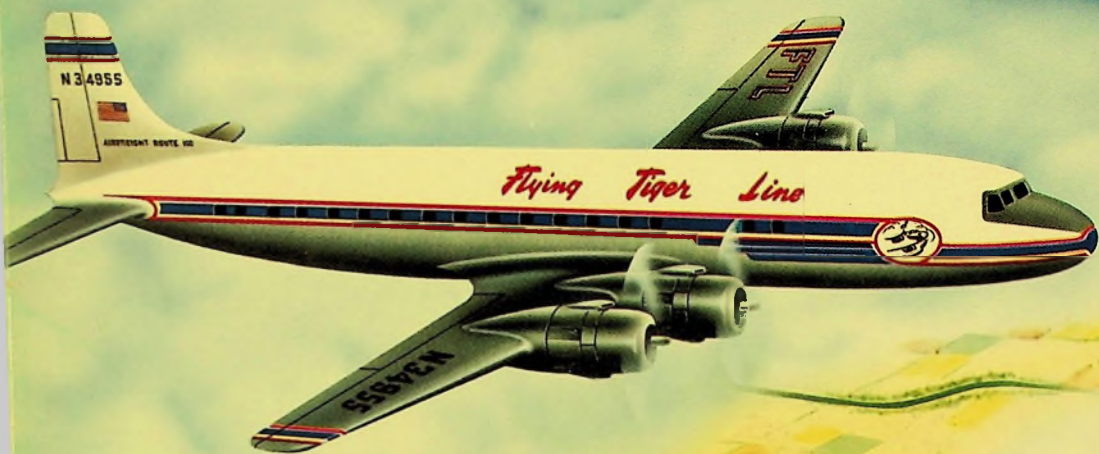
*Major photo contribution by Simon Nathan*



*The Flying Tiger Line Inc.*

Lockheed Air Terminal  
Burbank, California

# *Annual Report*



*The Flying Tiger Line Inc.*

*for the year ended june 30, 1953*



	Samuel B. Mosher, <i>Chairman of the Board</i>	
<i>directors</i>	Allen T. Chase	Houston Rehrig
	James E. Davidson	Robert L. Smith
	Norman L. Meyers	Thomas J. Sullivan
	Robert W. Prescott	William Zeckendorf
	<i>President</i>	Robert W. Prescott
	<i>Vice-President</i>	William E. Bartling
	<i>Vice-President</i>	George T. Cussen
<i>officers</i>	<i>Vice-President</i>	Louis C. Burwell, Jr.
	<i>Secretary-Treasurer</i>	Fred Benninger
	<i>Assistant Secretary-Treasurer</i>	Ralph B. Stump
	<i>Assistant Secretary</i>	George M. Messenger
	<i>Assistant Secretary</i>	Norman L. Meyers
<i>executive offices</i>	Lockheed Air Terminal, Burbank, California	
<i>transfer agents</i>	The Chase National Bank	New York
	The Bank of America	Los Angeles
<i>registrars</i>	Bankers Trust Company	New York
	Citizens National Trust & Savings Bank	Los Angeles
<i>general counsel</i>	Meyers & Batzell	Washington
<i>auditors</i>	Arthur Andersen & Co.	Los Angeles

# *Annual Report*

*for the year ended june 30, 1953*

*The Flying Tiger Line Inc.*



## highlights

*of the year's operation*

Gross revenues from all sources showed gains for an all time high for the Company. Of particular note, revenues from domestic common carriage and charter airfreight increased more than 60% over the previous year's. The Company, as a leading civilian transport air arm to the military, increased and diversified its services to the Military Establishment.

In March, 1953, the Company executed an agreement for Slick Airways, Inc. to merge with and into the Company. Stockholders of both companies have approved the merger proposal which is now before the Civil Aeronautics Board for approval.

	1953	1952
Gross operating income	\$25,735,697	\$21,837,496
Domestic airfreight revenues	7,970,493	4,985,097
Net income after taxes	1,853,155	1,561,695
Net worth per common share	7.09	4.78
Net income per common share	2.30	1.95
Ton miles domestic airfreight	51,324,134	31,788,962
Total assets	\$14,271,987	\$10,452,375



## *financial summary*

<b><i>We Received from Customers</i></b>		\$25,735,697
<b><i>We Paid Out or Set Aside Funds for:</i></b>		
Employees' salaries and wages	\$8,761,064	
Employees' travel and per diem	1,010,113	
Aircraft fuels	4,919,289	
Passenger supplies and expense	394,804	
Other supplies	1,772,105	
Depreciation	1,290,398	
Maintenance of equipment	2,987,736	
Rentals	1,058,855	
Insurance	444,425	
Communications	462,405	
Taxes	250,736	
Interest	188,956	
Advertising	257,057	
All other items	663,195	<u>24,461,138</u>
<b><i>Leaving</i></b>		\$ 1,274,559
Profit on sales of equipment and miscellaneous income		<u>1,718,596</u>
<b><i>Gain Before Income Taxes</i></b>		\$ 2,993,155
<b><i>Federal Income Taxes</i></b>		<u>1,140,000</u>
<b><i>Net Gain</i></b>		\$ 1,853,155
<b><i>Gain per Common Share before Taxes</i></b>		83.75
<b><i>Gain per Common Share after Taxes</i></b>		2.30



## *results for the year*

To the Stockholders and Employees:

The past year for the Flying Tigers has been marked by a continuance and increase of highly successful operations and by momentous decisions as to the future for the Company. The profitable results for the past year are readily appraised and the detailed story is set forth in this report. The basic changes in the Company which have been decided upon are yet to be effected. Developments on this front—particularly in regard to our proposed merger—are fast moving and we have felt it incumbent upon us to add to this report for the fiscal year which ended June 30, 1953, a report of events up to the date of this letter.

In the past year an agreement under which Slick Airways, Inc., would merge with and into this Company was reached and on August 7, 1953, at a special meeting of our stockholders, 79.8% of our shareholdings were voted in approval of the merger agreement and only 1.2% were voted in disapproval. Slick stockholders likewise approved in comparable numbers. The proposal of merger is now pending before the Civil Aeronautics Board for its approval. If the Board approves and the merger is effected, this Company's airfreight volume will more than double and the enlarged company will be carrying about one half of all the airfreight transported in the United States.

The year just closed marked our eighth year of life and our fifth continuous year of profitable operations. In view of the pending merger during the current year, fiscal 1953 marks the end of a first cycle for the Flying Tigers. It is most appropriate to see from where we have come, where we are, and where we are going.

Both the volume of business and the earnings for the past fiscal year were the highest achieved by the Company in its eight year history. With a gross volume of business totalling \$25,735,697 the Company's profit for the year was \$1,853,155, equal to \$2.30 a common share after payment of preferred dividends. Since 1949, the first profitable year, the Company has shown total earnings, including special income, in excess of \$5,400,000 or \$6.86 a share. The results in the past year were obtained by a steady expansion of our domestic airfreight business and related activities and by a

continuance of a large volume of service to the Military Establishment of the United States.

With the cessation of hostilities in Korea we are moving out of a "war economy." We can anticipate a phase out of the air support we have been supplying to the fighting forces. But the experience of the past three years has demonstrated the value of civilian airlift for the military and we can also anticipate that we shall continue to furnish services as a civilian transport arm to the military in its peace economy. The transition may well not be smooth and the Company must be prepared for costly readjustments. Undue losses might even jeopardize the pending merger.

We have come this far. With improved equipment and facilities, expanding airfreight markets, and continuing efforts of hard-working employees, the Company is confident it can cope with the future.

Having reached this stage the Company has decided to take several big steps forward. The merger with Slick Airways, when effected, will add some \$15,000,000 to our annual business, practically all to supplement our scheduled airfreight revenues. The fleet of C-46 and new DC-6A aircraft Slick will bring to the merger will still further strengthen the large Tiger fleet.

At the close of the fiscal year we sold our contract rights for the first two of the seven DC-6A aircraft we have had on order for a substantial profit. Since the close of the fiscal year we have entered into a long term and profitable lease of four DC-6A aircraft. With our increased financial strength we are increasing our purchases of DC-6As.

As a further major expansion move we have applied for a route for airfreight service to Europe and the Middle East. By the close of the fiscal year hearings before an Examiner of the Civil Aeronautics Board were completed and the current year should bring final action by the Board.

The future poses many important and vital problems. Most immediately is the necessity for an increase in airfreight tariffs. Since the outbreak of the Korean warfare costs have risen substantially and without commensurate increases in tariffs. Such increases have been prevented by our chief combination carrier competitor which has determinedly decided to subsidize the low rates it quotes in competition to freight-only carriers by revenues from passengers and mail, and by revenues from higher airfreight tariffs it charges where it has no competition from the freight-only carriers. To compel non-discriminatory airfreight competition, Slick Airways, Inc., and the Flying Tigers have since the close of the fiscal year petitioned the Civil Aeronautics Board to amend its Minimum Rate Order to increase minimum rates 25%.

Of major importance, the Temporary Certificates of Public Convenience and Necessity held by both the Flying Tigers and Slick will expire by their terms on August 12, 1954. In the coming year applications for renewal of our certificates will be heard by the Civil Aeronautics Board and we have been well forewarned by our passenger carrier competitors of their determination to oppose us to the extreme. In the judgment of the managements

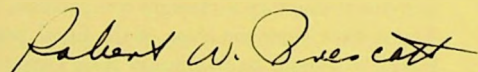
of both Flying Tigers and Slick, we shall establish our right to renewals.

Our campaign for carriage of mail by air on a non-subsidy basis is bearing fruit. The Post Office Department has, since the close of the fiscal year, announced that it will initiate an experiment of carrying first-class mail at airfreight levels in addition to the carriage of air mail on expedited schedules for the higher airmail rates which entail the addition of subsidy where necessary. Both Flying Tigers and Slick have applied to the Post Office and to the Civil Aeronautics Board to participate in the experiment. The matter is before the Civil Aeronautics Board as of this date. If we are successful with the Board we have taken a very long step forward in adding mail and parcel post to the airfreight load.

While this report underlines the optimistic prospects of the Company we can not overlook the possible pitfalls ahead. We must continue to domesticate costs to permit rates low enough to compete with surface carriage; we face vigorous competition in the air; airfreight is still young and must still attain growth adequate to support a large non-subsidized industry; the shifting of military requirements with changing world conditions and the need to replace any lost volume by civilian counterparts pose serious problems for the future.

By the time of our next annual report merger with Slick should be determined. We anticipate a decision by the Civil Aeronautics Board in the coming months. If the Board approves the merger proposal, there remains the problem of integrating the employees of the two companies on a single roster and the resolving of seniority problems. Then, if neither company has suffered any material adverse change in its financial condition in the interim period, the merger will be effected. Our next annual report, therefore, may well be to an enlarged family of stockholders and employees. I want to take this opportunity to thank our present employees for their loyal work and our present stockholders for their sympathetic support, all of which has made possible the tidings of this report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert W. Prescott". The signature is written in dark ink and is positioned to the right of the typed name.

Robert W. Prescott, *President*

September 15, 1953.



## *continuing expansion*

The Company has continued to push the development of the airfreight business over its certificated route at a rate consonant with sound business practice. At the same time it has been energetic in fulfilling its function as a civilian arm of the Military Establishment and has continued to the full extent of its resources its other diversified functions of performing maintenance work for others, charter and contract work for civilians, and the leasing of aircraft.

Gross revenues for the year were \$25,735,697 for a gain of 18% over the previous year's gross of \$21,837,496. Revenues from common carriage airfreight and domestic aircharters including those for the Navy on a special route pattern increased from \$4,985,097 in the fiscal year 1952 to \$7,970,493 this year, an increase of \$2,985,396 or approximately 60%.

The Military Establishment called for an increasing volume of service. The Company continued to be one of the largest civilian contributors to the Pacific Airlift in support of the military forces in the Far East; in the past year Company DC-4s committed to this Airlift increased the number of flights accomplished by 23%. In addition the Company flew many flights over both the Atlantic and Pacific transporting military personnel and dependents as

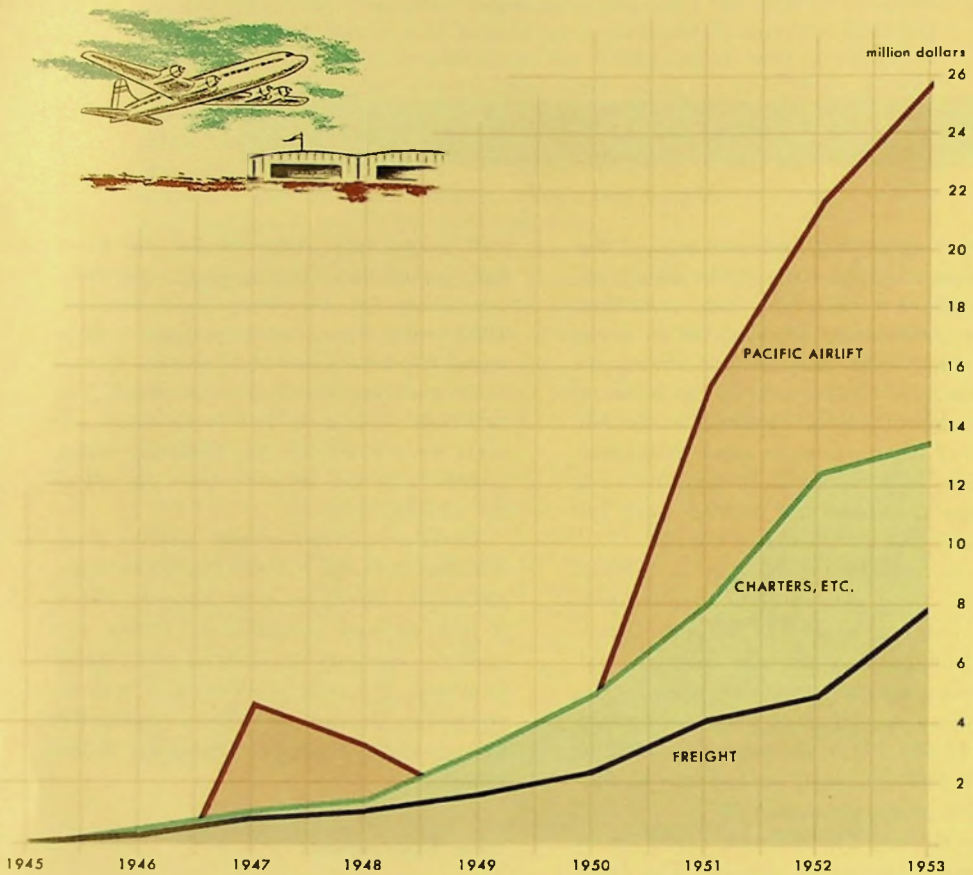
well as military airfreight for the Army and the Airforce. The Company commenced operations for the Navy in September, 1952 under a contract to perform a daily round trip from Coast to Coast on a special route carrying materiel at a record low unit cost. During the year to the extent aircraft were available the Company transported personnel between bases for all of the military services.

Commercial charter and contract work likewise increased but was limited by availability of aircraft for such purposes. When it was deemed advisable to devote aircraft for the purpose, aircraft were leased to others. The relative volumes of business enjoyed in the various fields of activity can be seen in the Eight Year Summary in this report.

### *New Equipment*

The Company at the year end was operating a fleet of 26 C-46 aircraft and eleven DC-4 aircraft and one DC-6A aircraft leased on a month to month basis. The other aircraft were either owned or under term lease.

In January, 1953, the Company purchased from Civil Air Transport, S. A. thirteen C-46 aircraft on an as-is-where-is basis.



### *Revenue Over the Years*

While increasing airfreight revenues steadily from the first years of operations, Flying Tiger has added substantial revenues from diversified but complementary activities. Contracts, charters, service sales and rentals provide a steadily growing market. Flying Tigers, as a civilian transport arm of the Armed Forces, has had its available equipment assigned primarily to the Pacific airlift.

These aircraft had been operated in China before the Communist Revolution. The Company has sold or has under contract to sell eleven of these aircraft; some were sold on an as-is-where-is basis and others, upon modification and upon licensing by the Civil Aeronautics Administration. Delivery of these aircraft will be completed in the latter part of 1953. Payments for the modified aircraft are on a monthly basis over an extended period of time. If modification costs are no more than projected for the last of the aircraft in the program, upon consummation of the sales transactions it is anticipated the Company will make a profit of approximately \$370,000. Of this amount approximately \$200,000 was realized as of the end of the fiscal year. The Chinese aircraft unsold will be added to the operating fleet of the Company.

The Company has had on order seven DC-6A aircraft from Douglas Aircraft Com-



C-46 aircraft as they arrived from China, still in preservative seals, with wing section in crates.

A Flying Tiger plane loads for another trip to Tokyo.





The experimental turbojet, designed to provide more power and greater safety for a C-46.

The experimental C-46 aloft, propellers feathered, powered only by the turbojet.



pany, with the delivery of the first scheduled for July 1953. At the close of the fiscal year, the Company, taking into consideration the current market value of DC-6s and that the Company's existing fleet could handle the immediate airfreight requirements, sold its contract for the delivery of its first two DC-6As for a profit of \$1,100,000. Since the close of the fiscal year the Company has ordered two DC-6As for delivery in November, 1954 and January, 1955.

### *Improved Engineering*

The Company in the past year has performed considerable experimental and development work with the view to modernizing the C-46 aircraft and to prolong its economic life. The C-46, built during World War II, while operating under currently appropriate Civil Air Regulations, does not comply with certain safety standards in regulations since promulgated by the Administrator of Civil Aeronautics for transport aircraft. The Administrator has announced that the C-46 aircraft must be made to meet the later safety standards. The Company has joined with other owners and operators of C-46 aircraft to effect such changes as may be necessary to comply with the indicated changes in CAA regulations.

Meanwhile other engineering improvements have been made. Most notable in the past year was the development of a new C-46 floor installation utilizing extruded magnesium sections, with a resulting saving in weight and increase in load bearing. Still under way are cooling tests with a new type cowling for the C-46.

To increase the power of C-46 aircraft a project was initiated in the past year in

cooperation with the Continental Aviation and Engineering Corporation, to install a small French turbo-jet on a C-46 aircraft suspended from the wing at center span. The additional thrust of the turbo-jet will be available for take off and for en route operation should it be required due to the loss of an engine. Increased safety and an increase in airlift should result. Final flight tests should be completed and the prototype installation should be ready for demonstration to the Civil Aeronautics Administration for certification by the autumn of 1953.

### **Personnel**

Relations between management and organized labor as well as with the unorganized groups have been marked by a high level of cooperation. Of the approximately 1650 employees of the Company over 1300 are now covered by contracts with unions. The Air Line Pilots Association represents over 300 pilots, the Air Carrier Navigators Association some 55 navigators and the International Association of Machinists over 780 mechanics and related employees, over 100 cargo handlers and 7 security guards. The stewardesses during the year selected the Air Line Stewards and Stewardesses as their representative and at the year end a first contract was in preparation to cover some 50 stewardesses.

### **Earnings and Preferred Dividend**

The earnings for the year ended June 30, 1953, were the highest in the eight-year history of the Company and marked the fifth consecutive year that profits have exceeded

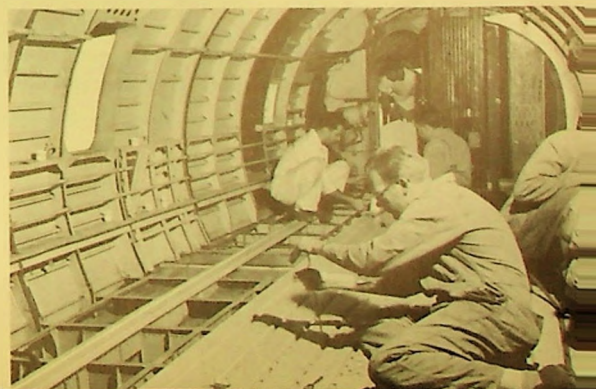
those of the preceding year. Net income, including special income and after taxes and preferred dividends, totaled \$1,803,000, equal to \$2.30 per share on the 784,452 shares of common stock outstanding. For fiscal 1952, net profit totaled \$1,561,695, equal to \$1.95 per share. The losses incurred in the first three years of operations have been recouped and the balance sheet shows an earned surplus at the end of the fiscal year of \$3,046,360.

During the year the Company paid dividends for a total of \$49,517 on its outstanding 99,112 shares of 5% Preferred Shares, Series A. Interest in an amount of \$158,789 was paid during the year on \$2,746,000 of 5½% Debentures Due 1967 (Subordinate) outstanding. Provision for Federal and State income taxes in the amount of \$1,175,000 has been made.

Current assets at the year end totaled \$7,546,439, compared to current liabilities of \$4,851,443. Long term debt, apart from the Debenture issue, was but \$120,214. There exists a Credit Agreement with The Chase National Bank of the City of New York and the New York Trust Company for \$5,500,000 which is available to finance the final payments due upon delivery of the DC-6A aircraft ordered from Douglas Aircraft Company.

Comparative financial data is set forth in the Eight Year Summary in this report.

Installation of new magnesium flooring lighter in weight and higher in load bearing.





## *airfreight progress*

The past year witnessed a steady increase in the volume of airfreight carriage by the Company. In the year the Company transported 51,324,134 ton-miles of domestic airfreight, including that transported on a special route pattern for the Navy, as compared with 31,788,962 ton-miles carried in the previous year. The Company concentrated on its "pattern type operation" to provide frequent, scheduled service to the main points on its route, maintaining high load factors on the aircraft, and an overall low cost operation. As the total freight volume builds up and more equipment is acquired, ever increasing service will become available to all points on the certificated route.

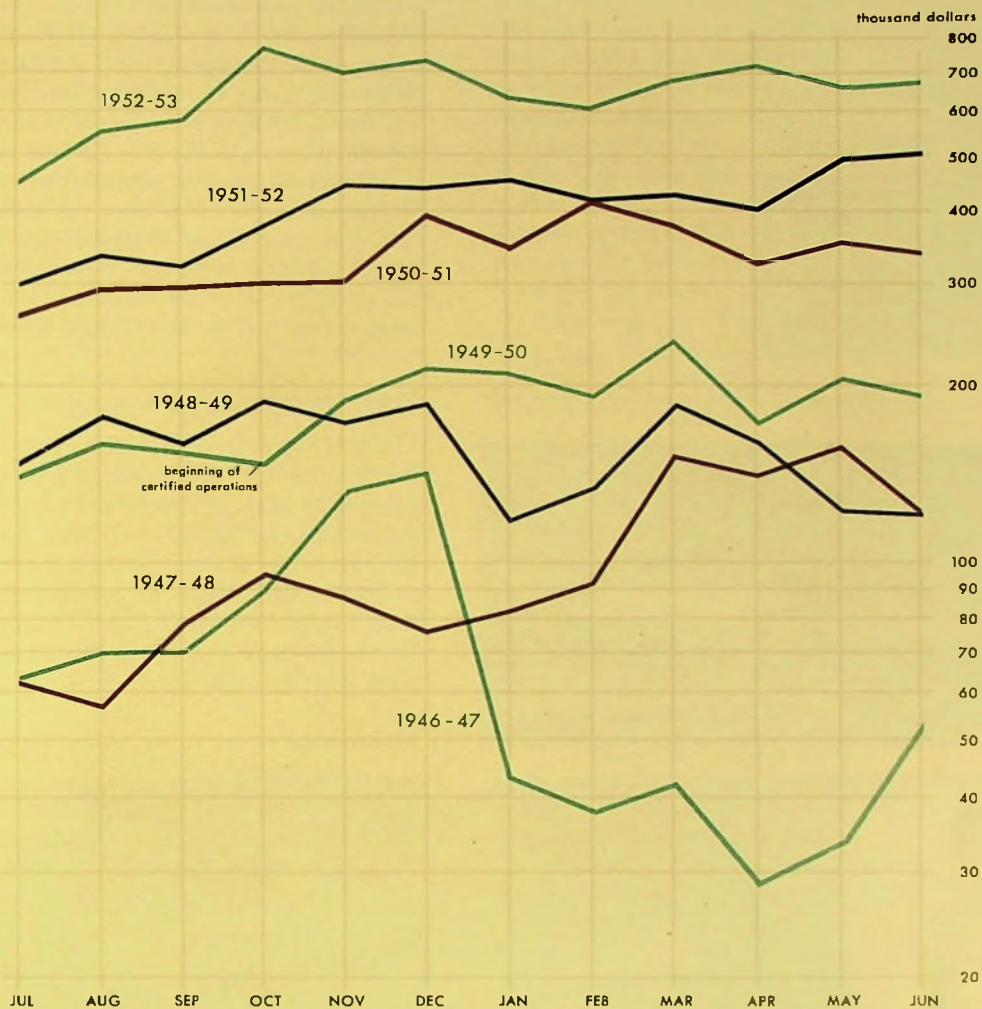
The growth in volume has been well spread over the whole system. As a result the average load factor for common carriage freight for the year has been maintained at 79%. Eighteen of the twenty-six sales offices showed impressive increases in business over the previous year. The highest increases in dollar revenue were marked by San Francisco on the West Coast with an increase of 42% and on the East Coast by Hartford and Philadelphia with increases of 65% and 66% respectively. Early in 1953 sales offices were opened in Albany, New York, and Sacramento, California.

In four months—September, October

and December, 1952, and April, 1953—system wide airfreight sales revenue exceeded \$600,000, a record high. In October, 1952, three stations well spaced geographically—Los Angeles, Detroit and New York—each exceeded \$100,000 in sales revenue.

Airfreight traffic has come to consist of a large number of widely separated and non-related commodities providing a steady flow of traffic not too greatly affected in total by the slow down in the movement of any particular commodity. An important consequence and benefit to economic operations has been the leveling of peaks and valleys caused by seasonal fluctuations. In the past year the fluctuations between the highest airfreight revenue month and the lowest was less than 30% in contrast to the experience in 1949 when the revenue fluctuation was 78%.

During the year an international airfreight sales department was organized to develop the international airfreight business. Interline agreements have been signed with all important foreign flag carriers operating to and from our international gateways, such as New York, San Francisco, Seattle, and Boston. The International traffic is developing rapidly. By the



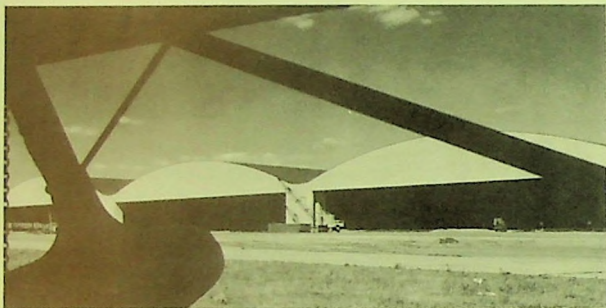
### *Airfreight Revenue*

Airfreight revenues projected on a logarithmic chart reflect the steady growth since 1947 and the leveling of seasonal peaks as airfreight shifts from specialty to staple commodities.



Airfreight in a multitude of shapes, sizes and weights is loaded on Flying Tiger aircraft.

The new hangar at Westchester County Airport nears completion.

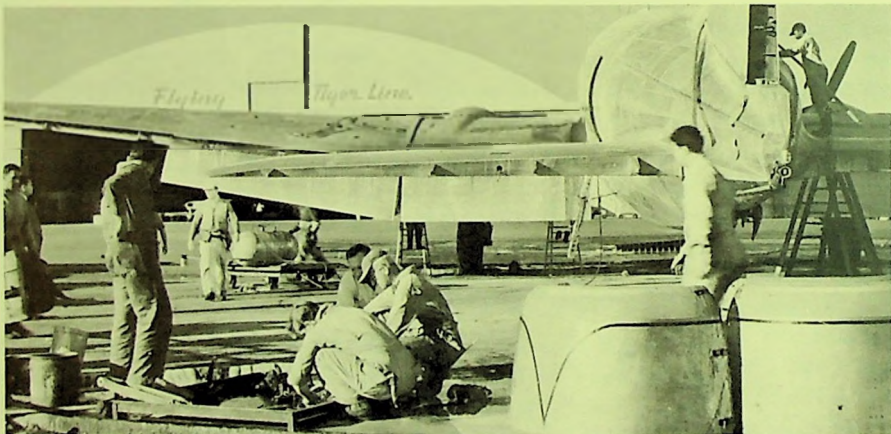


end of the year airfreight at a rate of one million pounds a year was originating on points on the Company's route and carried to gateway points for transshipment. About the same amount of tonnage was being delivered to the Company by international carriers at the gateway points for carriage to domestic points on the Company's route. This increasing source of traffic, important for the domestic route, will become of ever increasing value if the Company should serve Europe and the Middle East directly.

### ***Maintenance and rental services***

In addition to its transportation activities the Company has continued its profitable business of rental of aircraft and of providing maintenance services for other operators. However, as shown in the Eight Year Summary, the volume of revenues from these activities has fallen slightly from that for the previous year. This has been because the demands upon its shops and

Maintenance and overhaul on the ramps as well as in the hangars in California.



equipment for the Company's own business have limited the amount of shop time and equipment available for others.

As noted elsewhere in this report, during the past fiscal year the Company purchased thirteen C-46 aircraft in an as-is-where-is basis. These aircraft formerly operated in China. More than half of them required overhaul and modification in the Company's shops to meet the requirements of the Civil Aeronautics Administration for airworthiness certificates. This work load was in addition to the regular maintenance work performed on the Company's fleet. As a result of the extensive engineering and maintenance work performed over the past year, the Company has created the nation's largest pool of skilled manpower on C-46 aircraft.

The Company is therefore prepared to perform an increasing volume of outside maintenance work in the coming years. At the close of the fiscal year the Company was awarded a contract by the U. S. Air Force to provide maintenance work on ap-

proximately one hundred C-46 aircraft. The work involved alone will produce revenues of more than \$2,500,000.

While various stations on the Company's Route 100 are equipped to perform line maintenance, the chief maintenance and overhaul facilities have been concentrated at the Company's base at the Lockheed Air Terminal in Burbank, California. However, the Company has entered into a long-term lease for larger hangar facilities at the Westchester County Airport just outside of New York City. These facilities will provide not only a better eastern terminal for Route 100 but also one of the largest maintenance bases on the eastern seaboard. New hangars are under construction and will be ready for occupancy by the Company in the autumn of 1953. With the new facilities the maintenance work on the Company's equipment can be more efficiently and economically allocated between Burbank and Westchester and outside maintenance service can be provided at both points.

A routine engine change on a C-46.



Flying Tiger engines are constantly checked and maintained in sound working order.








# The Flying Tiger Line Inc.

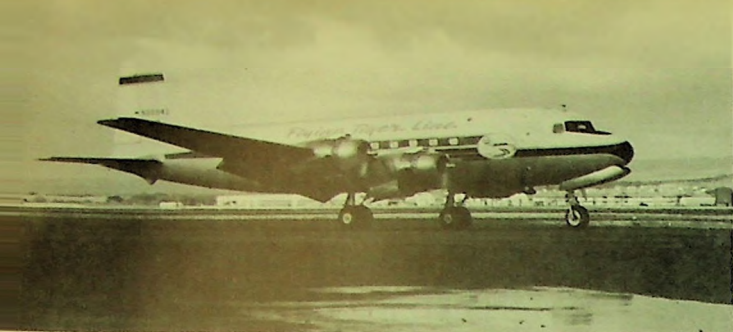
Flying Tigers Route 100 is shown in brown. Flying Tigers transports airfreight between the areas shaded in brown along the routes in brown. Upon completion of the proposed merger with Slick Airways, Inc., Slick's Route 101 would be transferred to Flying Tigers. The new areas and the new routes which would thus be added are shown in shaded green. At least until a subsequent amendment of the certificates of public convenience and necessity, airfreight will not be transported between points solely on Route 100 and points solely on Route 101.

Route 101 overlays Route 100 in the California area, over portions of the Middle West and Eastern Seaboard areas and in Maine. The entire California and Maine areas are included on both routes. The areas in brown enclosed by the blue line in the Middle West and Eastern Seaboard areas are on Route 101 as well as Route 100. Airfreight is transported between these points in these areas and the points in the other areas on Route 101.

-  ESTABLISHED ROUTE FLYING TIGER LINE
-  PROPOSED ROUTE FLYING TIGER LINE
-  ADDITIONS FROM ROUTE 101 UPON MERGER WITH SLICK





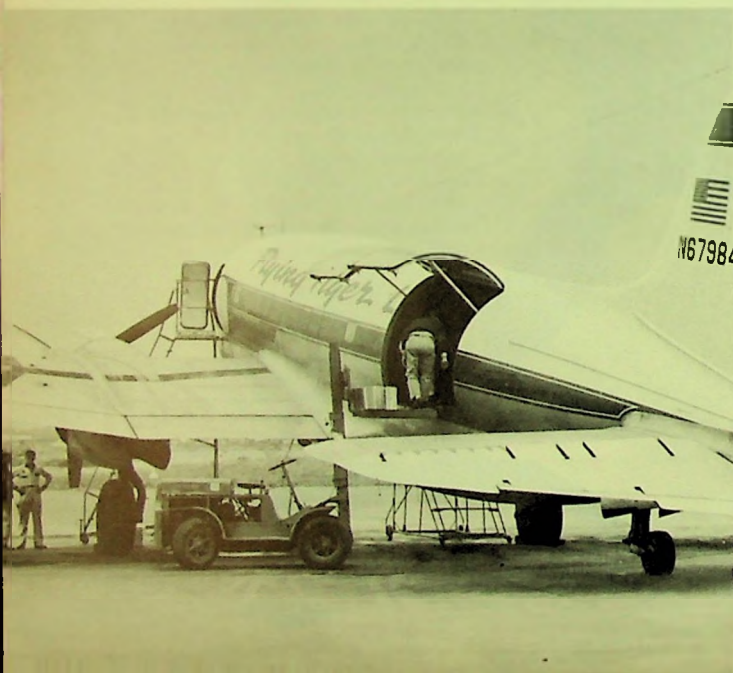


DC-6A aircraft are soon to join the Flying Tiger fleet.

Flying Tiger trucks pick up and deliver world-wide shipments.



Flying Tiger airfreight is quickly loaded with modern lift equipment.



### *New Route to Europe & Middle East*

The Company has pending before the Civil Aeronautics Board its application for a Certificate of Public Convenience and Necessity for a route for airfreight to Europe and the Middle East. The points to be served are indicated on the accompanying map. The Company proposes to use DC-6A aircraft across the Atlantic and C-46 aircraft inside Europe with service beyond to the Middle East in either type of aircraft.

The international route applied for would have its American terminus at New York where it would tie into the domestic Route 100. The Company would thus provide single-carrier airfreight service between the countries of western Europe and of the Middle East and the many domestic points served on the Company's trans-continental route system. Other points in the United States would be served under interline agreement with other domestic airfreight carriers. The Company has also indicated to the Civil Aeronautics Board its interest in a future supplemental route direct from California "over-the-pole" to Europe.

Civil Aeronautics Board Hearings on this application along with those of other carriers with similar route applications were concluded in the year just past. In this succeeding year further procedural steps will be taken to bring the case before the Board for its judgment and recommendations to the President whom the Civil Aeronautics Act charges with the duty of deciding on applications for international routes. The Company is confident that if its application is granted it will create quickly and economically a great international airfreight business which can be successfully integrated with its domestic business.



# The Flying Tiger Line Inc.

proposed trans-atlantic cargo route system



## Legend

- DC-6A SERVICE
- ..... C-46 REDISTRIBUTION SERVICE
- DC-6A OR C-46 SERVICE
- . - . DC-6A ROUTE FOR THE FUTURE



## *developments since june 30*

### ***Long Term Lease of DC-6A Aircraft***

Shortly after the close of the fiscal year the Company entered into an agreement to lease to Northwest Airlines, Inc., four of the DC-6A aircraft it is acquiring from the Douglas Aircraft Company. The DC-6A are to be converted to a DC-6B passenger configuration for delivery to Northwest. These aircraft are under firm lease to Northwest for seven years with an option to the lessee for an additional three year period. In the seven year rental period during which the aircraft will be completely amortized rentals will gross \$8,759,856. Each aircraft converted to passenger configuration will cost the Company approximately \$1,400,000. The Civil Aeronautics Board has approved the lease agreement.

The Company is planning to purchase additional DC-6A aircraft from the Douglas Aircraft Company. The new aircraft are scheduled for delivery in the spring of 1955.

### ***Status of the Merger Agreement with Slick Airways, Inc.***

On March 26, 1953, the Company and Slick Airways, Inc., entered into an Agreement of Merger pursuant to which Slick

would merge with and into the Company. At Special Stockholder Meetings held on August 6, 1953, stockholders of both companies approved the merger proposal. 79.8% of all stockholdings of this Company were voted for the merger and only 1.2% were voted against. The Slick stockholders voted in comparable volume in favor of the merger.

Civil Aeronautics Board hearings on the proposed merger were concluded in July, 1953. The Examiner's report and recommendations are pending, and thereafter action by the Board.

The proposed merger was presented in detail to stockholders in the proxy statement sent prior to the special stockholders meeting of August 6, 1953. Upon the merger becoming effective each share of Slick stock will be exchanged for one-half share of Flying Tiger common and one share of new 5½% Preferred Shares, Series B. This Company will take over all Slick assets and liabilities. Aircraft operated by Slick include four DC-6A aircraft and twenty C-46 aircraft, owned or leased. Slick is doing an annual business of approximately \$15,000,000, practically all in domestic airfreight. The routes of the two companies parallel each other in large measure be-

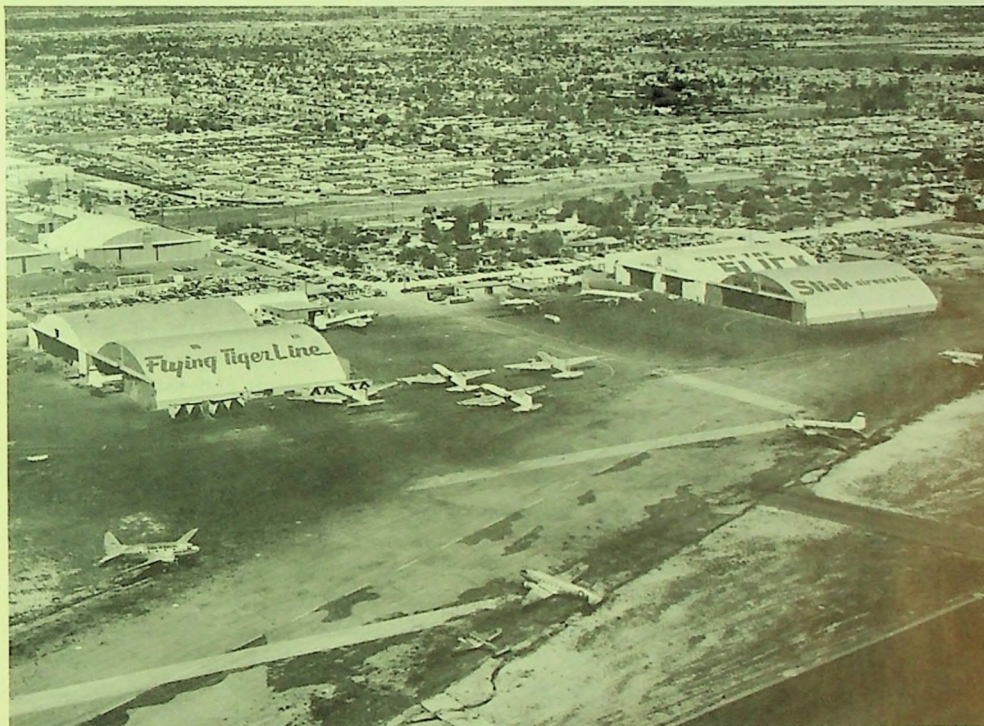
tween the eastern seaboard and California. In addition, while Tigers also serves the Pacific Northwest on its Route 100, Slick also serves the Texas area on its Route 101. The combined route structure is shown on the accompanying map.

As of September 15, 1953, there has been no action by the Civil Aeronautics Board. Prior to merger, either by agreement of the labor unions involved or by a Board order, the employees of the two companies must be integrated on a single roster

and employee seniority rights must be determined. If action by the Board is unduly delayed or if at the time for actual merger either Company has suffered any material adverse change between December 31, 1952, and the effective date of merger, the Board of Directors of either Company may withdraw from the merger agreement.

It is anticipated that final action upon the merger proposal will be taken no later than January 1, 1954.

Facilities at Burbank, California which will be integrated upon merger with Slick Airways, Inc. The Flying Tiger office is just outside the airport directly above the Flying Tiger hangar.





## *the outlook*

The outlook for the coming year is clouded. If airfreight is to be carried for a return which will recover its costs and provide a profit, an upward adjustment in tariffs is essential. How soon an increase in tariffs will be effected will depend upon the action which will be taken by the Civil Aeronautics Board in the case now pending before it to amend the Minimum Rate Order.

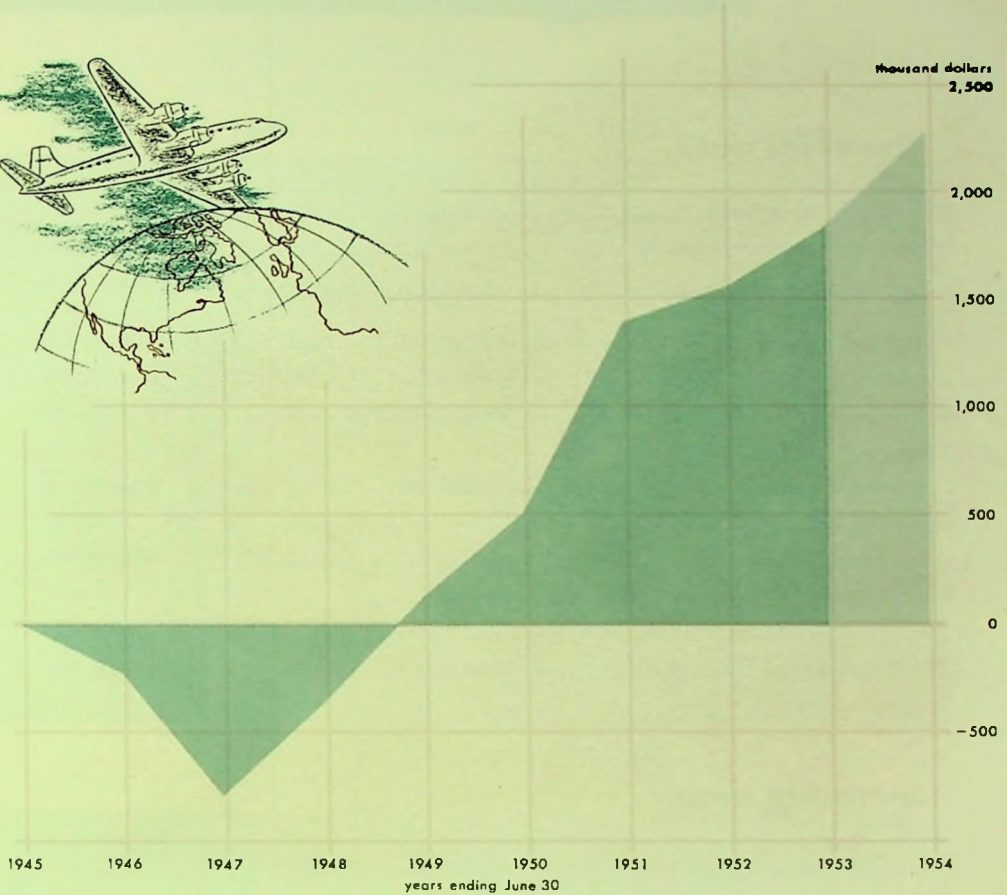
As the existing contract work for the Military Establishment phases out, the Company must find new work for its contract fleet of aircraft. There will undoubtedly be a period of re-adjustment before the new military programs materialize to provide new work or before the fleet is moved into contract work in the world's civilian markets for airlift.

With an appropriate rate increase in airfreight, our domestic airfreight business should continue to increase and prove profitable. Inasmuch as tariffs for surface carriage of freight have been increased materially in the past year, airfreight tariffs can readily be increased without undue loss of freight volume to surface competition. Airfreight demand has steadily increased over the years and will continue to increase if good service by air is provided. The existing low rates have proved a limitation on the volume of such service offered over the past year.

The likely addition of air carriage of first class mail at rates comparable to airfreight rates should provide a vast new volume of business. The Post Office is initiating an experiment in the air carriage of such mail between Chicago and New York and Washington. The Company has pending before the Civil Aeronautics Board a request for authority to participate in this new movement. This is the first step in putting first class mail and ordinary parcel post in the air on a low-rate cargo basis. This Post Office business, treated as freight on a non-subsidy basis, has long been advocated by the Company. The savings to the Post Office will be very substantial. The service to the country will be vastly improved. And cargo carriers will be able to move the traffic, new to the air, profitably.

Each passing year has further demonstrated the economic and strategic value of airfreight both to the military and civilian users. Now airfreight as an aid to the Post Office is to be demonstrated as well. Long range, the future is promising. Aside from temporary lulls in periods of re-adjustment, the Company's expanding fleet should be occupied to its maximum capacity.

The Company, now amply financed and with an increase in the size of its fleet in prospect, should continue along the profitable route planned for it.



### *The Upward Trend - Income After Taxes*

Flying Tigers has achieved increasing profits over the past five years of its eight year existence. The upward trend should continue. The merger with Slick, when effective, should accentuate the trend.



## eight year financial and

### *financial data*

	1953	1952
Transportation revenues .....	\$25,070,000	\$21,109,000
Maintenance rental revenues .....	666,000	728,000
Total revenues .....	\$25,736,000	\$21,837,000
Operating expenses .....	24,237,000	20,326,000
Operating profit (loss) .....	\$1,499,000	\$1,511,000
Other income and deductions .....	51,000*	70,000*
Profit (loss) before income taxes and special income .....	\$1,448,000	\$1,441,000
Income taxes .....	748,000	784,000
Net operating income .....	\$700,000	\$657,000
Special income—profit on sale of equipment, less income taxes thereon .....	1,153,000	905,000
Total net income .....	\$1,853,000	\$1,562,000

### *operating data*

Miles flown .....	20,238,634	18,035,813
Average daily aircraft utilization (hours)		
C-46 .....	6.9	6.3
C-47 .....	—	—
C-54 .....	11.9	11.0
Hours flown .....	111,171	99,495
Ton miles of domestic freight carried .....	51,324,134	31,788,962
Revenue per ton mile (cents) for domestic freight .....	16.75	15.81
Load factors (percent) of domestic freight .....	79.0	80.7

\* Denotes Red Figures

\*\* Figures not available

## operating summary

1951	1950	1949	1948	1947	1946
\$14,513,000	\$3,276,000	\$2,722,000	\$3,282,000	\$4,726,000	\$481,000
1,069,000	1,688,000	424,000	—	—	—
\$15,582,000	\$4,964,000	\$3,146,000	\$3,282,000	\$4,726,000	\$481,000
13,175,000	4,573,000	3,011,000	3,609,000	5,274,000	776,000
\$2,407,000	\$391,000	\$135,000	\$327,000*	\$548,000*	\$295,000*
26,000	16,000	7,000*	22,000*	230,000*	95,000
\$2,433,000	\$407,000	\$128,000	\$349,000*	\$778,000*	\$200,000*
1,408,000	7,000	4,000	—	—	—
\$1,025,000	\$400,000	\$124,000	\$349,000*	\$778,000*	\$200,000*
375,000	100,000	—	—	—	—
\$1,400,000	\$500,000	\$124,000	\$349,000*	\$778,000*	\$200,000*
13,543,368	5,237,512	3,198,796	2,334,008	2,991,562	1,044,170
7.2	6.4	—	—	—	—
3.0	3.4	2.4	**	**	**
9.9	7.0	7.3	**	**	**
74.672	29.040	17,942	13,616	18,591	6.706
28,137,979	15,672,689	12,292,511	9,750,925	6,433,381	2,757,141
14.82	15.23	16.25	12.23	13.22	13.01
83.4	71.5	70.8	74.0	70.1	51.0



## *auditors' report*

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, 1953, 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 totaling \$797,628.81 at June 30, 1953, but we have satisfied ourselves by other auditing procedures with respect thereto. We previously made a similar examination for the year ended June 30, 1952.

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, 1953, 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 25, 1953.



# statements of income

for the years ended June 30, 1953 and 1952

	1953	1952
<b>Operating Revenues:</b>		
Common carriage freight	\$ 6,037,356	\$ 4,532,742
Rentals, charters and service sales	7,339,401	8,026,183
Pacific airlift (Note 5)	12,358,940	9,278,571
Total	<u>\$25,735,697</u>	<u>\$21,837,496</u>
<b>Operating Expenses and Costs:</b>		
Flying operations	\$ 9,987,431	\$ 8,723,230
Ground operations	2,495,686	2,054,427
Maintenance (including cost of service sales)	8,202,928	6,773,098
Traffic, sales, advertising and publicity	917,620	769,311
General and administrative	1,343,119	1,187,343
Depreciation and amortization	1,290,398	818,955
Total	<u>\$24,237,182</u>	<u>\$20,326,364</u>
Net income from operations	<u>\$ 1,498,515</u>	<u>\$ 1,511,132</u>
<b>Other Income:</b>		
Profit on sale of aircraft acquired during the year	\$ 203,034	\$ —
Miscellaneous (net)	2,099	263
Total	<u>\$ 205,133</u>	<u>\$ 263</u>
	<u>\$ 1,703,648</u>	<u>\$ 1,511,395</u>
<b>Other Expense:</b>		
Interest on debentures	\$ 158,789	\$ —
Amortization of debt discount and expense	13,965	—
Other interest	30,167	34,477
Provision for loss on investment in subsidiary	52,094	36,147
Total	<u>\$ 255,015</u>	<u>\$ 70,624</u>
Net income before income taxes and special items	<u>\$ 1,448,633</u>	<u>\$ 1,440,771</u>
<b>Provision for Taxes Based on Income:</b>		
Federal—		
Normal tax and surtax	\$ 751,000	\$ 745,000
Excess profits tax	22,000*	22,000
California franchise tax	19,000	17,000
Total	<u>\$ 792,000</u>	<u>\$ 784,000</u>
Net income	<u>\$ 700,633</u>	<u>\$ 656,771</u>
<b>Special Items:</b>		
Profit on sale of operating aircraft	\$ 192,871	\$ 1,239,924
Excess of insurance proceeds over book value of aircraft destroyed	296,651	—
Profit on sale of purchase contract rights for 2 DC-6A aircraft (Note 4)	1,100,000	—
Total	<u>\$ 1,579,522</u>	<u>\$ 1,239,924</u>
Less—Applicable income taxes	427,000	335,000
Total	<u>\$ 1,152,522</u>	<u>\$ 904,924</u>
Net income and special items	<u>\$ 1,353,155</u>	<u>\$ 1,561,695</u>

\* Denotes red figure.

The accompanying notes are an integral part of these statements.



# The Flying Tiger Line Inc.

## assets

### Current Assets:

	1953	1952
Cash (\$50,000 restricted at both dates, Note 8)	\$ 2,134,958	\$ 1,352,745
Receivables—		
Freight customers	424,552	634,406
United States Government (Pacific airlift, charters and freight)	1,154,478	1,105,531
Other rentals, charters, service sales, etc. (including \$15,936 and \$19,558 from officers and employees at respective dates)	858,601	1,169,554
Due on sale of purchase contract rights for two DC-6A aircraft and on sales of other aircraft (including current installments of notes receivable—see below)	2,006,709	—
Reserve for bad debt losses	50,000*	47,956*
Inventories of materials and supplies, at cost not in excess of market	617,836	509,924
Prepaid insurance, taxes, etc.	399,305	243,873
Total current assets	<u>\$ 7,546,439</u>	<u>\$ 4,968,077</u>

### Noncurrent Receivables and Investments:

Notes receivable arising from sale of aircraft and secured by chattel mortgage thereon—due in monthly installments of \$18,000, current installments included above	\$ 222,000	\$ —
Subsidiary companies, at cost less reserve (Note 2)	62,500	84,594
Other securities and notes receivable	21,500	5,000
	<u>\$ 306,000</u>	<u>\$ 89,594</u>
<b>Deposits on New Equipment</b> (Note 4)	<u>\$ 1,347,598</u>	<u>\$ 250,000</u>

### Property and Equipment (Notes 3 and 7):

Cost—		
Aircraft and other flight equipment	\$ 4,535,604	\$ 4,528,245
Other equipment	723,166	557,635
Building and improvements (in part pledged as security to note payable)	461,272	385,188
	<u>\$ 5,720,042</u>	<u>\$ 5,471,068</u>
Less—Reserves for depreciation	2,023,225	1,017,804
	<u>\$ 3,696,817</u>	<u>\$ 4,453,264</u>
Land, at cost (in part pledged as security to note payable)	36,500	36,500
Modification costs of leased aircraft, being amortized over lives of leases	82,697	100,212
Aircraft engines, at depreciated cost plus unflown hours at cost	656,399	534,153
Nonoperating property, at cost	423,463	—
	<u>\$ 4,895,876</u>	<u>\$ 5,124,129</u>

### Debt Discount and Expense, in process of amortization over life of debenture issue

	\$ 176,074	\$ 20,575
	<u>\$14,271,987</u>	<u>\$10,452,375</u>

\* Denotes red figure.





## statements of surplus

for the years ended June 30, 1953 and 1952

### capital surplus

**Balance at Beginning of Year** (representing proceeds from sale of common stock over par value thereof)

1953	1952
\$1,728,839	\$1,728,839

**Add:**

Excess of par value (\$4,000) of debentures, less discount and expense applicable thereto, over par value of 425 shares of common stock issued in conversion thereof

3,559	—
-------	---

**Balance at End of Year**

<u>\$1,732,398</u>	<u>\$1,728,839</u>
--------------------	--------------------

### earned surplus

**Balance at Beginning of Year**

\$1,238,512	\$ 696,851
-------------	------------

**Add:**

From accompanying statement—

Net income

700,633	656,771
---------	---------

Special items

1,152,522	904,924
-----------	---------

Reversal of 421 shares of preferred stock, Series A, represented by scrip which expired December 31, 1952, and which was issued in connection with dividend paid in 1952 (see below)

4,210	—
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Total

<u>\$3,095,877</u>	<u>\$2,258,546</u>
--------------------	--------------------

**Deduct:**

Dividend on 603,227 shares of common stock (excludes shares formerly held in escrow)—paid in preferred stock, Series A, at rate of \$1.65 par value of preferred for each share of common, totaling 99,533 shares recorded at par (see above)

\$ —	\$ 995,330
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Cash dividends on preferred stock, Series A, 50 and 25 cents per share in respective years

49,517	24,704
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Total

<u>\$ 49,517</u>	<u>\$1,020,034</u>
------------------	--------------------

**Balance at End of Year** (see Notes 6 and 7 for dividend restrictions)

<u>\$3,046,360</u>	<u>\$1,238,512</u>
--------------------	--------------------

The accompanying notes are an integral part of these statements.



## notes to financial statements

### 1 Proposed merger—

On March 19, 1953, the board of directors approved a plan for merging The Flying Tiger Line Inc. and Slick Airways, Inc. with The Flying Tiger Line Inc. to be the surviving company. The plan provides that for each share of Slick Airways, Inc.'s common stock outstanding The Flying Tiger Line Inc. will issue one-half a share of its common stock and one share of a new issue of 5½ per cent cumulative preferred stock or a total of 225,153 shares of common and 450,305 shares of preferred. The new issue of preferred stock (a) will have certain voting rights, (b) will be redeemable at prices ranging from \$10 per share during the first year after issuance to \$15 per share during the sixth and subsequent years after issuance, less all dividends declared and paid thereon to the date of redemption, and (c) will be convertible at any time after the beginning of the sixth year after date of issuance (at par value plus accumulated unpaid dividends) into common shares at \$9.375 per share of common stock. A joint application, seeking approval of the merger, was filed by the two companies with the Civil Aeronautics Board on May 15, 1953, and the public hearing thereon was concluded on July 2, 1953, but the Board has not yet issued an order on the proceedings. Consummation of the merger is subject to the approval of the plan of merger by the Civil Aeronautics Board. The stockholders of the two companies approved the plan on August 6, 1953.

### 2 Investments in and advances to subsidiary companies at June 30, 1953 consist of—

#### Caribbean Clothing Corporation—

##### Cost—

Capital stock, 12,642 shares (a 100 per cent interest)	\$ 3,160
Five per cent debentures, due December 1, 1957, (principal amount \$9,500)	5,450
Advances	<u>85,000</u>
	<u>\$93,610</u>

Less—Reserve for operating loss since date of acquisition	<u>93,610</u>	\$ —
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#### Air-Pack Corporation—

Capital stock, 500 shares (a 100 per cent interest)—at cost	62,500
Total	<u>\$62,500</u>

### 3 Aircraft—

At June 30, 1953, the company was operating a fleet of 38 aircraft as follows:

	<i>Owned</i>	<i>Leased</i>	<i>Total</i>
C-54	5	6	11
C-46	20	6	26
DC-6A	—	1	1
Total	<u>25</u>	<u>13</u>	<u>38</u>

Of the leased aircraft, four of the C-54's and all of the C-46's were rented from the United States Government under leases expiring December 31, 1954; one of the remaining C-54's was leased for the duration of the company's participation in the Pacific airlift and the other for a two year period ending April 10, 1955. The DC-6A was leased for a six month period ending November 30, 1953. A second DC-6A was leased on July 1, 1953 for a five month period. Five of the C-54 leases may be terminated by either party at will, the C-46 leases by the Government with seven days' notice or by the company with 30 days' notice and the other C-54 and the DC-6A leases by either party with 30 days' written notice.

### 4 Purchase of aircraft—

The company has entered into an agreement with Douglas Aircraft Company, Inc. for the purchase of five DC-6A aircraft to be delivered from September 1953 to March 1954 at a total cost of \$5,537,456. Under the terms of the agreement \$1,248,190 has been deposited on the purchase price of these aircraft and final payments are due as the aircraft are received. The rights to receive two similar aircraft, originally included in this agreement, were sold during the year ended June 30, 1953. The company has entered into other contracts for the purchase of spare parts (including spare engines, propellers and radio equipment) to be used in connection with such aircraft in quantities which are usual and customary, in an amount of approximately \$1,200,000. Deposits made prior to June 30, 1953, on such purchases amounted to \$99,408.

The company has also entered into an agreement with C. Itoh & Co., Ltd. for the purchase of two DC-6A aircraft — one to be delivered in November 1954 and the other in January 1955 — at a total cost of \$2,149,972, one-half of which is payable upon delivery of each aircraft.



## notes to financial statements (continued)

### 5 Renegotiation—

Since July 1950, the company has participated in the Pacific airlift under a contract with the United States Government, revenue therefrom having been recorded on the basis of rates subject to price redetermination which has been effected through June 30, 1953. This contract is subject to the Renegotiation Acts of 1948 and 1951; certain other contracts entered into during the year ended June 30, 1953, are also subject to renegotiation. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the company at June 30, 1953, or the results of operations for the three years ended that date.

### 6 Debentures—

The 5½% debentures due 1967 (subordinate) are by the terms of the debenture indenture subordinate to "Superior Indebtedness," as defined. At June 30, 1953, such "Superior Indebtedness" consisted of the bank loans described in Note (7), none of which was outstanding at that date. The debentures may be redeemed in whole or in part at any time at par plus accrued interest plus a premium of three per cent to July 1, 1957, of two per cent thereafter to July 1, 1962, of one per cent thereafter to July 1, 1966, and without premium thereafter to maturity, July 1, 1967. If not so redeemed, a minimum of \$275,000 principal amount is redeemable annually on July 1 from 1960 to 1966 at par plus accrued interest through the operation of a sinking fund. The debentures are convertible into common stock at any time on or before July 1, 1962, at a conversion price named in the indenture which is subject to adjustment under certain circumstances; the effective conversion price at June 30, 1953, was \$9.375 principal amount of debentures for each share of common stock issuable upon conversion.

The debenture indenture contains various restrictions on the company, including a limitation on cash dividends or other distributions on capital stock, except (a) as to dividends not to exceed \$50,000 annually on the preferred stock outstanding at July 1, 1952, and (b) as to distributions, including dividends, on any class of stock, such distributions (including cash dividends) not, however, to exceed 50 per cent of the consolidated net income of the company and its subsidiaries, as defined, for the period from June 30, 1952, to the date of declaration or payment, provided that after giving effect thereto, consolidated net current assets of the company and its subsidiaries shall not be less than \$1,500,000.

### 7 Credit agreement—

Under a credit agreement entered into on June 25, 1952, certain banks have agreed to loan the company a maximum of \$5,500,000 in connection with the purchase of aircraft referred to in Note (4) above, on five per cent notes maturing in twenty equal quarterly installments beginning June 30, 1954, or three months after the last aircraft is delivered, whichever shall be the earlier date. The notes are to be secured by all aircraft, spare engines, spare propeller assemblies, and spare parts owned at the date of the agreement or acquired during its term. In the credit agreement the company has agreed, unless prior approval is obtained from the banks, not to pay dividends (other than on presently outstanding preferred stock up to an annual amount of \$50,000) or make any other distribution (other than stock dividends) on any stock of the company which would exceed 40 per cent of the net earnings of the company from June 30, 1952, to the date of declaration or payment. Under this provision, approximately \$280,000 of the company's earned surplus balance at June 30, 1953, was not restricted against the payment of stock distributions. This provision is more restrictive than the provision contained in the debenture indenture referred to in Note (6) above. 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, among other things, on additional borrowings, capital expenditures and leasing of mortgaged property.

No loans were outstanding under this agreement at June 30, 1953.

### 8 Contingent liabilities—

The company is contingently liable—

(a) Under an agreement with a bank to guarantee the indebtedness of a corporation, in which the company has a 6¼ per cent interest, in an amount not to exceed \$45,000. Such guarantee is collateralized by a time certificate of deposit in the amount of \$50,000, which is included in the cash balance of \$2,134,958 in the balance sheet.

(b) Under an agreement to guarantee the payment for materials purchased by its wholly owned subsidiary, Caribbean Clothing Corporation, in an amount not to exceed \$37,500.

(c) Under various lawsuits for damages, etc., which in the opinion of the management will not result in any material liability.

### 9 Certificate of public convenience and necessity—

The company's certificate of public convenience and necessity issued by the Civil Aeronautics Board will expire on August 12, 1954; within an appropriate time the company intends to file an application for renewal of such certificate.

*sales offices*

AKRON, Ohio  
P.O. Box 282  
Akron-Canton Airport  
Telephone—North Canton 9-2568

ALBANY, N. Y.  
127 Water Street  
Telephone—Albany 4-3210

BINGHAMTON, N. Y.  
Box 457  
Broome County Airport  
Telephone—Binghamton 9-1591

BOSTON, Mass.  
Logan International Airport  
Telephone—East Boston 7-5305

BUFFALO, N. Y.  
Hangar 6, Municipal Airport  
Cheektowaga, N. Y.  
Telephone—Plaza 3071

CHICAGO, Ill.  
5833 S. Central Avenue  
Telephone—Portsmouth 7-8200

CLEVELAND, Ohio  
Cleveland Hopkins Airport  
Telephone—Winton 1-5777

DETROIT, Mich.  
Detroit Wayne-Major Airport  
Inkster, Mich.  
Telephone—Logan 2-9520

GRAND RAPIDS, Mich.  
525 Burton Street  
S.W. Grand Rapids  
Telephone—Cherry 1-2221

HARTFORD, Conn.  
Box 557  
Bradley Field  
Windsor Locks  
Telephone—Hartford 2-3145

LOS ANGELES, Calif.  
Lockheed Air Terminal  
Telephone—Stanley 7-3411

MILWAUKEE, Wis.  
2974 N. Maryland  
Telephone—Woodruff 2-0067

NEW YORK, N. Y.  
Room 1708  
207 Fourth Avenue  
Telephone—Spring 7-6260

OAKLAND, Calif.  
Building 606  
Municipal Airport  
Telephone—Lockhaven 2-1871

PHILADELPHIA, Pa.  
International Airport  
Telephone—Saratoga 7-5300

PORTLAND, Oregon  
6200 N.E. Marine Drive  
International Airport  
Telephone—Garfield 1158

PROVIDENCE, R. I.  
Rhode Island State Airport  
Hillsgrove, R. I.  
Telephone—Elmhurst 1-8500

ROCHESTER, N. Y.  
Endres Delivery Inc.  
22 Edinburgh Street  
Telephone—Baker 1473

SACRAMENTO, Calif.  
2011 Q Street  
Telephone—Gilbert 2-3529

SAN DIEGO, Calif.  
Lindbergh Field  
Box H, Old Town  
Telephone—Woodcrest 6273

SAN FRANCISCO, Calif.  
Municipal Airport, Box 627  
S. San Francisco  
Telephone—Plaza 5-9406

SEATTLE, Wash.  
Box 5, Boeing Field  
Telephone—Lander 5916

SOUTH BEND, Ind.  
Drummy Cartage  
412 E. Tutt Street  
Telephone—S. Bend 6-2437

TACOMA, Wash.  
1821 Dock Street  
Telephone—Market 5551

TOLEDO, Ohio  
618 Broadway  
Telephone—Garfield 4276

WASHINGTON, D. C.  
Hangar No. 9  
Washington National Airport  
Telephone—Executive 3-0380



*The Flying Tiger Line Inc.*

Lockheed Air Terminal Burbank, California



# *ANNUAL REPORT*

for the year ended  
JUNE 30, 1954

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*The Flying Tiger Line Inc.*

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## DIRECTORS

Samuel B. Mosher, *Chairman of the Board*

Allen T. Chase  
James E. Davidson  
Norman L. Meyers  
Robert W. Prescott

Houston Rehrig  
Robert L. Smith  
Thomas J. Sullivan  
William Zeckendorf

## OFFICERS

*President*  
*Vice-President*  
*Vice-President*  
*Vice-President*  
*Secretary-Treasurer*  
*Assistant Secretary-Treasurer*  
*Assistant Secretary*

Robert W. Prescott  
William E. Bartling  
George T. Cussen  
Louis C. Burwell, Jr.  
Fred Benninger  
Ralph B. Stump  
Norman L. Meyers

## EXECUTIVE OFFICES

Lockheed Air Terminal, Burbank, California

## TRANSFER AGENTS

The Chase National Bank  
The Bank of America

New York  
Los Angeles

## REGISTRARS

Bankers Trust Company  
Citizens National Trust & Savings Bank

New York  
Los Angeles

## GENERAL COUNSEL

Meyers & Batzell

Washington

## AUDITORS

Arthur Andersen & Co.

Los Angeles

*The  
Flying Tiger  
Line Inc.*

# ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 1954

# *The President's Message*

To the Stockholders:

Important and critical problems have arisen in recent months which vitally affect the course of the business of this company for the future. For reasons which I shall set out fully below, the management of your company has agreed with the management of Slick Airways, Inc. to abrogate the merger agreement which was executed by them on March 26, 1953, and which was submitted on the same day to the Civil Aeronautics Board for approval as required by law.

The companies have found it economically impossible, under the changed conditions which have been created in the eighteen months which have elapsed since they first asked for expeditious action on their application for approval of the merger, to comply with the conditions the Civil Aeronautics Board imposed upon its order of approval which was finally issued on January 7, 1954. The Board's order contained so-called labor protective provisions which called for the integration of seniority lists of employees and which would subject this company, as the surviving corporation in the merger, to liabilities to any employees adversely affected in their employment as a result of the merger at any time over a period of three years from the effective date of the merger.

In the months since the Board's order we have struggled diligently with the unions representing the pilots and the mechanics of the two companies to work out integrated seniority lists which would be fair to the employees and at the same time not impose a financial burden upon the merged company which would be unbearable. Only after arbitration proceedings with the mechanics was a satisfactory mechanics seniority list worked out in May of this year. Also in May the two pilots' unions, after an arbitration proceeding between themselves to which the companies were not parties at union insistence, presented the company with a proposed integrated seniority list which, if adopted by the merged company would have subjected it to a total dismissal and demotion pay in excess of a million dollars. Negotiations with the unions for adoption of labor contract rules which would have avoided such an undue cost to the company proved fruitless and were dropped when it became apparent that the labor protective provisions had created an even greater problem.

In March, 1953 we were aware of the fact that the Civil Aeronautics Board would impose labor protective provisions as a condition upon its approval of the merger. We were prepared at that time to assume the obligations of the Board's labor protective provisions provided the merger was permitted to be effected promptly, and we so advised the Civil Aeronautics Board. Had the merger been promptly effected we were in position definitely to define the employees who would have been adversely affected solely by the merger and to have provided the compensation called for on their behalf.

The merged company was even prepared to assume the burden of dismissal and demotion pay up to recent months if the million dollar threat of the integrated seniority list of the pilots' unions could have been eliminated. However, as months stretched out, operating conditions changed and the exposure to liability under the labor protective provisions became too great to bear.

In the past nine months the merging companies have been subjected to severe economic changes, many of which were forecast in our last annual report. (1) Cessation of Korean hostilities resulted in an anticipated sharp reduction in contract flying for the military. (2) The receipt of the first DC-6A aircraft to be put into service by this company and the step-up in efficient use of its DC-6A aircraft by Slick resulted in an anticipated displacement of the smaller C-46 aircraft and their crews. (3) There was a substantial drop in the civilian airfreight traffic of both companies which was not anticipated and which is directly traceable in large measure to the demoralization of the employees of the companies, confused and alarmed over their individual status in the suspended merger. (4) In anticipation of merger the companies had taken preliminary steps to consolidate and coordinate activities which may have affected the employment of a few employees, primarily engaged in ground services at various stations. By August, 1954 as a result of the drop in the volume of business approximately 900 employees were dropped who had been on the rolls in March, 1953 when the merger agreement was executed.

Obviously all 900 employees are not entitled to compensation under the labor protective provisions. However a survey disclosed that the merged company would be faced with claims from practically all of such employees, and under the labor protective provisions each would be entitled to an individual arbitration of his claim. The exposure to contingent liabilities under the labor protective provisions, especially in the light of the position taken by the pilots in regard to their seniority reached a staggering figure. Calculations based upon the alternative claims which could be made by employees showed an exposure in amount ranging from three to six million dollars.

Negotiation and appeals to the unions and to the Civil Aeronautics Board for a realistic adjustment in the labor protective provisions, proved of no avail. Our efforts along this line culminated in an application to the Civil Aeronautics Board to modify the labor protective provisions to limit our liability to an amount in keeping with our ability to pay.

The application was filed with the Civil Aeronautics Board on August 20, 1954. The application pointed out to the Board that claims filable by the 900 employees whose services can not be utilized at present, and by others displaced or demoted, could financially cripple the merged company and jeopardize the employment of the 1900 still at work. It was pointed out that the companies could not long continue their present operations, suspended in mid-air, neither merged nor independent. In this state, the companies were operating at a loss. The companies plead for favorable action by September 15, 1954, so that the merger would not have to be abandoned. It was made clear that in the absence of relief the employees would have to take such solace as there may be in labor protective provisions which would destroy protection for the employed in order to give lip service to a principle for those whose services the companies could not use, merged or independent.

The pilots of this company filed a paper with the Civil Aeronautics Board in support of our application; but the international officers of their union labeled them "unthinking employees" and violently opposed the modification of the labor protective provisions. Mechanics of both companies opposed the proposal. The Civil Aeronautics Board did nothing—until after September 15, 1954 and the decision to abandon the merger. The Board thereupon took note of the unions' positions but merely suggested another hearing.

When it became clear that there could be no solution of the labor problems within any reasonable time, the companies reluctantly agreed to abrogate the merger and made plans for the future.

**ABROGATION OF MERGER; FUTURE PLANS.** On September 20, 1954 an agreement was executed between this company and Slick Airways abrogating the merger agreement and defining actions for the two companies as they reinstitute free and independent action. This agreement has been submitted to the Civil Aeronautics Board for its clearance, and the agreement provides that it shall become null and void if the Civil Aeronautics Board fails to act by October 8, 1954. At this writing we are hopeful that the Board will act, and act favorably before the deadline.

The agreement between the two un-merged companies provides:

- (1) Flying Tigers will in the future continue in the businesses in which it has long been engaged of leasing aircraft to others and in contract flying and maintenance for the government.
- (2) Slick Airways will continue in the common carriage airfreight business which has been practically its sole occupation.
- (3) Slick will sell to Flying Tigers its two DC-6A aircraft for the price of \$800,000 per plane, the approximate book value. Flying Tigers will make a cash payment of \$150,000 per plane and the balance of \$650,000 for each plane will be credited against rentals to be paid by Slick under a lease back of these two planes.
- (4) Slick will lease back the two aircraft thus acquired by Flying Tigers at a monthly rental of \$25,000 per month per plane for six years. For the first thirty-two months of the leases Slick will pay \$6,500 in cash and be entitled to a credit of \$18,500, until the prepaid rentals of \$650,000 per plane are exhausted. After the six year period, during which the cost of these two aircraft will be amortized, Slick will have an option to lease for three more years at a satisfactory monthly rental of \$5,000 per plane.
- (5) Slick will also lease one other of Flying Tigers DC-6A aircraft for which it will pay a monthly rental of \$35,000 per month for one year, provided that by January 1, 1955 Slick can exercise an option to convert the lease to one for three years at \$30,000 per month or for six years at a monthly rental of \$25,000.
- (6) Slick will also lease for a two year period seven C-46 aircraft from Flying Tigers at a monthly rental of \$1,500 each.
- (7) The leases will provide stringent default provisions to protect Flying Tigers.

**The Reasons For The Plan Adopted By Your Management.** When the merger was abrogated we were faced with three alternatives: (a) both Flying Tigers and Slick could attempt to continue as they had before the merger plan; (b) both companies could liquidate and abandon the airfreight business; or (c) one company could continue in the airfreight business and the other could liquidate its airfreight business.

Upon study of the first alternative your management concluded that it would be uneconomic to attempt to re-establish two competitive companies. The merger itself was predicated upon the soundness of a single all cargo transcontinental carrier.

After exploring the problem from every angle, your management decided to accept a proposal from Slick Airways that Slick continue in the airfreight business and that this company should concentrate on leasing aircraft and performing contracts for the Government; and that as a condition for such an arrangement Slick should sell its DC-6As to this company and lease back such equipment and more.

In the first place we found that Slick was in an advantageous competitive position as a result of the action of its employees; Slick employees voluntarily had proposed to the Slick management that Slick employees would take substantial reductions in wages to facilitate that company's return to the airfreight business. Furthermore, Slick offered

substantial concessions to this company for our withdrawing from the airfreight field; under our agreement, Slick would convey clear title to its two DC-6A aircraft to us for \$1,600,000, for a down payment of \$300,000 in cash and the balance of the purchase price in prepaid rentals under a lease back arrangement under which in six years Slick would pay total rentals of \$3,600,000 and would lease additional equipment from us.

**Profits from Leasing.** Apart from the inducement to withdraw from the airfreight business, there is the profit attraction in the business of leasing aircraft. During the past fiscal year your company leased to Northwest Airlines, Inc. four of its DC-6A aircraft, converted to a passenger configuration (the DC-6B type), for a seven year period at a monthly rental of approximately \$26,000 per plane. The Slick proposal calls for the lease of the one existing DC-6A aircraft which this company now owns and the two it would acquire from Slick for the rentals noted above. This company has two more DC-6A aircraft on order for delivery by the year end. Your management is confident that these aircraft can be leased for comparable rentals. Your management is likewise confident that it can readily lease to a variety of carriers the balance of its twenty-two C-46 aircraft and six DC-4 aircraft at profitable rentals. It should be noted that under the current amortization program the DC-4 and C-46 aircraft will be amortized down to residual value by the end of the calendar year. Should all equipment be leased and the company's overhead be reduced in keeping with such activity your management calculates that there would be a net income before income taxes in excess of \$1,000,000 annually.

Your management is convinced, not only because of the profitable ventures in the past but because of its analysis of the market potentials that the business of owning and leasing a large scale pool of modern air equipment, bears great promise for the future.

**THE LIFE AND DEATH OF A MERGER.** Undoubtedly many will still be puzzled as to why a merger agreed to by the parties in March, 1953 could not be consummated promptly and must be abrogated in September, 1954.

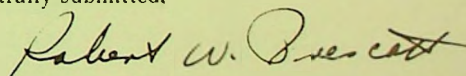
The answer must be found in the prolonged hearing procedures before the Civil Aeronautics Board and the extended, fruitless negotiations with the unions. Despite every effort by your management to accelerate the merger, it has been met with delays which created new problems, problems which in time defeated the merger. Attached to this letter is a simple chronology of the merger proceedings. It tells the story.

**ALL PLANS ARE TENTATIVE.** We regret that at the time of this writing we can but set forth plans tentatively. If the Civil Aeronautics Board acts promptly and favorably, your management will follow the plans outlined above and will take such definite steps as are in the best interests of this company. If the Civil Aeronautics Board does not act in time or if, perchance, it should act unfavorably, the agreement with Slick becomes null and void. In that event we shall have to appraise the situation as it shall then appear. In any event, the company already has sufficient equipment under profitable lease and can quickly lease more, to assure its financial success whatever else may occur.

It is obviously not possible at this time to give you a definite, clear picture of the future activities. Decisions will be made by the Civil Aeronautics Board over which we have no control but which can seriously affect any future planning of the company. We in management are making our decisions in the light of what is best to do to preserve the assets of the corporation. We expect to give you further information by letter in the near future.

Respectfully submitted,

September 23, 1954

  
President

## THE CHRONOLOGY OF AN ATTEMPTED MERGER

- MARCH 26, 1953 Agreement of Merger executed.
- MARCH 26, 1953 Application for approval filed with CAB.
- APRIL 23, 1953 Pre-hearing Conference at CAB.
- MAY 15, 1953 Exhibits in support of merger filed with CAB (7 weeks from Application date).
- JUNE 22, 1953 Exhibits by intervenors filed with CAB (12 weeks from Application date).
- JUNE 29, 1953 Four days of hearings on proposed merger (13 weeks from Application date).
- JANUARY 7, 1954 CAB Order approving merger, imposing Labor Protective Provisions calling for integration of seniority lists, etc. (9 months after Application date).
- MAY 7, 1954 Award in arbitration proceedings between pilots' unions to integrate seniority lists of pilots. The companies took immediate exception to the proposed lists as one which would create an unbearable financial burden.
- MAY 9, 1954 Award integrating seniority lists of mechanics in arbitration proceedings to which unions and both companies are party.
- JUNE 8, 1954 Petition to CAB for ruling that arbitration award between pilots' unions not conclusive as against companies and for interim procedure for merged companies pending resolution of seniority issue.
- JULY 14, 1954 CAB Order refused any action but indicated companies not bound by pilots' arbitration award.
- JULY 28, 1954 Negotiations with pilots' union results in proposal which would result under Labor Protective Provisions in pilot costs alone of several million dollars.
- AUGUST 4, 1954 Companies (with unions' concurrence) requested Board send observer to California to obtain data on exposure of companies under Labor Protective Provisions.
- AUGUST 11, 1954 Board observer in California, reporting back to Board on August 17, 1954.
- AUGUST 17, 1954 Companies requested meeting of companies and unions with Board. The Board declined.
- AUGUST 20, 1954 Companies petitioned CAB to modify Labor Protective Provisions to limit liability to an amount within merged company's capacity to pay. Exposure to liability shown to range between three and six million dollars. Action requested by September 15, 1954.
- SEPTEMBER 20, 1954 With no action by CAB as requested, the companies abrogated the merger and requested CAB approval of new plans by October 8, 1954.
- SEPTEMBER 20, 1954 CAB denied petition of August 20, 1954 for summary action and suggested just another hearing.
- SEPTEMBER 23, 1954 Annual report to stockholders and employees.

**AUDITORS'  
REPORT**

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, 1954, 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 totaling \$793,282 at June 30, 1954, but we satisfied ourselves by other auditing procedures with respect thereto. We previously made a similar examination for the year ended June 30, 1953.

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, 1954, 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 7, 1954.



# The Flying Tiger Line

<b>ASSETS</b>	<b>1954</b>	<b>1953</b>
<b>Current Assets:</b>		
Cash (\$50,000 restricted at both dates, Note 6)	\$ 507,876	\$ 2,134,958
Receivables—		
Freight customers	278,941	424,552
United States Government—		
Charters, freight, service sales, etc.	1,328,065	1,154,478
Claim for refund of income taxes	409,000	—
Other charters, service sales, etc. (including \$17,103 and \$15,936 from officers and employees at respective dates)	899,587	858,601
Due on sale of purchase contract rights for aircraft and on sales of aircraft (including current installments of noncurrent notes receivable)	281,000	2,006,709
Reserve for bad debt losses	(20,000)	(50,000)
Inventories of materials and supplies, at cost not in excess of market	765,184	617,836
Prepaid insurance, deposits, etc.	195,882	399,305
Total current assets	<u>\$ 4,645,535</u>	<u>\$ 7,546,439</u>
<b>Noncurrent Receivables and Investments:</b>		
Notes and interest receivable, secured by chattel mortgage on aircraft sold— less current installments	\$ 218,333	\$ 222,000
Subsidiary companies, at cost less reserve	62,500	62,500
Other	30,000	21,500
	<u>\$ 310,833</u>	<u>\$ 306,000</u>
<b>Deposits on New Equipment</b>	<u>\$ —</u>	<u>\$ 1,347,598</u>
<b>Property and Equipment</b> (see long-term debt for items pledged):		
Cost—		
Aircraft and other flight equipment	\$11,392,164	\$ 4,535,604
Other equipment	790,835	723,166
Buildings	450,062	461,272
	<u>\$12,633,061</u>	<u>\$ 5,720,042</u>
Less—Reserves for depreciation	3,870,759	2,023,225
	<u>\$ 8,762,302</u>	<u>\$ 3,696,817</u>
Land, at cost	36,500	36,500
Unamortized cost of modifications to leased aircraft	14,155	82,697
Aircraft engines, at depreciated cost	1,636,402	656,399
Nonoperating property, at cost	—	423,463
	<u>\$10,449,359</u>	<u>\$ 4,895,876</u>
<b>Debt Discount and Expense</b> , in process of amortization over life of debenture issue	\$ 160,383	\$ 176,074
	<u>\$15,566,110</u>	<u>\$14,271,987</u>

( ) Denotes red figure.

The accompanying notes are an

LIABILITIES	1954	1953
<b>Current Liabilities:</b>		
Current installments of long-term debt—		
Bank loans	\$ 545,580	\$ —
Purchase of aircraft	125,000	187,500
Other	2,400	13,633
Accounts payable	1,494,649	2,408,474
Accrued liabilities—		
Payroll	251,167	350,411
Transportation, payroll and other taxes	105,772	182,069
Other	100,108	152,209
Provision for vacation pay	243,415	215,535
Provision for taxes based on income	—	1,232,963
Amounts withheld from employees for income taxes	79,081	108,649
Total current liabilities	<u>\$ 2,947,172</u>	<u>\$ 4,851,443</u>
<b>Long-Term Debt</b> (less current installments):		
5½% debentures due 1967 (subordinate)—Note 3	\$ 2,746,000	\$ 2,746,000
Bank loans (Note 4)—payable in monthly installments of varying amounts from January 1955 to 1960; interest rate 5%; secured by pledge of all aircraft, engines and propellers owned, and a lease covering four DC-6A aircraft rented to others	3,784,420	—
Purchase of aircraft—payable in monthly installments	—	109,375
Other—land and other contracts payable, secured by pledge of related assets	8,289	10,839
	<u>\$ 6,538,709</u>	<u>\$ 2,866,214</u>
<b>Commitments and Contingent Liabilities at June 30, 1954</b> (Notes 5 and 6)		
<b>Capital Stock and Surplus:</b>		
Capital stock—		
Preferred—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,112 shares designated as Series A—entitled to 5% cumulative dividends, redeemable at and entitled in liquidation to par plus unpaid dividends	\$ 991,120	\$ 991,120
Common—		
Authorized, 1,500,000 shares of \$1 par value of which 292,907 shares are reserved for conversion of debentures		
Issued and outstanding, 784,452 shares	784,452	784,452
	<u>\$ 1,775,572</u>	<u>\$ 1,775,572</u>
Capital surplus (per accompanying statement)	1,732,398	1,732,398
Earned surplus (see Notes 3 and 4 regarding dividend restrictions)—per accompanying statement	2,572,259	3,046,360
	<u>\$ 6,080,229</u>	<u>\$ 6,554,330</u>
	<u>\$15,566,110</u>	<u>\$14,271,987</u>

# STATEMENTS OF SURPLUS

for the years ended June 30, 1954 and 1953

CAPITAL SURPLUS	1954	1953
<i>Balance at Beginning of Year</i> (representing proceeds from sale of common stock over par value thereof)	\$ 1,732,398	\$ 1,728,839
<i>Add:</i>		
Excess of par value (\$4,000) of debentures, less discount and expense applicable thereto, over par value of 425 shares of common stock issued in conversion thereof	<u>—</u>	<u>3,559</u>
<i>Balance at End of Year</i>	<u>\$ 1,732,398</u>	<u>\$ 1,732,398</u>

EARNED SURPLUS		
<i>Balance at Beginning of Year</i>	\$ 3,046,360	\$ 1,238,512
<i>Add:</i>		
From accompanying statement—		
Net income or (loss)	(121,545)	700,633
Special items	<u>—</u>	<u>1,152,522</u>
Reversal of 421 shares of preferred stock, Series A, represented by scrip which expired December 31, 1952, and which was issued as a dividend on certain common stock in 1952	<u>—</u>	<u>4,210</u>
	\$ 2,621,815	\$ 3,095,877
<i>Deduct:</i>		
Cash dividends on preferred stock, Series A—50 cents per share	<u>49,556</u>	<u>49,517</u>
<i>Balance at end of Year</i> (see Notes 3 and 4 for dividend restrictions)	<u>\$ 2,572,259</u>	<u>\$ 3,046,360</u>

( ) Denotes red figure.

The accompanying notes are an integral part of these statements.

# STATEMENTS OF INCOME

for the years ended June 30, 1954 and 1953

	1954	1953
<b>Operating Revenues:</b>		
Common carriage freight	\$ 4,557,660	\$ 6,037,356
Rentals, charters and service sales (net)	9,395,807	6,107,803*
Pacific airlift (Note 5)	4,689,452	12,358,940
Total	<u>\$18,642,919</u>	<u>\$24,504,099</u>
<b>Operating Expenses:</b>		
Flying operations	\$ 8,022,094	\$ 9,987,431
Ground operations	2,021,382	2,495,686
Maintenance	5,005,664	6,971,330*
Traffic, sales, advertising and publicity	735,988	917,620
General and administrative	1,529,636	1,343,119
Depreciation and amortization	2,132,249	1,290,398
Total	<u>\$19,447,013</u>	<u>\$23,005,584</u>
Net income or (loss) from operations	(\$ 804,094)	\$ 1,498,515
<b>Other Income:</b>		
Profit or (loss) on sale of aircraft	(\$ 17,232)	\$ 203,034
Miscellaneous (net)	27,318	2,099
Total	<u>\$ 10,086</u>	<u>\$ 205,133</u>
	(\$ 794,008)	\$ 1,703,648
<b>Other Expenses:</b>		
Interest on long-term debt	\$ 298,446	\$ 188,956
Amortization of debt discount and expense	15,691	13,965
Provision for loss on investment in subsidiary	—	52,094
Total	<u>\$ 314,137</u>	<u>\$ 255,015</u>
Net income or (loss) before income taxes	(\$ 1,108,145)	\$ 1,448,633
<b>Provision for Taxes Based on Income, and Special Credits:</b>		
Taxes based on income (Federal and California)	\$ —	\$ 748,000
Special credits—arising from carry back of current year's loss to prior years—		
Amount based on loss shown above	(591,500)	—
Amount applicable to amortization under necessity certificate deducted in tax return but not recorded on books	(92,100)	—
Total	<u>(\$ 683,600)</u>	<u>\$ 748,000</u>
Net income or (loss)	(\$ 424,545)	\$ 700,633
<b>Special Items</b> (profit on disposal of operating aircraft and rights to purchase aircraft, less applicable income taxes of \$427,000)		
	—	1,152,522
Net income or (loss) and special items	<u>(\$ 424,545)</u>	<u>\$ 1,853,155</u>

( ) Denotes red figure.

\*Reclassified to the classification used in 1954.

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

**1 PROPOSED MERGER**—On January 7, 1954, the Civil Aeronautics Board issued its order No. E-8022 approving the merger of The Flying Tiger Line Inc. and Slick Airways, Inc. with The Flying Tiger Line Inc. to be the surviving company. Such order provides, among other things, that the surviving company will be subject to the labor protective provisions of the order. The stockholders of the two companies had approved the plan of merger on August 6, 1953.

The merger has not been consummated because of difficulties encountered in the integration of the personnel seniority lists of the two companies. As a result of such difficulties the companies on August 20, 1954, filed with the Civil Aeronautics Board a joint show cause order as to why the labor protective provisions of order No. E-8022 should not be changed and requested an answer by September 15, 1954.

**2 AIRCRAFT**—At June 30, 1954, the company had a fleet of 40 aircraft as follows:

<i>Type</i>	<i>Owned</i>	<i>Leased</i>	<i>Total</i>
C-46	22	6	28
C-54	6	1	7
DC-6A	5	—	5
Total	33	7	40

All of the leased C-46 aircraft are rented from the United States Government under leases expiring December 31, 1954, which may be terminated by the Government with seven days' notice or by the company with 30 days' notice. The lease for the C-54 aircraft expires on April 10, 1955. Four of the DC-6A aircraft owned by the company, which have been converted to DC-6B type aircraft, are leased for seven-year periods ending in 1960 and 1961.

**3 DEBENTURES**—The 5½% debentures due 1967 (subordinate) are subordinate to "superior indebtedness," as defined, which at June 30, 1954, consisted of the bank loans referred to in Note (4). The debentures are redeemable at premiums ranging from 3% to 1% to July 1, 1966, and without premium thereafter to maturity, July 1, 1967. 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. The debentures are convertible into common stock until July 1, 1962; the effective conversion price at June 30, 1954, was \$9.375 principal amount of debentures for each share of stock issuable upon conversion. The debenture indenture, among other restrictions, includes a limitation on cash dividends or other distributions on capital stock; such provisions are less restrictive than those of the credit agreement referred to in Note (4).

**4 BANK LOANS**—Certain banks have agreed to loan the company a maximum of \$6,200,000 under a credit agreement dated June 25, 1952, and supplemented March 31, 1954, which provides that the company, unless prior consent is obtained from the banks, will not pay dividends (other than on preferred stock up to an annual amount

## NOTES TO FINANCIAL STATEMENTS (Continued)

of \$50,000) or make any other distribution (other than stock dividends) on any stock of the company which, together with preferred dividends, would exceed 40% of the net earnings of the company from June 30, 1952, to the date of declaration or payment or which would reduce working capital below a defined amount. Under this provision, \$2,560,897 of the earned surplus balance at June 30, 1954, is restricted against any distributions on capital stock other than the preferred stock dividends of \$50,000 mentioned above. 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, among other things, on additional borrowings, capital expenditures, acquisitions of capital stock and leasing of mortgaged property.

5

**RENEGOTIATION**—From July 1950 through March 1954 the company participated in the Pacific airlift under contracts with the United States Government, revenue therefrom having been recorded on the basis of rates subject to price redetermination which has been effected to the date on which operations were discontinued. These contracts are subject to the Renegotiation Acts of 1948 and 1951; certain other contract work in 1953 and 1954 is also subject to renegotiation. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the company at June 30, 1954, or the results of operations for the four years ended that date.

6

**COMMITMENTS AND CONTINGENT LIABILITIES**—The company has entered into an agreement with C. Itoh & Co., Ltd. for the purchase of two DC-6A aircraft (one to be delivered in December 1954 and the other in January 1955) at a total cost of \$2,149,972, one half of which is payable upon delivery of each aircraft.

The company is contingently liable—

(a) Under an agreement with a bank to guarantee the indebtedness of a corporation, in which the company has a 6¼% interest, in an amount not to exceed \$45,000. Such guarantee is collateralized by a time certificate of deposit for \$50,000, which is included in the cash balances in the balance sheet.

(b) Under an agreement to guarantee the payment for materials purchased by its wholly owned subsidiary, Caribbean Clothing Corporation, in an amount not to exceed \$37,500.

(c) Under various lawsuits for damages, etc., and notes guaranteed (\$8,000), which in the opinion of the management will not result in any material liability.

7

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**—On February 4, 1954, the company filed with the Civil Aeronautics Board an application for reissuance of its temporary certificate of public convenience and necessity (expiration date August 12, 1954) as a permanent certificate. Pending issuance of an order by the Board on this application, the company is operating under its temporary certificate as provided for in the Civil Aeronautics Act of 1938, as amended.



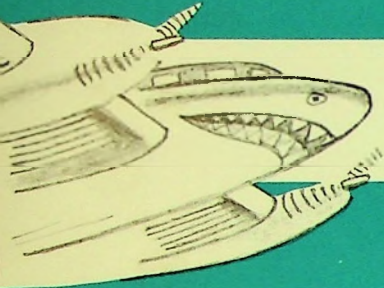


*Annual Report*

*The Flying Tiger Line Inc.*

for the year ended June 30 1955

# *Annual Report*



*The Flying Tiger Line Inc.*

for the year ended June 30

1955

directors

SAMUEL B. MOSHER, *Chairman of the Board*  
ALLEN T. CHASE      NORMAN L. MEYERS      ROBERT L. SMITH  
JAMES E. DAVIDSON      ROBERT W. PRESCOTT      WILLIAM ZECKENDORF  
HOUSTON REHRIG

officers

*President* . . . . . ROBERT W. PRESCOTT  
*Vice-President* . . . . . WILLIAM E. BARTLING  
*Vice-President* . . . . . GEORGE T. CUSSEN  
*Vice-President* . . . . . L. C. BURWELL, JR.  
*Vice-President* . . . . . FRANK B. LYNOTT  
*Vice-President* . . . . . GEORGE M. MESSENGER  
*Assistant Vice-President* . . . . . JOHN L. HIGGINS  
*Secretary-Treasurer* . . . . . FRED BENNINGER  
*Assistant Secretary-Treasurer* . . . . . O. R. BURGHARDT  
*Assistant Secretary* . . . . . NORMAN L. MEYERS

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



## highlights of the year's operations

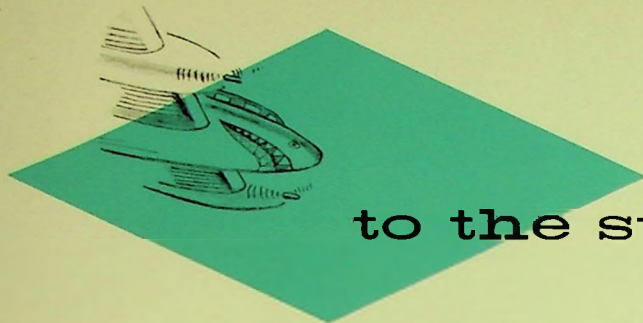
The Company completed the 1955 fiscal year with net income and special credits of \$400,188, as compared with a loss of \$424,545 for the previous fiscal year. This result of operations is particularly significant inasmuch as the Company gross operating revenue decreased \$3,279,630 during the 1955 fiscal year.

A comparison of highlights for the fiscal year follows:

	1955	1954
Gross operating revenue.....	\$15,363,289	\$18,642,919
Domestic freight revenues.....	\$ 6,028,516	\$ 6,703,786
Net income or (loss) and special items.....	\$ 400,188	\$ (424,545)
Net worth per common share.....	\$6.93	\$6.49
Ton miles domestic airfreight.....	36,890,469	45,152,383
Total Assets.....	\$17,382,258	\$15,566,110

## financial summary

we received from customers .....		\$15,363,289
we paid out or set aside funds for:		
Employees' salaries and wages.....	\$5,494,323	
Employees' travel and per diem.....	685,914	
Aircraft fuels.....	2,947,657	
Passenger supplies and expense.....	182,864	
Other supplies.....	675,069	
Depreciation.....	2,061,283	
Maintenance of equipment.....	678,544	
Rentals.....	642,810	
Insurance.....	392,361	
Communications.....	291,326	
Taxes.....	237,842	
Interest.....	421,770	
Advertising.....	78,387	
All other items.....	393,726	15,183,876
leaving .....		\$ 179,413
Profit on sales of equipment, special items, etc. ....		356,403
total before federal income taxes...		\$ 535,816
Federal income taxes.....		135,628
net gain, including special items ....		\$ 400,188



## to the stockholders

We are pleased to report that your company concluded the 1955 fiscal year with a profit, overcoming heavy losses in the early part of the year and sharply reversing the record of the previous year. The earnings record of the latter quarters of the fiscal year indicate the company has returned to the upward profit trend of the years 1951-1953.

Net income and special items for the year totalled \$400,188 in sharp contrast to the loss of \$424,545 in 1954. This was achieved despite the drop in gross operating income from \$18,642,919 in 1954 to \$15,363,289 in 1955.

This past fiscal year witnessed a major readjustment of the company's affairs. In September, 1954 the projected merger with Slick Airways, Inc., our only all-cargo competitor over our certificated airfreight route, was abandoned. After considering various alternatives your Board of Directors decided to continue independently to operate as an airfreight carrier and in collateral contract and charter activities. A severe retrenchment to adjust to the then current operating conditions was followed by an aggressive expansion program. Substantial success crowned our efforts. A heavy loss incurred in the early part of the year, while the fate of the merger was still undetermined, was off-set by high earnings in the last quarter. The company is again operating at profit levels in keeping with its record of growth before the ill-fated merger attempt.

The beginning of the year was a period of high stress. As set forth in our last Annual Report the merger with Slick foundered because the order of the Civil Aeronautics Board approving the merger imposed labor protective provisions which in our case created contingent liabilities which could not be sustained. Employee organizations were adamant and the Board would take no summary action to amend its order to set limits to the merged company's liability. Consequently in November the merger attempt was abandoned.

Details as to actions, decisions and the reasons therefor were presented in a special letter to stockholders on November 10, 1954, and need not be retold here. Basically, two decisions were made. First the merger was abandoned. Secondly, although serious consideration was given to withdrawing from the common carriage airfreight business to concentrate on other business of the company, it was decided to maintain and expand the airfreight operations. Your Board of Directors in its consideration of the problem gave great weight to strong representations made by many stockholders and employees.

All employees of the company voluntarily took substantial reductions in wages effective December 1, 1954 with the exception of the maintenance and cargo handling personnel. We felt that many in the latter group were willing to make a similar sacrifice in the common effort but were prevented from doing so by their local union leadership.

Upon the break-away from cooperative activity with Slick your management was faced with difficult equipment problems. The company had available only one DC-6A airplane; and large, modern aircraft such as the DC-6A are the backbone of today's airfreight industry. With only one DC-6A available we were unable to maintain a consistent pattern of service and were compelled to carry the bulk of our airfreight in equipment slower in speed and more expensive to operate on long hauls. Despite the cutback in costs our losses continued to mount.

However, by February, 1955, we obtained delivery on two new DC-6As which had long been on order. With three DC-6As we installed a service second to none—nightly service each way coast-to-coast and a daily round trip between the West Coast and Chicago-Detroit in DC-6As, supplemented by service in four engine DC-4 and two engine C-46 aircraft for the short hauls and for second sections. We quickly became the leading all-cargo carrier of the world. Meanwhile our drive for new contract and charter business both from the military and from civilian customers also bore fruit.

By March of 1955 we had cut our losses to a negligible amount. In April, May and June we were able to recoup all losses for the previous nine months and to end the year with the indicated annual profit.

In view of our recovery the company promptly restored all wage cuts on May 1, 1955. The company is and always shall be grateful for the full measure of cooperation of its loyal employees.

Your management is looking forward with confidence to the future. It is apparent that the developmental work in airfreight over the past ten years has been successful and we are on the brink of a great growth of the industry. Expansion is the order of the day; new equipment is essential. We must acquire—and finance—additional modern aircraft.

The primary problem in this respect is the long lead time in purchasing new aircraft. As of today it takes slightly more than two years from the date of order to get delivery on a modern airplane. This is due to the large back-log of orders facing the manufacturers, primarily because of military orders.

We have presented the dilemma of the airfreight industry to the military authorities. The need for a strong civilian airfreight industry in the interest of national defense has long been recognized and has received official notice in the recent report of the President's Air Coordinating Committee.

The first results of several proposals made to the military have been the short-term lease of two DC-6A aircraft to civilian operators by the United States Navy. Your company obtained one of these aircraft in August, 1955. This equipment, excess to immediate military needs but essential for any emergency, has been made temporarily available until such time as lessees can order and receive delivery of replacements.

We have, I believe now solved our equipment problem. After careful research and investigation for more than a year, we have decided to modernize and standardize our fleet by replacing all but a small feeder fleet of C-46 aircraft with a large fleet of Super-Constellation 1049 H aircraft. The Super-Constellation 1049 H is the largest, fastest and newest airfreight aircraft now made. As this Annual Report goes to press we are announcing the purchase of ten Super-Constellations. As soon as the details of the new acquisition and its financing are completed a Stockholders' Letter will be sent to you setting forth a complete report on our new equipment.

There have been two other noteworthy developments during the past year which have important future implications. We have begun to carry the mail on a very limited basis and the renewal and amendment of our certificate are now pending before the Civil Aeronautics Board.



On May 2, 1955, Flying Tigers along with two other all-cargo carriers, Slick Airways and Riddle Airlines, was granted an exemption by the Civil Aeronautics Board to participate in the 3c mail-by-air experiment being conducted by the Post Office. This mail is carried on a space-available basis at rates approximating our present airfreight tariff, and during the experiment only on certain designated routes. We are participating in this movement on the New York-Chicago route. It is hoped, of course, that as this experiment proves successful it will be expanded country wide.

Our participation at this stage is not great enough to be economically important to the company. What is important is that we have been given some recognition by the Civil Aeronautics Board as a potential mail carrier and as an integral part of the air transport industry of the United States.

Our application to renew our certificate of public convenience and necessity and to amend it to cover the carriage of air mail and air express as well as airfreight is now before the Civil Aeronautics Board. Hearings have been held, briefs have been filed, and a preliminary report by the Examiner is pending. Our permanent status as a common carrier of airfreight and mail should be determined in the coming year.

At the close of the year we experienced the first labor difficulty since the inception of the company. Our maintenance personnel after making demands for wage increases and numerous other contract adjustments called a strike in June 1955. None of our other employees supported the strike action and many maintenance personnel themselves have not supported the strike. We have continued to operate and maintain our aircraft to full capacity without any but minor delays but we have not taken on any additional outside maintenance work. Prolonged negotiations have apparently eliminated most issues such as the demand for increased wages but as of this date no settlement has been achieved. We are hopeful that a settlement will be forthcoming shortly so that with the air cleared we can reestablish the warm working relationship with our mechanics which has marked the relationship between the company and all of its other employees.

We regret to announce the death of Mr. Thomas J. Sullivan, one of our directors. Mr. Sullivan, a prominent resident of Pasadena, California, was one of the original investors in the company and was an active director from the founding of the company.

Respectfully submitted,

*Robert W. Prescott*  
President

September 20, 1955



## the airfreight trend

The end of the 1954-55 fiscal year saw The Flying Tiger Line in the top ranking position as the world's largest freight and contract airline. In the six months ended June 30, 1955 the company carried 20,348,307 ton miles of domestic airfreight, which was substantially in excess of the second largest all cargo airline. The ton miles carried by the company during the six months in the 1955 fiscal year compared very favorably with the 12,773,972 ton miles carried during the same months in the 1954 fiscal year. This represents a 59% increase in volume.

The introduction of the DC-6A fleet into the Company's operating pattern, providing the first true overnight coast-to-coast service, plus the establishment of intensive short-haul feeder schedules with C-46 equipment was primarily responsible for these gains.

The Company's freight schedules achieved new highs in on-time performance through the establishment of a day-to-day survey of operating results. This was achieved by the creation of an operating staff composed of the heads of the traffic, sales, maintenance and executive departments. The staff meets daily and studies the entire operation of the Company for the preceding day for the purpose of making on-the-spot decisions to improve operating procedures. The effectiveness of the staff meetings was dynamically revealed in a study of over-all schedule delays, which showed that delays were fifty per cent fewer in June than in the months before staff meetings were inaugurated. This was achieved in spite of the fact that the traffic department simultaneously cut scheduled ground-time on all C-46 short-haul or feeder flights to 30 minutes from the one-hour period previously allowed.

The resulting speed-up in freight movements provided shippers with a new efficiency in the movement of their goods. Public acceptance of the program was illustrated by the increase in freight volume and the steady month-to-month gain in plane load-factors during the latter part of the fiscal year. Starting in January, when the over-all system load factor was 53 per cent, an improvement was shown consistently through June, when the load factor averaged 66 per cent.

Another important contribution to the development of business was the creation of a commission plan for salesmen, replacing the straight salary program heretofore used by all carriers. Under the commission program salesmen draw base salaries and receive additional compensation based upon the amount of freight generated on the system over and above the revenues needed to pay base salaries.

The commission plan has created an intensified effort by the sales force to develop business. One dramatic result of this program occurred late in the year, when the Company began moving a substantial number of racing horses by air. In June alone, twenty-five horses were shipped. The Company has experienced many other equally important gains in various types of freight, as a result of the commission plan.



## the new contract division

The last half of the year saw a record-breaking performance in the newly-created contract division, which handles the movement of military troops within the United States and all foreign and over-seas operations of the Company, both in passengers and freight.

From a monthly volume of less than \$400,000 in January, the contract division more than tripled the volume of monthly business at the close of June. From April through June, contract operations reported monthly revenues averaging in excess of \$1,200,000.

Operating a fleet of nineteen aircraft assigned to this division, the Company flew more than 12,000 passengers and nearly 8,000,000 pounds of freight over a distance in excess of 2,000,000 miles, in the three months ended June 30, 1955.

Operations extended to all parts of the world. Labor flights were flown from the Caribbean area to England. The Company made the largest single contribution of any carrier to the vast Canadian Dew-Line Project, the building of the North American radar fence in the Arctic Circle. The performance of flight crews and ground personnel, under true pioneering conditions, was exceptional and resulted in the Company's moving the largest freight volume of any operator engaged in this project. Almost five and a half million pounds of freight were carried, and miles flown exceeded 700,000.

Additionally, the Company was a major participant in the newly-developed Air Force Engine Lift from the United States to England, France and North Africa and engaged extensively in the air movement across the North Atlantic of thousands of military dependents, displaced immigrants and religious, college and youth tourist groups. Another major operation involved the movement of military personnel from the Orient to the United States.

An entirely new opportunity in the low-cost movement of Europe-bound tourist and study groups was opened during the year by a revision of Civil Aeronautics Board policy on overseas passenger charters. Under the new policy, the airline gained the opportunity of contracting with organizations to move homogenous groups at low-cost tourist rates, averaging one-third the cost of tourist fares on scheduled airlines. The decision came too late to enable the Company to apply it fully to summer operations of 1955, but extensive plans are being made for the development of this traffic in the coming year.



French Boy Scouts, one of the many passenger groups flown across the Atlantic.

There is adequate space for the relaxation of service men on military flights.



Flying Tiger Line plays an important role in transporting vital supplies to remote points on Dew-Line.

Farm laborers board aircraft at Puerto Rico for trip to foreign fields. The Flying Tiger Line flies thousands of passengers monthly, including military personnel, displaced persons, tourist groups and farm laborers.



Food and beverages are served by courteous and efficient hostesses on all Flying Tiger passenger flights.



# seven year financial fiscal year

financial data	1955	1954
Transportation revenues	\$13,598,000	\$15,308,000
Maintenance rental revenues	1,765,000	3,335,000
Total revenues	\$15,363,000	\$18,643,000
Operating expenses	14,762,000	19,447,000
Operating profit (loss*)	\$ 601,000	(\$ 804,000)
Other income and deductions	340,000*	304,000*
Profit (loss*) before income taxes and special income	\$ 261,000	\$ 1,108,000
Income taxes (refund credit*)	136,000	684,000*
Net operating income (loss*)	\$ 125,000	\$ 424,000*
Special income—profit on sale of equipment, less income taxes thereon, and other tax adjustments	275,000	—
Total net income (loss*) and special items	\$ 400,000	\$ 424,000*
operating data		
Miles flown	10,202,151	13,704,308
Average daily aircraft utilization (hours) C-46	3.2	5.0
“ “ “ “ “ C-47	—	—
“ “ “ “ “ C-54	7.4	7.8
“ “ “ “ “ DC-6	10.0	8.3
Hours flown	54,163	75,726
Ton miles of domestic freight carried	36,890,469	45,152,383
Revenue per ton mile (cents) for domestic freight	18.84	18.11
Load factors (per cent) of domestic freight	63.1	76.3
*—Donates red figures		

# and operating summary

ended June 30

1953	1952	1951	1950	1949
\$25,070,000	\$21,109,000	\$14,513,000	\$3,276,000	\$2,722,000
666,000	728,000	1,069,000	1,688,000	424,000
\$25,736,000	\$21,837,000	\$15,582,000	\$4,964,000	\$3,146,000
24,237,000	20,326,000	13,175,000	4,573,000	3,011,000
\$ 1,499,000	\$ 1,511,000	\$ 2,407,000	\$ 391,000	\$ 135,000
51,000*	70,000*	26,000	16,000	7,000*
\$ 1,448,000	\$ 1,441,000	\$ 2,433,000	\$ 407,000	\$ 128,000
748,000	784,000	1,408,000	7,000	4,000
\$ 700,000	\$ 657,000	\$ 1,025,000	\$ 400,000	\$ 124,000
1,153,000	905,000	375,000	100,000	—
\$ 1,853,000	\$ 1,562,000	\$ 1,400,000	\$ 500,000	\$ 124,000
20,238,634	18,035,813	13,543,368	5,237,512	3,198,796
6.9	6.3	7.2	6.4	—
—	—	3.0	3.4	2.4
11.9	11.0	9.9	7.0	7.3
—	—	—	—	—
111,171	99,495	74,672	29,040	17,942
51,324,134	31,788,962	28,137,979	15,672,689	12,292,511
16.75	15.81	14.82	15.23	16.25
79.0	80.7	83.4	71.5	70.8

# balance sheets

## *The Flying Tiger Line Inc.*

assets	1955	1954
<b>current assets</b>		
Cash	\$ 944,061	\$ 507,876
Receivables—		
Freight customers	416,333	278,941
United States Government—		
Charters, freight, service sales, etc.	1,682,012	1,328,065
Claim for refund of income taxes	—	409,000
Other—charters, service sales, current installments of long-term notes receivable, etc.	1,981,327	1,180,587
Reserve for bad debt losses	(40,000)	(20,000)
Inventories of materials and supplies, at cost not in excess of market	531,021	765,184
Prepaid insurance, deposits, etc.	244,127	195,882
Total current assets	<u>\$ 5,758,881</u>	<u>\$ 4,645,535</u>
<b>investments and other assets</b>		
Long-term notes and interest receivable, secured by chattel mortgage on aircraft sold	\$ —	\$ 218,333
Subsidiary companies, at cost less reserve	62,500	62,500
Debt discount and expense, being amortized	144,691	160,383
Other	100,087	30,000
	<u>\$ 307,278</u>	<u>\$ 471,216</u>
<b>property and equipment</b>		
(see long-term debt for items pledged)—Note 1		
Cost—		
Aircraft, engines, and other flight equipment	\$16,030,462	\$13,316,690
Other equipment	793,522	790,835
Land and buildings	523,461	486,562
	<u>\$17,347,445</u>	<u>\$14,594,087</u>
Less—Reserves for depreciation and amortization	6,031,346	4,144,728
	<u>\$11,316,099</u>	<u>\$10,449,359</u>
	<u>\$17,382,258</u>	<u>\$15,566,110</u>

( ) Denotes red figure.

# June 30, 1955 and 1954

liabilities	1955	1954
<b>current liabilities</b>		
Current installments of long-term debt—		
Bank loans	\$ 1,395,877	\$ 545,580
Purchase contracts	85,120	127,400
Accounts payable	1,521,014	1,494,649
Accrued payroll and vacations	455,459	494,582
Other accrued liabilities	284,532	284,961
Total current liabilities	<u>\$ 3,742,002</u>	<u>\$ 2,947,172</u>
advance charter deposits, etc.	<u>\$ 218,144</u>	<u>\$ —</u>
<b>long-term debt — Note 2:</b>		
5½% debentures due 1967 (subordinate)	\$ 2,746,000	\$ 2,746,000
Bank loans—payable in monthly installments of varying amounts to 1961; interest rate 5%; secured by pledge of all aircraft, engines and propellers owned, and a lease covering four DC-6A aircraft rented to others; less current installments	4,204,123	3,784,420
Purchase of aircraft, land, and other contracts, secured by pledge of related assets; less current installments	41,128	8,289
	<u>\$ 6,991,251</u>	<u>\$ 6,538,709</u>
<b>capital stock and surplus</b>		
Preferred stock—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,112 shares designated as Series A—entitled to 5% cumulative dividends, redeemable at and entitled in liquidation to par plus unpaid dividends	\$ 991,120	\$ 991,120
Common stock—		
Authorized, 1,500,000 shares of \$1 par value, of which 292,907 shares are reserved for conversion of debentures		
Issued and outstanding, 784,452 shares	784,452	784,452
Capital surplus (no change during the two years)	1,732,398	1,732,398
Earned surplus (see Note 2 regarding dividend restrictions)—per accompanying statement	2,922,891	2,572,259
	<u>\$ 6,430,861</u>	<u>\$ 6,080,229</u>
	<u>\$17,382,258</u>	<u>\$15,566,110</u>

statements of income  
for the years ended June 30, 1955 and 1954

	1955	1954
<b>operating revenues</b>		
Common carriage freight	\$ 5,104,790	\$ 4,557,660
Rentals, charters and service sales (net)	9,214,503	9,395,807
Pacific airlift	1,043,996	4,689,452
Total	\$ 15,363,289	\$ 18,642,919
<b>operating expenses</b>		
Flying operations	\$ 6,074,085	\$ 8,022,094
Ground operations	1,702,376	2,021,382
Maintenance	3,113,768	5,005,664
Traffic, sales, advertising, and publicity	628,190	735,988
General and administrative	1,182,404	1,529,636
Depreciation and amortization—Note 1	2,061,283	2,132,249
Total	\$ 14,762,106	\$ 19,447,013
Net income or (loss) from operations	\$ 601,183	\$ (804,094)
<b>other income and (expense)</b>		
Profit or (loss) on sales of aircraft	\$ 62,934	\$ (17,232)
Interest on long-term debt	(411,976)	(298,446)
Amortization of debt discount and expense	(15,691)	(15,691)
Miscellaneous (net)	24,373	27,318
Total	\$ (340,360)	\$ (304,051)
Net income or (loss) before income taxes	\$ 260,823	\$ (1,108,145)
<b>federal income taxes</b>		
Provision for current year—Note 1	135,628	—
Special credit, arising from carry-back of operating loss to prior years	—	(683,600)
Net income or (loss)	\$ 125,195	\$ (424,545)
<b>special items</b>		
Federal income tax reduction for current year, resulting from accelerated amortization of emergency facilities—Note 1	\$ 182,098	\$ —
Excess of insurance proceeds over book value of aircraft destroyed, net of applicable Federal income taxes	42,895	—
Reduction of prior years' provisions for taxes based on income	50,000	—
Total	\$ 274,993	\$ —
Net income or (loss) and special items	\$ 400,188	\$ (424,545)

( ) Denotes red figure.

The accompanying notes are an integral part of these statements.

statement of earned surplus  
for the years ended June 30, 1955 and 1954

	1955	1954
balance at beginning of year	\$ 2,572,259	\$ 3,046,360
add		
From accompanying statement—		
Net income or (loss)	125,195	(424,545)
Special items	274,993	—
	\$ 2,972,447	\$ 2,621,815
deduct		
Cash dividends on preferred stock, Series A—50 cents per share in each year	49,556	49,556
balance at end of year		
(see Note 2 regarding dividend restrictions)	\$ 2,922,891	\$ 2,572,259

( ) Denotes red figure.

The accompanying notes are an integral part of this statement.

# notes to financial statements

## (1) aircraft:

At June 30, 1955, the company had a fleet of 37 aircraft as follows:

Type	Owmed	Leased	Total
C-46.....	23	—	23
C-54.....	6	1	7
DC-6A.....	7	—	7
	<u>36</u>	<u>1</u>	<u>37</u>

The lease for the C-54 aircraft expires April 10, 1956. Four of the DC-6A aircraft owned by the company, which have been converted to DC-6B type aircraft, are leased for seven-year periods ending in 1960 and 1961.

As of July 1, 1954, the company revised the depreciation rates, calculated on a straight-line basis, applicable to its C-46 and C-54 aircraft by reducing the residual values and extending the estimated useful lives of such aircraft. As a result, depreciation expense for the year ended June 30, 1955, was approximately \$233,000 less than it would have been if rates in effect during prior years had been continued.

The company has obtained certificates of necessity permitting it to amortize for income tax purposes over a 60-month period 80 per cent of the cost of its DC-6A aircraft. In its accounts, the company is recording depreciation of such aircraft on a straight-line basis using an estimated useful life in excess of five years. As a result of the excess of amortization for tax purposes over the depreciation recorded in the financial statements, there will be no Federal income tax liability due for the year ended June 30, 1955. However, in order to reflect properly the net income for the year, the statement of income includes charges for Federal income taxes that would have been payable without the benefit of accelerated amortization for tax purposes; such charges have been restored to earned surplus at June 30, 1955, as a special item.

## (2) long-term debt:

The 5½% debentures due 1967 (subordinate) are subordinate to "superior indebtedness," as defined, which at June 30, 1955, consisted of the bank loans referred to below. The debentures 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. The debentures are convertible into common stock until July 1, 1962; the effective conversion price at June 30, 1955, was \$9.375 principal amount of debentures for each share of common stock. Surplus restrictions under the debenture indenture are less restrictive than terms of the credit agreement referred to below.

The company has borrowed \$5,500,000 as of June 30, 1955, from certain banks under the terms of a credit agreement. This agreement provides that the company will not pay dividends (other than on preferred stock up to an annual amount of \$50,000) or make any other distribution (other than stock dividends) on any stock of the company which, together with preferred dividends, would exceed 40% of the net earnings of the company from June 30, 1952, or which would reduce working capital below a defined amount. Under this provision, substantially all of the earned surplus balance at June 30, 1955, is restricted against any distributions on capital stock, other than the preferred stock dividends of \$50,000 mentioned above. 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.

## (3) certificate of public convenience and necessity:

On February 4, 1954, the company filed with the Civil Aeronautics Board an application for reissuance of its temporary certificate of public convenience and necessity (expiration date August 12, 1954) as a permanent certificate. Pending issuance of an order by the Board on this application, the company is operating under its temporary certificate as provided for in the Civil Aeronautics Act of 1938, as amended.

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, 1955, and the related statements of income and earned 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 totaling \$1,459,010 at June 30, 1955, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1954.

As indicated in Note 1, the company has claimed accelerated amortization for income tax purposes on certain of its aircraft. The treatment accorded the resulting tax benefit in the accompanying statements has the effect of including in earned surplus the amount of such tax benefit (approximately \$274,250 at June 30, 1955). In our opinion, this amount, in accordance with generally accepted accounting principles, should have been deferred as a reserve to be taken into income in the years following the 60-month special amortization period.

Except for the effect on the balance sheet and statement of earned surplus of the matter discussed in the preceding paragraph, in our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1955, 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.

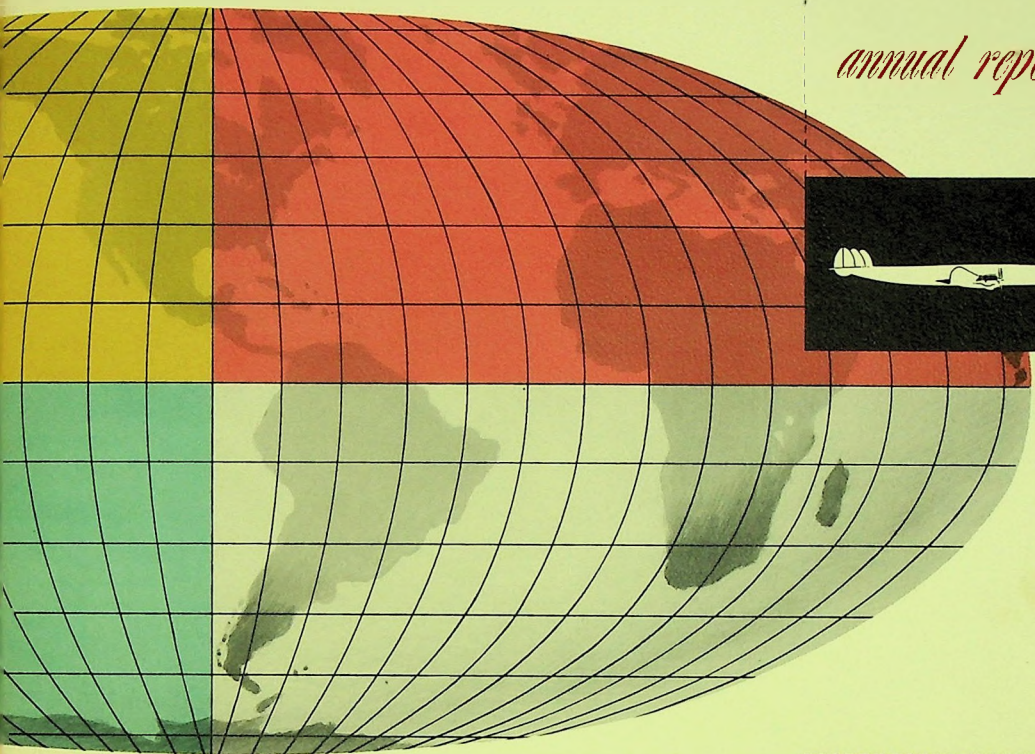
**ARTHUR ANDERSEN & CO.**

Los Angeles, California,  
August 26, 1955.

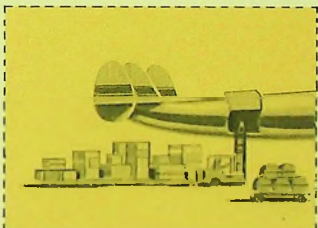
## sales offices

- AKRON, Ohio  
P.O. Box 282  
Akron-Canton Airport  
Telephone—Enterprise 7100
- ALBANY, N. Y.  
127 Water Street  
Telephone—Albany 4-8223
- BINGHAMTON, N. Y.  
Box 457  
Broome County Airport  
Telephone—Binghamton 9-1591
- BOSTON, Mass.  
Logan International Airport  
Telephone—East Boston 7-6161
- BUFFALO, N. Y.  
Hangar 6, Municipal Airport  
Telephone—Plaza 3071
- CANTON, Ohio  
P.O. Box 282  
Akron-Canton Airport  
Telephone—Hyacinth 9-2568
- CHICAGO, Ill.  
5833 S. Central Avenue  
Telephone—Portsmouth 7-8200
- CLEVELAND, Ohio  
Hangar 0  
Cleveland Hopkins Airport  
Telephone—Winton 1-5777
- DETROIT, Mich.  
Detroit Wayne-Major Airport  
Inkster, Mich.  
Telephone—Logan 2-9520
- GRAND RAPIDS, Mich.  
525 Burton Street, S.W.  
Telephone—Cherry 1-2221
- HARTFORD, Conn.  
Box 302  
Bradley Field  
Windsor Locks  
Telephone—Jackson 2-3145
- LONG BEACH, Calif.  
2751 E. Waldlow Rd.  
Telephone—Nevada 6-2687
- LOS ANGELES, Calif.  
Lockheed Air Terminal  
Telephone—Stanley 7-3411
- MILWAUKEE, Wis.  
Mitchell Field  
Telephone—Humboldt 3-5000
- MINNEAPOLIS, Minn.  
Minneapolis-St. Paul Intl. Airport  
Telephone—Parkway 4-2425
- NEW YORK, N. Y.  
Hangar 6  
Newark Airport  
Newark, N. J.  
Telephone—Market 4-3700
- OAKLAND, Calif.  
Box 36  
International Airport  
Telephone—Lockhaven 2-1871
- PHILADELPHIA, Pa.  
International Airport  
Telephone—Belgrade 2-7100
- PORTLAND, Oregon  
6200 N.E. Marine Drive  
International Airport  
Telephone—Atlantic 1-1158
- PROVIDENCE, R. I.  
577 S. Main St.  
Telephone—Elmhurst 1-8500
- ROCHESTER, N. Y.  
344 Puritan Rd.  
Towawanda, N. Y.  
Telephone—Amherst 0480
- SACRAMENTO, Calif.  
2320 Second St.  
Telephone—Enterprise 1-2011
- ST. PAUL, Minn.  
Minneapolis-St. Paul Intl. Airport  
Telephone—Parkway 4-2425
- SAN DIEGO, Calif.  
2351 Airline  
Telephone—Cypress 6-6273
- SAN FRANCISCO, Calif.  
International Airport  
Telephone—Plaza 5-9406
- SEATTLE, Wash.  
Box 5, Boeing Field  
Telephone—Lander 5916
- SOUTH BEND, Ind.  
412 E. Tull Street  
Telephone—Atlantic 9-2437
- SPRINGFIELD, Mass.  
Bradley Field  
Windsor Locks, Conn.  
Telephone—Republic 4-5675
- TACOMA, Wash.  
1821 Dock Street  
Telephone—Market 2167
- TOLEDO, Ohio  
618 Broadway  
Telephone—Garfield 4276
- WASHINGTON, D. C.  
1201 Shoreham Bldg.  
Telephone—Sterling 3-5959





*annual report*



THE FLYING TIGER LINE INC.

FOR THE FISCAL YEAR ENDING JUNE 30, 1956

1956



## PRESIDENT'S LETTER

There were many happenings during this year that will justify an optimistic outlook for this company.

Most important of these are the acquisition and successful financing of our new Constellations which were announced to you before and are described elsewhere in this report.

Next is our recertification by the Civil Aeronautics Board which gave us entry into the Air Mail and Air Express business which we have been seeking for many years.

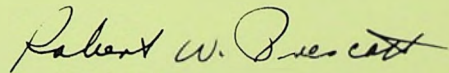
Third, the growth of the volume of our domestic airfreight tonnage has been most gratifying. This year we flew 49,648,556 ton miles compared to 36,890,469 ton miles for the previous year. This was an increase of 35% compared to 17% for the industry. As has been explained before, this tonnage has not been profitable because we still must fly a great portion of it in obsolete, high ton-mile cost airplanes. We have continued vigorous development in spite of this in order to have the business ready for the new equipment.

Although net income from operations was \$82,070, net income and special items for the year totalled \$2,975,771 or \$3.30 per common share outstanding at June 30, 1956. The book value of common shares increased from \$6.93 to \$10.57 per share during the year.

At the time of the Annual Report last year we were beset with many labor difficulties. Our mechanics' union was out on strike and the company was in mediation with several other union contracts. I am happy to announce that we now have all labor disputes resolved and are enjoying excellent relations with all of our unions.

We wish to thank the stockholders and employees for their splendid cooperation and support during the past year.

For the Board of Directors



ROBERT W. PRESCOTT

*President*



## AIR FREIGHT GROWTH

The Flying Tiger Line has continued to maintain its leadership as the leading all-cargo carrier of the world, and point for point the leader in air cargo tonnage over all other airlines.

The company increased its domestic ton mile carriage over the previous year by 35 percent. During the 1954-1955 fiscal year we carried 36,890,469 ton miles of airfreight while during the past year we carried 49,648,556 ton miles of airfreight.

One very important development during the year was the renewal of our Air Freight Certificate over Route 100. This renewal contained two new provisions which should be very helpful to us in the development of the air freight business. The first was the authorization to participate in the air express agreement. Air express is a premium type package service that is solicited and handled on the ground by Railway Express Agency and delivered to the airlines for air carriage. The Express Agency participates in a standard form contract with all airlines which provides for a division of the proceeds from air express revenue.

Our original certification expressly prohibited us from participating in this contract. We look forward now to a substantial amount of business as a result of this change in our Certificate.

The second new provision in the recertification was the right to carry air mail between all authorized points in our airfreight system. This authorization was given for a period of one year and contains clauses which automatically terminate the authorization if the company should apply for subsidy under the Civil Aeronautics Act of 1938. We do not expect the authorization to have any substantial effect on the results of the company's operations in the near future. The principal reason for this is that mail is parcelled out to the airlines on the basis of competitive schedules and until the new fleet of Super Constellations is installed in our system our schedules will not compete with the faster passenger planes. In the long run, however, we are very optimistic that the mail will be a substantial part of our revenue.

We are continuing to participate in the experiment being conducted by the Post Office of moving regular first class mail at airfreight rates on a space available basis. This operation was described in last year's report.

Another new type of traffic we are in the process of developing is called "deferred airfreight." A special tariff covering this traffic was approved by the Civil Aeronautics Board in May of this year. The rates are approximately 55% of the first class airfreight tariff and the service is by design three or four days later than first class airfreight. It is hoped that this type of traffic will be used as stand-by tonnage to top off our regular airfreight loads, thus using space that would otherwise go unoccupied. If we are successful in developing this traffic we should fly our system at all times at close to 100% load factor. So far the development of this traffic has progressed as well as could be expected, although not enough time has yet elapsed to provide a full appraisal of its value.



During this year the company activated service into the last large potential traffic area which was included in our Certificate. This is the Minneapolis-St. Paul area. The traffic development on this new route has been more than gratifying.

It is believed that with the introduction of the Super Constellations described previously in this report a great stride will be made toward the goal of the airfreight industry of greater volume and lower rates, which will tend to make airfreight a more substantial portion of the national transportation system.



A modern fleet of trucks give door-to-door Airfreight Service



SEATTLE



PORTLAND

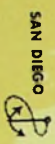


OAKLAND

SAN FRANCISCO



LOS ANGELES



SAN DIEGO

SALT LAKE CITY

DENVER

OMAHA

DES MOINES

CHICAGO

MINNEAPOLIS



MILWAUKEE

ST. PAUL

DETROIT

TOLEDO

AKRON

BUFFALO

ROCHESTER

CLEVELAND

HARTFORD

BINGHAMTON

ALBANY

BOSTON

PROVIDENCE

NEW YORK

PHILADELPHIA

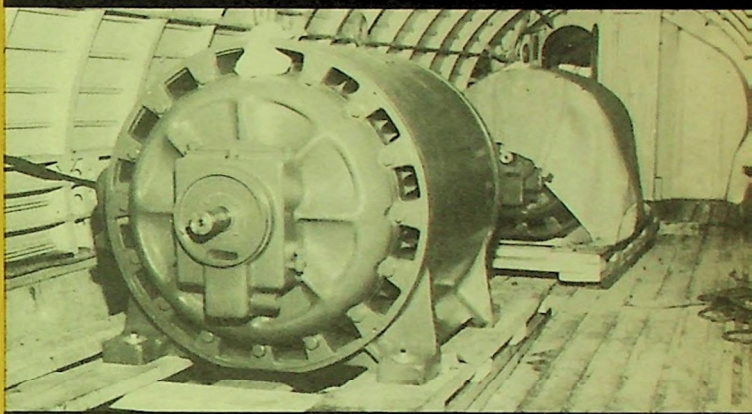
# FLYING TIGER AIR FREIGHT ROUTE NO. 100



First movement of  
Air Express by Company



"Generating" Airfreight



First load of Air Mail



Airfreight comes in  
different shapes and sizes



## CONTRACT DIVISION



For the last several years the contract operations of the company have produced from fifty to sixty percent of the company's total gross revenues annually. During this year the revenue from contract operations was \$13,159,024 compared to \$8,246,531 for the previous year. With the introduction of the Constellation aircraft next Spring it is expected that we will double our volume of contract revenue.

Revenue sources for the contract division are about one-half from United States Government contracts and one-half from commercial charters and contracts. An important source of commercial revenue has been developed in the charter business to Europe from New York. Charter groups, such as student clubs, church organizations, recreational and industrial organizations make up a large part of the North Atlantic charter business. The advantages to the charterers are twofold. First, the groups travel together, and second, the cost, since they charter the whole airplane, is considerably less than if the same individuals went by the regular airlines.

During the Summer of 1956 the company carried approximately 10,000 people round trip from the United States to Europe, and in connection with these operations will bring over about 11,000 immigrants from Europe to the United States.

Contract operations have brought the name of the company to all corners of the world, thereby aiding in generating a large volume of traffic for our principal business, which is airfreight. Airfreight operations demand large investments in equipment, facilities and trained personnel. Through the development of contract operations it has been possible to utilize such investments more efficiently and effectively.

During last Winter, the Contract Division also participated with Canadian air carriers in transporting supplies and equipment into the Arctic Zone to establish a radar picket line known as the Distant Early Warning system which is being established through the cooperation of the United States and Canadian governments.

During the past few years the Contract Division had developed an extensive customer maintenance business. The revenue from this source dropped sharply during the past fiscal year because of the four-months strike of our mechanics during the Summer and Fall of 1955. The company, however, is rapidly increasing its volume of such maintenance work and is now approaching its previous level.

Serenading departure of  
Social Club to Europe



Displaced Persons arriving  
in their "new country"

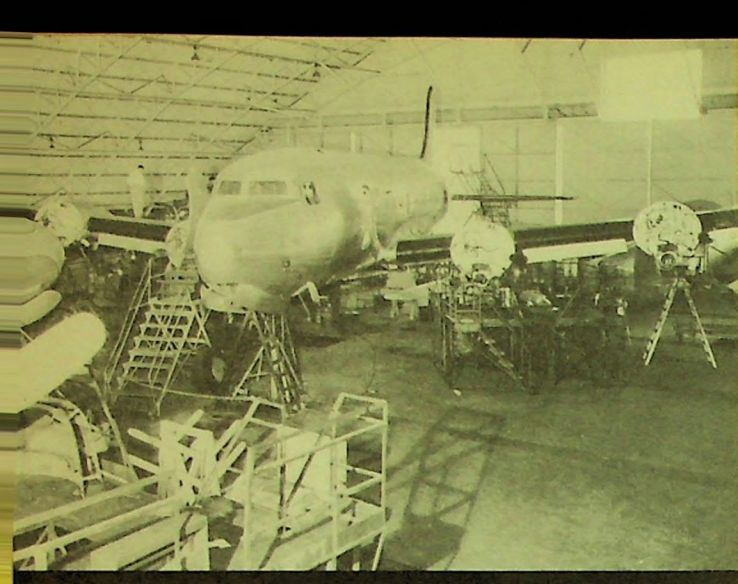


Military personnel and  
dependents returning home

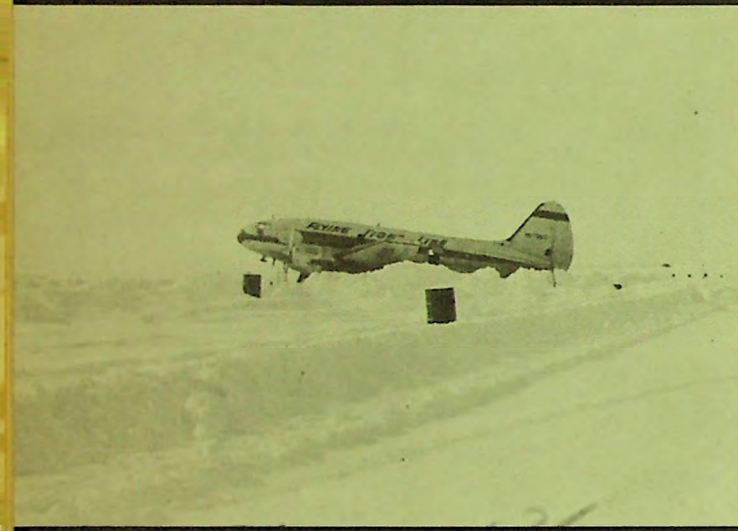


Recreational club departing  
for an European vacation

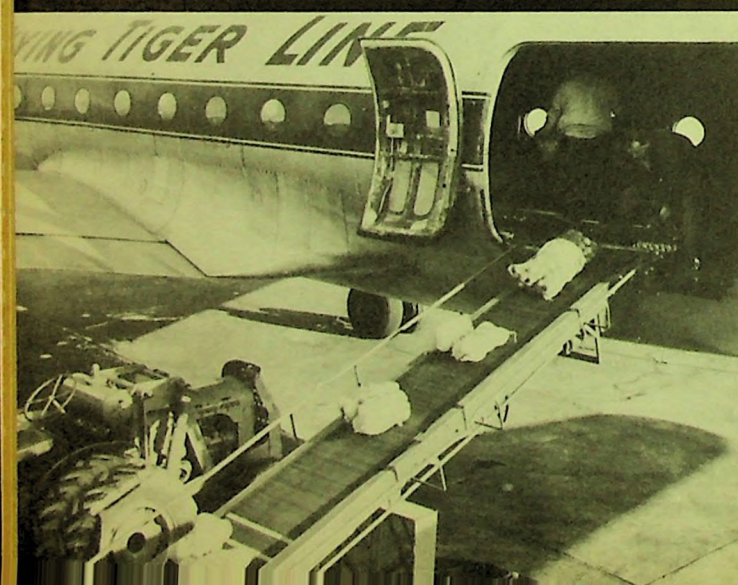




Customer maintenance  
for other carriers



"Dew Line" operation  
in the far North



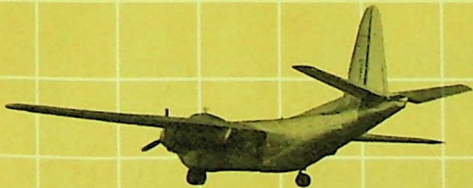
Loading food destined for  
flood stricken areas

# ELEVEN YEARS OF PROGRESS



## ELEVEN YEARS OF PROGRESS

	1956	1946
Gross revenue . . . . .	\$ 21,931,320	\$ 480,724
Ton miles of domestic freight . . . . .	49,648,556	2,757,141
Miles flown . . . . .	14,393,140	1,044,170
Profit and special items (loss) . . . . .	\$ 2,975,771	(\$199,595)
Fleet annual lift capacity (ton miles) . . . . .	181,890,000	10,122,000
Investment in property and equipment \$ . . . . .	9,033,157	811,127
Number of employees . . . . .	1,369	228
Book value per common share . . . . .	\$ 10.57	\$ 2.98
Net worth . . . . .	\$ 10,367,685	\$ 2,165,720
Working capital . . . . .	\$ 5,525,264	\$ 1,354,593
Wages and salaries paid . . . . .	\$ 7,498,756	\$ 256,593



"Budd" Aircraft—1946



Super Constellation Aircraft—1956

# THE FLYING TIGER LINE INC.

## COMPARATIVE BALANCE SHEET DATA

### FISCAL YEARS ENDED JUNE 30

	1956	1955	1954	1953	1952	1951
<b>CURRENT ASSETS:</b>						
Cash.....	\$ 2,085,998	\$ 944,061	\$ 507,876	\$ 2,134,958	\$ 1,352,745	\$ 1,951,107
Marketable securities.....	1,000,000	—	—	—	—	—
Receivables.....	4,457,849	4,039,672	3,176,593	4,394,340	2,861,535	1,954,230
Inventories of materials and supplies....	549,387	531,021	765,184	617,836	509,924	225,667
Prepaid insurance, deposits, etc.....	376,128	244,127	195,882	399,305	243,873	57,862
Total current assets.....	<u>\$ 8,469,362</u>	<u>\$ 5,758,881</u>	<u>\$ 4,645,535</u>	<u>\$ 7,546,439</u>	<u>\$ 4,968,077</u>	<u>\$ 4,188,866</u>
<b>LESS CURRENT LIABILITIES:</b>						
Current installments of long-term debt..	\$ —	\$ 1,480,997	\$ 672,980	\$ 201,133	\$ 668,396	\$ 20,000
Accounts payable.....	1,896,185	1,521,014	1,494,649	2,408,474	2,295,388	1,007,536
Federal and State taxes on income....	333,500	—	—	1,232,963	1,714,496	1,491,746
Other current liabilities.....	714,413	739,991	779,543	1,008,873	866,599	551,981
Total current liabilities.....	<u>\$ 2,944,098</u>	<u>\$ 3,742,002</u>	<u>\$ 2,947,172</u>	<u>\$ 4,851,443</u>	<u>\$ 5,544,879</u>	<u>\$ 3,071,263</u>
Net Current Assets—Working Capital.....	<u>\$ 5,525,264</u>	<u>\$ 2,016,879</u>	<u>\$ 1,698,363</u>	<u>\$ 2,694,996</u>	<u>\$ (576,802)</u>	<u>\$ 1,117,603</u>
<b>ADD:</b>						
Non-current receivables, investments, etc.	71,000	162,587	310,833	306,000	89,594	73,241
Deposits on new equipment.....	5,505,750	—	—	1,347,598	250,000	—
Debt discount and expense.....	127,609	144,691	160,383	176,074	20,575	—
Property and equipment.....	3,527,407	11,316,099	10,449,359	4,895,876	5,124,129	2,023,373
Total assets less current liabilities..	<u>\$14,757,030</u>	<u>\$13,640,256</u>	<u>\$12,618,938</u>	<u>\$ 9,420,544</u>	<u>\$ 4,907,496</u>	<u>\$ 3,214,217</u>
<b>LESS:</b>						
Long-term debt.....	\$ 2,724,000	\$ 6,991,251	\$ 6,538,709	\$ 2,866,214	\$ 160,788	\$ —
Advance deposits, etc.....	568,345	218,144	—	—	—	4,500
Reserve for deferred income taxes....	1,097,000	—	—	—	—	—
Total.....	<u>\$ 4,389,345</u>	<u>\$ 7,209,395</u>	<u>\$ 6,538,709</u>	<u>\$ 2,866,214</u>	<u>\$ 160,788</u>	<u>\$ 4,500</u>
Net Assets.....	<u>\$10,367,685</u>	<u>\$ 6,430,861</u>	<u>\$ 6,080,229</u>	<u>\$ 6,554,330</u>	<u>\$ 4,746,708</u>	<u>\$ 3,209,717</u>
Book Value Per Common Share.....	\$ 10.57	\$ 6.93	\$ 6.49	\$ 7.09	\$ 4.78	\$ 4.09
<b>SHARES OUTSTANDING:</b>						
Preferred shares.....	99,112	99,112	99,112	99,112	99,533	—
Common shares.....	886,796	784,452	784,452	784,452	784,027	784,027
<b>SHAREHOLDERS EQUITY:</b>						
Preferred shares.....	\$ 991,120	\$ 991,120	\$ 991,120	\$ 991,120	\$ 995,330	\$ —
Common shares.....	886,796	784,452	784,452	784,452	784,027	784,027
Capital surplus.....	2,640,663	1,732,398	1,732,398	1,732,398	1,728,839	1,728,839
Earned surplus.....	5,849,106	2,922,891	2,572,259	3,046,360	1,238,512	696,851
Total shareholders' equity.....	<u>\$10,367,685</u>	<u>\$ 6,430,861</u>	<u>\$ 6,080,229</u>	<u>\$ 6,554,330</u>	<u>\$ 4,746,708</u>	<u>\$ 3,209,717</u>

( ) Denotes negative figure.



# THE FLYING COMPARATIVE FISCAL YEAR

1950	1949	1948	1947	1946
326,454	\$ 208,163	\$ 201,834	\$ 281,886	\$ 1,413,809
897,739	328,092	382,531	745,575	92,685
193,686	190,931	87,401	68,457	28,891
58,192	24,176	94,581	44,977	105,603
1,476,071	\$ 751,362	\$ 766,347	\$ 1,140,895	\$ 1,640,988
231,826	\$ 86,320	\$ 56,322	\$ 65,017	\$ 61,000
303,737	138,783	147,897	202,563	167,228
64,000	—	—	—	—
175,324	139,327	114,356	479,052	58,167
774,887	\$ 364,430	\$ 318,575	\$ 746,632	\$ 286,395
701,184	\$ 386,932	\$ 447,772	\$ 394,263	\$ 1,354,593
63,889	—	—	—	—
—	—	—	—	—
1,065,011	835,059	622,880	1,041,652	811,127
1,830,084	\$ 1,221,991	\$ 1,070,652	\$ 1,435,915	\$ 2,165,720
—	\$ 26,493	\$ 34,000	\$ —	\$ —
134,239	—	—	50,000	—
—	—	—	—	—
134,239	\$ 26,493	\$ 34,000	\$ 50,000	\$ —
1,695,845	\$ 1,195,498	\$ 1,036,652	\$ 1,385,915	\$ 2,165,720
2.23	\$ 1.57	\$ 1.43	\$ 1.91	\$ 2.98
—	—	—	—	—
761,227	761,227	726,000	726,000	726,000
—	\$ —	\$ —	\$ —	\$ —
761,227	761,227	726,000	726,000	726,000
1,637,639	1,637,639	1,637,639	1,637,639	1,639,315
(703,021)	(1,203,368)	(1,326,987)	(977,724)	(199,595)
1,695,845	\$ 1,195,498	\$ 1,036,652	\$ 1,385,915	\$ 2,165,720

	1956	1955
<b>OPERATING REVENUE:</b>		
Common carriage freight.....	\$ 7,817,165	\$ 5,104,7
Pacific Airlift.....	—	1,043,9
Other transportation revenues.....	13,159,024	7,202,5
Maintenance, rentals, etc.....	955,131	2,011,9
Total operating revenue.....	\$21,931,320	\$15,363,2
<b>OPERATING EXPENSES:</b>		
Depreciation and amortization.....	\$ 1,713,097	\$ 2,061,2
All other.....	20,136,153	12,700,8
Total operating expenses.....	\$21,849,250	\$14,762,1
Net income from operations.....	\$ 82,070	\$ 601,1
<b>NON-OPERATING INCOME EXPENSES, Net:</b>		
Interest expense.....	\$ (315,130)	\$ (411,9
All other (net).....	36,163	71,6
Total non-operating income.....	\$ (278,967)	\$ (340,3
Net income (loss) before income taxes	\$ (196,897)	\$ 260,8
<b>PROVISION FOR TAXES BASED ON INCOME</b>	(102,000)	135,6
Net income (loss).....	\$ (94,897)	\$ 125,1
<b>SPECIAL ITEMS (net of income taxes):</b>		
Profit on sale and disposal of aircraft, less taxes thereon.....	\$ 3,255,496	\$ 42,8
Profit on sale of contract rights.....	—	—
All other.....	(184,828)	232,0
Total special items.....	\$ 3,070,668	\$ 274,9
Net income (loss) and special items.	\$ 2,975,771	\$ 400,1
Net Income and Special Items Per Common Share.....	\$ 3.30	\$ —
<b>COMPARATIVE OPERATING DATA:</b>		
Miles flown.....	14,393,140	10,202,1
Hours flown.....	74,260	54,1
Average daily aircraft utilization (hours)	—	—
C-46.....	4.6	3.2
C-47.....	—	—
C-54.....	10.1	7.4
DC-6.....	11.4	10.0
Aircraft operating fleet at year-end...	—	—
C-46.....	19	23
C-47.....	—	—
C-54.....	8	7
DC-6.....	4	3
Ton miles of common carriage and domestic charter freight carried...	49,648,556	36,890,4
Revenue per ton mile (cents) for domestic freight.....	17.22	18.

( ) Denotes negative figure.  
\* Figures not available.

TIGER LINE INC.

INCOME AND OPERATING SUMMARY  
 YEARS ENDED JUNE 30

	1954	1953	1952	1951	1950	1949	1948	1947	1946
90	\$ 4,557,660	\$ 6,037,356	\$ 4,532,742	\$ 3,578,863	\$ 2,169,257	\$ 1,835,267	\$ 1,163,626	\$ 834,014	\$ 358,428
96	4,689,452	12,358,940	9,278,571	7,492,469	—	—	—	—	—
35	6,422,662	5,081,122	5,648,397	2,867,203	1,093,751	116,237	2,066,591	3,891,530	122,296
68	2,973,145	2,258,279	2,377,786	1,643,524	1,701,160	1,194,349	51,598	—	—
89	\$18,642,919	\$25,735,697	\$21,837,496	\$15,582,059	\$ 4,964,168	\$ 3,145,853	\$ 3,281,815	\$ 4,725,544	\$ 480,724
83	\$ 2,132,249	\$ 1,290,398	\$ 818,955	\$ 280,942	\$ 175,938	\$ 134,139	\$ 285,381	\$ 368,583	\$ 92,440
23	17,314,764	22,946,784	19,507,409	12,894,451	4,397,483	2,876,774	3,323,150	4,855,096	676,822
06	\$19,447,013	\$24,237,182	\$20,326,364	\$13,175,393	\$ 4,573,421	\$ 3,010,913	\$ 3,608,531	\$ 5,223,679	\$ 769,262
83	\$ (804,094)	\$ 1,498,515	\$ 1,511,132	\$ 2,406,666	\$ 390,747	\$ 134,940	\$ (326,716)	\$ (498,135)	\$ (288,538)
76)	\$ (298,446)	\$ (188,956)	\$ (34,477)	\$ (5,402)	\$ (10,082)	\$ (6,328)	\$ (2,330)	\$ (2,445)	\$ (6,248)
16	(5,605)	139,074	(35,884)	31,686	26,525	(742)	(20,217)	(277,549)	—
60)	\$ (304,051)	\$ (49,882)	\$ (70,361)	\$ 26,284	\$ 16,443	\$ (7,070)	\$ (22,547)	\$ (279,994)	\$ (6,248)
23	\$ (1,108,145)	\$ 1,448,633	\$ 1,440,771	\$ 2,432,950	\$ 407,190	\$ 127,870	\$ (349,263)	\$ (778,129)	\$ (294,786)
28	(683,600)	748,000	784,000	1,408,000	165,500	4,250	—	—	—
95	\$ (424,545)	\$ 700,633	\$ 656,771	\$ 1,024,950	\$ 241,690	\$ 123,620	\$ (349,263)	\$ (778,129)	\$ (294,786)
95	\$ —	\$ 349,890	\$ 904,924	\$ 374,922	\$ 75,157	\$ —	\$ —	\$ —	\$ 95,191
98	—	802,632	—	—	—	—	—	—	—
98	—	—	—	—	183,500	—	—	—	—
73	\$ —	\$ 1,152,522	\$ 904,924	\$ 374,922	\$ 258,657	\$ —	\$ —	\$ —	\$ 95,191
88	\$ (424,545)	\$ 1,853,155	\$ 1,561,695	\$ 1,399,872	\$ 500,347	\$ 123,620	\$ (349,263)	\$ (778,129)	\$ (199,595)
45	\$ (.60)	\$ 2.30	\$ 1.96	\$ 1.79	\$ .66	\$ .16	\$ (.48)	\$ (1.07)	\$ (.27)
51	13,704,308	20,238,634	18,035,813	13,543,368	5,237,512	3,198,796	2,334,008	2,991,562	1,044,170
53	75,726	111,171	99,495	74,672	29,040	17,942	13,616	18,591	6,706
	5.0	6.9	6.3	7.2	6.4	—	—	—	—
	—	—	—	3.0	3.4	2.4	*	*	*
	7.8	11.9	11.0	9.9	7.0	7.3	*	*	*
	8.3	—	—	—	—	—	—	—	—
	28	26	25	26	6	—	—	—	—
	—	—	—	—	1	3	—	—	—
	7	11	12	8	11	6	3	*	*
	1	1	—	—	—	—	5	2	*
69	45,152,383	51,324,134	31,788,962	28,137,979	15,672,689	12,292,511	9,750,925	6,433,381	2,757,141
84	18.11	16.75	15.81	14.82	15.23	16.25	12.23	13.22	13.01

**BOOK VALUE PER COMMON SHARE**

JUNE 30

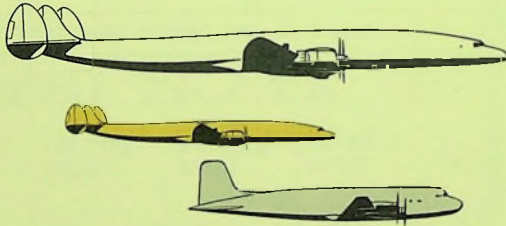
AMOUNT



1946	\$2.98
1947	1.91
1948	1.43
1949	1.57
1950	2.23
1951	4.09
1952	4.78
1953	7.09
1954	6.49
1955	6.93
1956	10.57

**FLEET AVAILABLE ANNUAL LIFT CAPACITY**

JUNE 30

AVAILABLE  
TON MILES

1946	10,122,000
1947	19,708,000
1948	37,461,000
1949	43,941,000
1950	94,027,000
1951	143,100,000
1952	165,510,000
1953	178,380,000
1954	159,480,000
1955	173,610,000
1956	181,890,000
1957	324,180,000

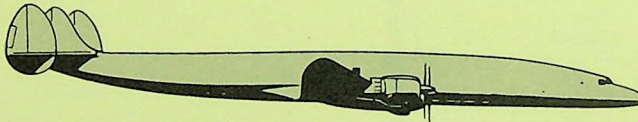
## 1956 FINANCIAL DATA



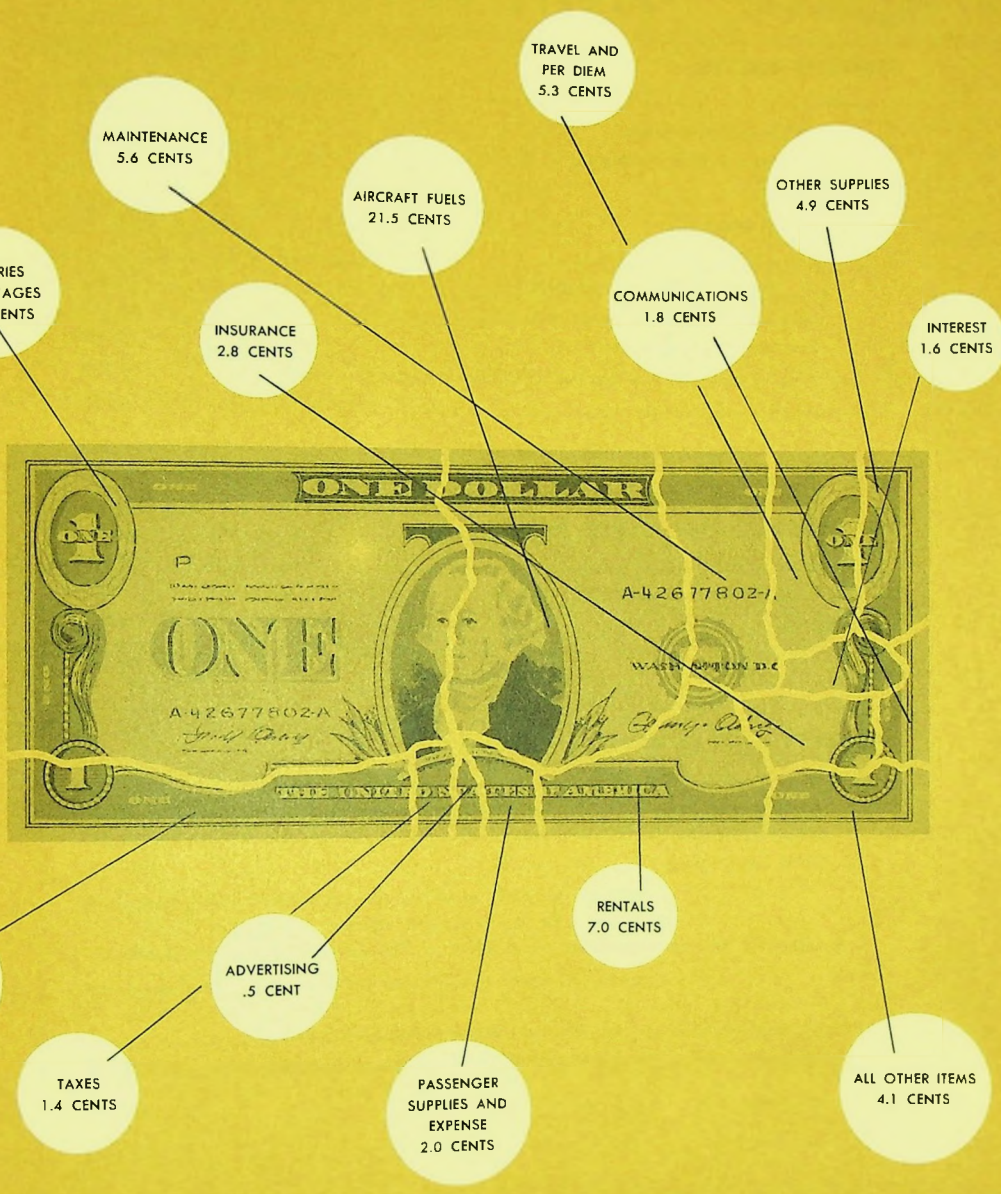
### HIGHLIGHTS OF YEAR'S OPERATIONS

Gross operating revenue for the 1956 fiscal year amounted to \$21,931,320, an increase of \$6,568,031 over the previous fiscal year. The net worth per common share at June 30, 1956 was \$10.57 as compared to \$6.93 at June 30, 1955. These and other highlights of the Company's operations are set forth below:

	1956	1955
Gross operating revenue.....	\$21,931,320	\$15,363,289
Domestic freight revenues.....	\$ 8,664,714	\$ 6,028,516
Net income or (loss) and special items.	\$ 2,975,771	\$ 400,188
Net worth per common share.....	\$ 10.57	\$ 6.93
Ton miles domestic airfreight.....	49,648,556	36,890,469
Total assets.....	\$17,701,128	\$17,382,258



# OUR DOLLAR DISTRIBUTION



# THE FLYING TIGER LINE INC.



<b>A S S E T S</b>	<b>1 9 5 6</b>	<b>1 9 5 5</b>
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 2,085,998	\$ 944,061
Marketable securities, at cost (bid price \$981,414)—Note 3.....	1,000,000	—
Receivables—		
Freight customers.....	696,605	416,333
United States Government—		
charters, freight, service sales, etc.....	1,557,900	1,682,012
Other—charters, service sales, etc.....	2,233,344	1,981,327
Reserve for bad debt losses.....	(30,000)	(40,000)
Inventories of materials and supplies, at cost not in excess of market.....	549,387	531,021
Prepaid insurance, deposits, etc.....	376,128	244,127
Total current assets.....	<u>\$ 8,469,362</u>	<u>\$ 5,758,881</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Subsidiary company.....	\$ 62,500	\$ 62,500
Debt discount and expense, being amortized.....	127,609	144,691
Other.....	8,500	100,087
	<u>\$ 198,609</u>	<u>\$ 307,278</u>
<b>PROPERTY AND EQUIPMENT—Note 1:</b>		
Cost—		
Aircraft, engines, and other flight equipment.....	\$ 6,279,263	\$16,030,462
Other equipment.....	1,109,308	793,522
Land and buildings.....	579,456	523,461
	<u>\$ 7,968,027</u>	<u>\$17,347,445</u>
Less—Reserves for depreciation and amortization.....	4,440,620	6,031,346
	<u>\$ 3,527,407</u>	<u>\$11,316,099</u>
Deposit on purchase of new aircraft and equipment (net of \$6,700,000 obligations applicable to DC-6A aircraft applied on purchase)—Note 2.	5,505,750	—
	<u>\$ 9,033,157</u>	<u>\$11,316,099</u>
	<u>\$17,701,128</u>	<u>\$17,382,258</u>

The accompanying notes are an integral part of these statements.

LIABILITIES	1956	1955
<b>CURRENT LIABILITIES:</b>		
Current installments of long-term debt—		
Bank loans.....	\$ —	\$ 1,395,877
Purchase contracts.....	—	85,120
Accounts payable.....	1,896,185	1,521,014
Accrued payroll.....	219,359	256,037
Other accrued liabilities.....	236,973	284,532
Dividends payable on preferred stock.....	24,778	—
Federal taxes on income.....	333,500	—
Reserve for vacations.....	233,303	199,422
Total current liabilities.....	<u>\$ 2,944,098</u>	<u>\$ 3,742,002</u>
<b>ADVANCE CHARTER DEPOSITS, ETC.....</b>	<u>\$ 568,345</u>	<u>\$ 218,144</u>
<b>LONG-TERM DEBT—Note 3:</b>		
5½ percent debentures due 1967 (subordinate).....	\$ 2,724,000	\$ 2,746,000
Bank loans—5 percent, secured, less current installment shown above.....	—	4,204,123
Other.....	—	41,128
	<u>\$ 2,724,000</u>	<u>\$ 6,991,251</u>
<b>RESERVE FOR DEFERRED INCOME TAXES.....</b>	<u>\$ 1,097,000</u>	<u>\$ —</u>
<b>CAPITAL STOCK AND SURPLUS:</b>		
Preferred stock—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,112 shares		
Series A, 5 percent cumulative.....	\$ 991,120	\$ 991,120
Common stock—		
Authorized, 1,500,000 shares of \$1 par value (290,560 shares and		
292,907 shares are reserved for conversion of outstanding		
debentures at respective dates)		
Issued and outstanding, 886,796 and 784,452 shares at respective		
dates.....	886,796	784,452
Capital surplus—per accompanying statement.....	2,640,663	1,732,398
Earned surplus (see Note 3)—per accompanying statement.....	5,849,106	2,922,891
	<u>\$10,367,685</u>	<u>\$ 6,430,861</u>
	<u>\$17,701,128</u>	<u>\$17,382,258</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, 1956 AND 1955

	1956	1955
<b>OPERATING REVENUES:</b>		
Common carriage freight.....	\$ 7,817,165	\$ 5,104,790
Rentals, charters, and service sales (net).....	14,114,155	10,258,499
Total.....	\$21,931,320	\$15,363,289
<b>OPERATING EXPENSES:</b>		
Flying operations.....	\$10,456,745	\$ 6,074,085
Ground operations.....	2,435,323	1,702,376
Maintenance.....	4,882,429	3,113,768
Traffic, sales, advertising, and publicity.....	1,010,101	628,190
General and administrative.....	1,351,555	1,182,404
Depreciation and amortization.....	1,713,097	2,061,283
Total.....	\$21,849,250	\$14,762,106
Net income from operations.....	\$ 82,070	\$ 601,183
<b>OTHER INCOME AND (EXPENSE):</b>		
Interest on long-term debt.....	\$ (315,130)	\$ (411,976)
Amortization of debt discount and expense.....	( 15,691)	( 15,691)
Miscellaneous (net).....	51,854	87,307
Total.....	\$ (278,967)	\$ (340,360)
Net income or (loss) before Federal income taxes.....	\$ (196,897)	\$ 260,823
<b>PROVISION OR (CREDIT) FOR FEDERAL INCOME TAXES.....</b>		
Net income or (loss).....	(102,000)	135,628
	\$ ( 94,897)	\$ 125,195
<b>SPECIAL ITEMS:</b>		
Federal income tax reductions due to accelerated amortization of emergency facilities and other tax adjustments (net).....	\$ (184,828)	\$ 232,098
Gain on disposal of seven DC-6A aircraft, applied as deposit on purchase of new Super Constellations, less provision of \$1,097,000 for deferred income taxes.....	2,556,935	—
Gains on sales and disposals of other aircraft, net of applicable Federal income taxes of \$232,854 and \$46,470.....	698,561	42,895
Total.....	\$ 3,070,668	\$ 274,993
Net income or (loss) and special items.....	\$ 2,975,771	\$ 400,188

( ) Denotes red figure.

The accompanying notes are an integral part of these statements.



# THE FLYING TIGER LINE INC.

## STATEMENTS OF SURPLUS

### CAPITAL SURPLUS

	1 9 5 6	1 9 5 5
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 1,732,398	\$ 1,732,398
<b>ADD—</b>		
Excess of proceeds from sale of 100,000 shares of common stock over par value thereof.....	890,000	—
Surplus arising from conversion of debentures into common stock.....	18,265	—
<b>BALANCE AT END OF YEAR</b> .....	\$ 2,640,663	\$ 1,732,398

### E A R N E D   S U R P L U S

<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 2,922,891	\$ 2,572,259
<b>ADD—</b>		
From accompanying statement—		
Net income or (loss).....	(94,897)	125,195
Special items.....	3,070,668	274,993
	\$ 5,898,662	\$ 2,972,447
<b>DEDUCT—</b>		
Cash dividends on preferred stock Series A—50 cents per share.....	49,556	49,556
<b>BALANCE AT END OF YEAR (see Note 3)</b> .....	\$ 5,849,106	\$ 2,922,891

( ) Denotes red figure.

The accompanying notes are an integral part of these statements.





# THE FLYING TIGER LINE INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1956

**(1) Aircraft:**

At June 30, 1956, the company had a fleet of 32 aircraft as follows:

Type	Owned	Leased	Total
Cessna.....	1	—	1
C-46.....	19	—	19
C-54.....	5	3	8
DC-6A.....	—	4	4
	25	7	32

The lease for three of the DC-6A aircraft 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 years of the lease. The fourth DC-6A is under lease until August 4, 1960, but the lease may be canceled by either party with 30-days notice.

The leases for C-54's expire in September, 1956, June, 1957, and July, 1958. Under the lease expiring in July, 1958, the company has the option to purchase the aircraft up to the expiration date of the lease.

**(2) Purchase of aircraft:**

The company has entered into agreements aggregating approximately \$23,000,000 for the purchase of ten new Super Constellation aircraft, to be delivered from February to June, 1957, and for spare parts and equipment. Deposits of \$5,505,750 have been made under these purchase agreements.

**(3) Long-term debt:**

The company has entered into a credit agreement providing for loans of \$13,000,000 from certain banks. No loans were outstanding under this agreement at June 30, 1956. The credit agreement provides that the company will not pay dividends (other than on preferred stock up to an annual amount of \$50,000) or make any other distribution (other than stock dividends) on any stock of the company which, together with preferred dividends, would exceed 40 per cent of the net earnings of the company from June 30, 1955, or which would reduce working capital below a defined amount. Under this provision, substantially all of the earned surplus balance at June 30, 1956, is restricted against cash dividends on capital stock, other than the preferred stock dividends of \$50,000 mentioned above. 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.

The 5½ percent 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. The debentures are convertible into common stock until July 1, 1962; the effective conversion price at June 30, 1956, was \$9.375 principal amount of debentures for each share of common stock. Surplus restrictions under the debenture indenture are less restrictive than under the terms of the credit agreement referred to above.

During the year the company issued 100,000 shares of its common stock at a price of \$10 per share to certain mutual investment funds, and from the proceeds purchased securities of the investment funds, having a market value of approximately \$1,000,000.

Subsequent to June 30, 1956, the company has agreed to issue an additional \$1,000,000 principal amount of Series A—5½ percent debentures due 1967 (subordinate), convertible into common stock at \$15 per share, and to use the proceeds to purchase additional securities of the investment funds.

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, 1956, 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 totaling \$1,546,000 at June 30, 1956, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1955.

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, 1956, 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 14, 1956.



# OFFICERS AND DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

**directors**

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

**officers**

*President* . . . . . ROBERT W. PRESCOTT  
*Vice-President* . . . . . WILLIAM E. BARTLING  
*Vice-President* . . . . . GEORGE T. CUSSEN  
*Vice-President* . . . . . L. C. BURWELL, JR.  
*Vice-President* . . . . . L. S. KIMBALL  
*Vice-President* . . . . . FRANK B. LYNOTT  
*Vice-President* . . . . . GEORGE M. MESSENGER  
*Assistant Vice-President* . . . . . JOHN L. HIGGINS  
*Secretary-Treasurer* . . . . . FRED BENNINGER  
*Assistant Secretary-Treasurer* . . . . . O. R. BURGHARDT  
*Assistant Secretary* . . . . . NORMAN L. MEYERS

**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

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

ALBANY, N. Y.  
60-74 Broadway  
Albany 3-4203

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  
Belgrade 2-7100

PORTLAND, ORE.  
International Airport  
Atlantic 1-1158

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

ROCHESTER, N. Y.  
22 Edinburgh St.  
Baker 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. Tut St.  
Atlantic 9-2437

TACOMA, WASH.  
1821 So. Dock St.  
Market 2167

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

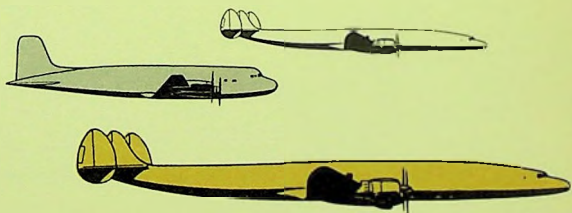
## EUROPEAN SALES OFFICES

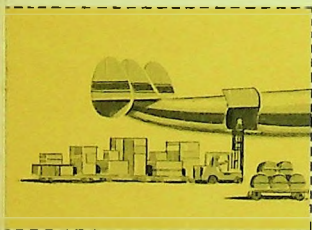
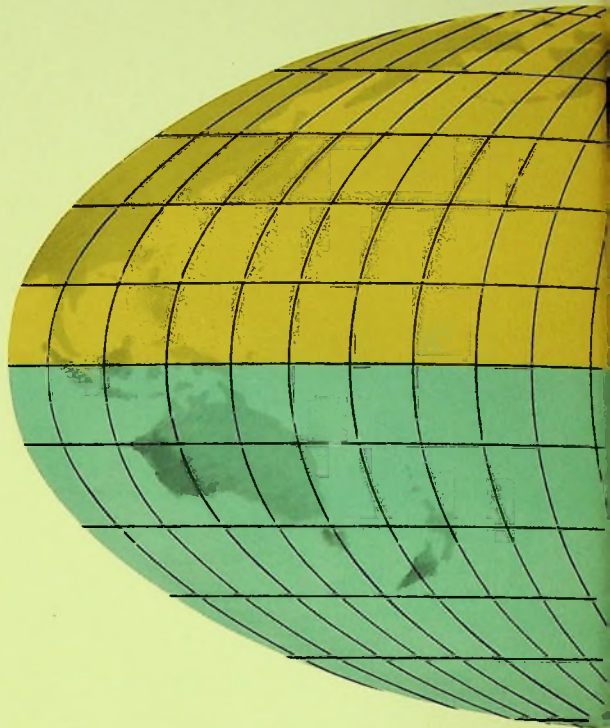
GENEVA, SWITZERLAND  
Geneva Airport  
Tel. 34 34 60

FRANKFURT/M, GERMANY  
Rhein Main Airport  
Tel. 698021—Ext. 539

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







THE FLYING TIGER LINE INC.

AIR FREIGHT WORLD WIDE

LOCKHEED AIR TERMINAL

BURBANK, CALIFORNIA

THE FLYING TIGER LINE INC.

FINANCIAL

STATEMENTS

APRIL 30  
19 56

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## I N D E X

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May 29, 1956

Mr. R. W. Prescott, President  
The Flying Tiger Line Inc.  
Lockheed Air Terminal  
Burbank, California

Dear Sir:

Presented herewith are the balance sheet of The Flying Tiger Line Inc. as of April 30, 1956 and related statements of income and earned surplus with certain comments and schedules, for the month of April 1956.

STATEMENT OF INCOME

The operations for the months of April and March 1956 are summarized as follows:

	<u>April</u>	<u>March</u>
NET REVENUES:		
Common carriage freight	\$ 639,922	\$ 664,986
Other	<u>1,664,374</u>	<u>1,402,492</u>
Total net revenues	\$2,304,296	\$2,067,478
OPERATING COSTS	<u>2,059,993</u>	<u>2,022,356</u>
Net operating profit	\$ 244,303	\$ 45,122
NON-OPERATING INCOME - NET	<u>1,329,932</u>	<u>73,750</u>
Net profit before income taxes	\$1,574,235	\$ 118,872
FEDERAL INCOME TAX PROVISION	<u>460,000</u>	<u>46,000</u>
Net profit	<u>\$1,114,235</u>	<u>\$ 72,872</u>

As of April 30, 1956, the Company traded in three DC-6 aircraft to Lockheed Aircraft Corporation for a total amount of \$4,000,000. Proceeds from Lockheed's sale of these aircraft were applied by Lockheed to the discharge of the Company's bank mortgage indebtedness on the aircraft of \$1,800,000 and as additional deposit of \$2,200,000 on the purchase of ten 1049H Super Constellation aircraft.

The Company also entered into a lease agreement effective May 1, 1956, whereby the three DC-6 aircraft sold to The Main-Elford Corporation by Lockheed were leased by the Company. The lease provides, among other things: (1) period of lease to be seven years with an option to extend for five years; (2) an option to purchase the aircraft at any time during the third,

fourth or fifth years of the lease at an amount specified in the lease; and (3) monthly rental per each aircraft to be \$22,712 for the first five years of the lease and reduced to \$12,442 during the sixth and seventh years.

Non-operating income, as shown in the summary of operations, includes the gain from the trade-in of the DC-6 aircraft of \$1,353,247.73. Federal income tax has been provided on the gain in the amount of \$405,000 and is included in the provision for Federal income taxes.

The net increase in total revenues was comprised of the following:

	April	March	Increase (Decrease)
Common carriage freight-net	\$ 639,922	\$ 664,986	\$(25,064)
Freight charters:			
Domestic	56,051	95,594	(39,543)
Atlantic	20,932	84,491	(63,559)
DEW Line-Eastern Canada	684,205	590,834	93,371
Q.C.A.-Central Canada	454,725	259,441	195,284
Passenger charters:			
C.A.M.s	34,818	24,678	10,140
Atlantic	285,475	330,367	(44,892)
Pacific	71,554	-	71,554
Outside maintenance-net	53,754	14,491	39,263
Rentals-net	2,521	2,106	415
Miscellaneous	339	490	(151)
Total	<u>\$2,304,296</u>	<u>\$2,067,478</u>	<u>\$236,818</u>

The gain of \$39,263 from outside maintenance sales as shown above results primarily from the billing to U. S. Overseas Airlines for the major overhaul of one C-54 aircraft completed in April.

Common carriage revenues and operating statistics for the months of April and March 1956 are compared as follows:

	April	March	Amount Increase (Decrease)	Percent Increase (Decrease)
Revenues - net	<u>\$639,922</u>	<u>\$664,986</u>	<u>( 25,064)</u>	<u>(3.8)%</u>
Ton miles carried (Actual miles)	<u>4,437,924</u>	<u>4,623,227</u>	<u>(185,303)</u>	<u>(4.0)%</u>

	<u>April</u>	<u>March</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Miles flown: (*)				
C-46	282,564	290,252	( 7,688)	(2.6)%
C-54	2,470	17,736	(15,266)	(86.1)%
DC-6	<u>263,026</u>	<u>261,877</u>	<u>1,149</u>	<u>0.4%</u>
Total	<u>548,060</u>	<u>569,865</u>	<u>(21,805)</u>	<u>(3.8)%</u>
Load factors (Actual miles):				
C-46	67.9%	71.6%	( 3.7)	( 5.2)%
C-54	45.5%	70.2%	( 24.7)	(35.2)%
DC-6	<u>79.8%</u>	<u>78.6%</u>	<u>1.2</u>	<u>1.5%</u>
Average	<u>76.0%</u>	<u>76.2%</u>	<u>( 0.2)</u>	<u>( 0.3)%</u>
Eastbound	66.3%	67.6%	( 1.3)	( 1.9)%
Westbound	<u>85.4%</u>	<u>84.4%</u>	<u>1.0</u>	<u>1.2%</u>
Efficiency of routing	<u>92.1%</u>	<u>92.9%</u>	<u>( 0.8)</u>	<u>( 0.9)%</u>

(\*) Includes non-revenue miles, which are shown separately in Schedule A - Statistics.

Overseas charter flights for April and March 1956 were as follows:

<u>Aircraft Type</u>	<u>Cargo</u>	<u>Trip</u>	<u>No. of Trips</u>	
			<u>April</u>	<u>March</u>
C-54	Freight	Dover, Del. to Europe	1	4
		Dover, Del. to Europe to New York	-	5
		Dover, Del. to Europe to Dover	2	-
C-54	Passenger	Europe to New York	1	5
		New York to Europe and return	1	2
		New York to West Indies to Europe to New York	4	3
		Burbank to West Indies to Europe to New York	1	-
		Washington, D. C. to Europe	2	-
DC-6	Passenger	New York to Europe and return	8	11
		Suisun, Calif. to Tokyo to Suisun	<u>2</u>	<u>-</u>

Positioning and ferrying trips flown in April and March 1956, which are included in the above schedule, were as follows:

Aircraft Type	Trip	No. of Trips	
		April	March
C-54	New York to Europe	-	1
	New York to West Indies	4	3
	Europe to New York	-	6
	Burbank to West Indies	1	-
	London to Athens	2	-
	Gothenburg, Sweden to Brussels	1	-
	London to Hamburg	1	-
DC-6	New York to Gander	-	1
	Europe to New York	1	-
Total miles flown empty:			
	C-54	14,350	33,028
	DC-6	<u>3,885</u>	<u>2,262</u>
	Total	<u>18,235</u>	<u>35,290</u>

Flying revenues are compared with total operating expenses and hours flown in April and March 1956 as follows:

	April	March	Amount Increase (Decrease)	Percent Increase (Decrease)
<u>Flying revenues</u>	<u>\$2,247,682</u>	<u>\$2,050,391</u>	<u>\$197,291</u>	<u>9.6%</u>
<u>Direct expenses:</u>				
Flying operations	\$ 877,608	\$ 827,444	\$ 50,164	6.1%
Direct maintenance	330,740	350,969	(20,229)	(5.8)%
Depreciation and rental of flight equipment	<u>189,489</u>	<u>200,665</u>	<u>(11,176)</u>	<u>(5.6)%</u>
	<u>\$1,397,837</u>	<u>\$1,379,078</u>	<u>\$ 18,759</u>	<u>1.4%</u>
<u>Indirect expenses:</u>				
Ground operations	\$ 199,191	\$ 206,755	\$( 7,564)	(3.7)%
Indirect maintenance	191,331	168,151	23,180	13.8%
Passenger service	45,333	40,012	5,321	13.3%
Traffic and sales	60,360	73,519	(13,159)	(17.9)%
Advertising and publicity	12,649	6,703	5,946	88.7%
General and administrative	140,336	135,635	4,701	3.5%
Depreciation-ground equipment	<u>12,956</u>	<u>12,503</u>	<u>453</u>	<u>3.6%</u>
	<u>\$ 662,156</u>	<u>\$ 643,278</u>	<u>\$ 18,878</u>	<u>2.9%</u>
<u>Total operating expenses</u>	<u>\$2,059,993</u>	<u>\$2,022,356</u>	<u>\$ 37,637</u>	<u>1.9%</u>
<u>Hours flown:</u>				
C-46	3,292	3,128	164	5.2%
C-54	2,173	2,111	62	2.9%
DC-6	<u>1,392</u>	<u>1,420</u>	<u>(28)</u>	<u>(2.0)%</u>
Total	<u>6,857</u>	<u>6,659</u>	<u>198</u>	<u>3.0%</u>

The increase in total operating expenses of \$36,637 is attributable to:

	Increase (Decrease)
(1) <u>Flying operations</u> -	
(A) - Increase in gasoline costs due to the increase in hours flown and the increased Canadian operations at higher gasoline prices -	\$26,000
(B) - Increase in write-off of Canadian flight personnel clothing and equipment expense -	2,600
(C) - Increase in hull and liability insurance due principally to the Canadian operations -	11,700
(D) - Compensation insurance credit for wages in excess of \$100 per week recorded in March -	8,700
(E) - All other	<u>1,164</u>
	<u>\$50,164</u>
(2) <u>Direct maintenance</u> -	
(A) - Decrease in labor:	
Flight maintenance services	\$(4,500)
Overhaul shops	(6,700)
Canadian work order write-off	5,800
Burbank expense work orders	(2,300)
Canadian mechanics' salaries	<u>(2,500)</u>
	<u>\$(10,200)</u>
(B) - Decrease in materials and outside repairs:	
Engine build-up shop	\$(8,800)
Canadian work order write-off -	5,200
All other	<u>(1,000)</u>
	<u>\$(4,600)</u>
(C) - Decrease in outside cost of overhaul of spare parts due principally to the anticipation of the phase-out of Eastern Canadian operations in the latter part of April -	<u>\$(7,600)</u>
(D) One DC-6 engine shipped via Seaboard and Western to Frankfurt, Germany	<u>\$ 2,500</u>
(E) All other	<u>\$( 329)</u>
	<u>\$(20,229)</u>

	Increase (Decrease)
(3) <u>Depreciation and rental of flight equipment</u> --	
(A) - Inclusion of only twelve days rental on C-54 aircraft No. N56010 crashed in Canada in April -	\$( 8,700)
(B) - Lease of DC-6 engine and supercharger included in March -	( 8,000)
(C) - Inclusion of a full month's rental on leased C-46 aircraft No.s N48812 and N4863V in April compared with a partial month in March -	3,500
(D) - All other	<u>2,024</u>
	\$( <u>11,176</u> )
(4) <u>Ground operations</u> -	
(A) - Decrease in landing fees charges due primarily to a decrease in contract and charter operations and more landings at government fields in April --	( 6,300)
(B) - Decrease in injuries - loss and damage claims paid in April -	( 4,800)
(C) - Payment to outside firm for study and analysis of paper work and cargo handling procedure -	2,300
(D) - All other --	<u>1,236</u>
	\$( <u>7,564</u> )
(5) <u>Indirect maintenance</u> --	
(A) - Increase in write-off of Canadian customs and duties charges -	\$17,800
(B) - Decrease in overhead absorbed credit due to decrease in customer maintenance accomplished in April -	7,500
(C) - All other --	<u>(2,120)</u>
	\$ <u>23,180</u>
(6) <u>Passenger service</u> --	
(A) - Credit adjustment of stewardess overtime pay for prior periods recorded in March	\$ 4,700
(B) - Increase in passenger food expense and supplies due to prior periods expenses and a slight increase in passenger operations in April	9,000
(C) - Decrease in interrupted trips in April	(8,500)
(D) - All other	<u>127</u>
	\$ <u>5,327</u>

	Increase (Decrease)
(7) <u>Traffic and sales</u> -	
(A) - Commissions paid New York passenger division in March -	\$( 9,000)
(B) - Decrease in commissions expense due to decreased common carriage revenues and standardization of commission rates paid all agents -	( 3,300)
(C) - All other -	( 859)
	<u>\$(13,159)</u>
(8) <u>Advertising and publicity</u> -	
(A) - Increase in advertising placed in April, principally in connection with San Francisco sales blitz -	\$3,400
(B) - Promotion and publicity expenses -	2,200
(C) - All other -	<u>346</u>
	<u>\$5,946</u>
(9) <u>General and administrative</u> -	
(A) - Increase in monthly provision for estimated professional and technical fees -	\$1,000
(B) - Increased legal fees in connection with Maritime Central and F.T.L. credit agreement -	9,200
(C) - Cessna aircraft rental included in March -	(3,800)
(D) - Decrease in payroll tax expense due to normal decrease in taxable payroll -	(4,000)
(E) - All other -	<u>2,301</u>
	<u>\$4,701</u>

Payrolls for the months of April and March 1956 are compared as follows:

	<u>April</u>	<u>March</u>	Increase (Decrease)
Flying operations	\$232,122	\$233,743	\$( 1,621)
Direct maintenance - flight equipment	126,712	136,943	(10,231)
Ground operations	107,925	109,162	( 1,237)
Ground and indirect maintenance	72,661	72,073	588
Passenger service	10,508	5,051	5,457
Traffic and sales	37,354	37,138	216
Advertising and publicity	1,299	1,216	83
General and administrative	<u>41,784</u>	<u>41,930</u>	( 146)
	<u>\$630,365</u>	<u>\$637,256</u>	\$( 6,891)
Capital and customer maintenance work orders	<u>18,807</u>	<u>36,050</u>	(17,243)
Total	<u>\$649,172</u>	<u>\$673,306</u>	\$(24,134)

BALANCE SHEET

Working capitals as of April 30, 1956; March 31, 1956; and April 30, 1955 are compared as follows:

	<u>April 30</u> <u>1956</u>	<u>March 31</u> <u>1956</u>	<u>April 30</u> <u>1955</u>
Current assets	\$8,691,010	\$7,248,620	\$4,844,537
Current liabilities	<u>2,933,392</u>	<u>4,638,697</u>	<u>3,371,428</u>
Working capital	<u>\$5,757,618</u>	<u>\$2,609,923</u>	<u>\$1,473,109</u>

The major items comprising the net increase in working capital were as follows:

	<u>April 30</u>	<u>March 31</u>	Working Capital Increase (Decrease)
Cash	\$1,743,962	\$2,346,647	\$ (602,685)
Accounts receivable - net	5,305,500	4,252,433	1,053,067
Marketable securities	1,000,000	-	1,000,000
Notes payable	8,564	1,809,314	1,800,750
Reserve for Federal income taxes	<u>101,000</u>	<u>46,000</u>	<u>(55,000)</u>

The increase in accounts receivables results principally from amounts due from Maritime Central and Queen Charlotte Airlines due to increased Canadian operations and billings to U. S. Overseas Airlines for major overhaul of one C-54 aircraft.

In April 1956 the Company sold 100,000 shares of Flying Tiger common stock at \$10 per share for a total of \$1,000,000.

In recording the transaction, the Company has credited Capital Stock-Common with the par value of the stock (100,000 shares at \$1 par value) of \$100,000 and the balance of \$900,000 was credited to the Capital Surplus account.

The entire proceeds from the sale of the stock were applied to the purchase of 146,958 common shares in the Axe-Houghton Investment Trust.

The purchase of the above marketable securities for \$1,000,000, together with the discharge of the Company's \$1,800,000 bank mortgage indebtedness by Lockheed in the trade-in of the DC-6 aircraft, accounts primarily for the increase in working capital of \$3,147,695.

Respectfully submitted,

*O. R. Burghardt*

O. R. BURGHARDT  
Asst. Secretary-Treasurer

THE FLYING TIGER LINE INC.BALANCE SHEETS

	April 30 <u>1956</u>	March 31 <u>1956</u>	June 30 <u>1955</u>
<b>CURRENT ASSETS:</b>			
Cash on hand and in banks	\$ <u>1,743,961.74</u>	\$ <u>2,346,647.29</u>	\$ <u>944,060.86</u>
Accounts receivable:			
U. S. Government	\$ 792,042.97	\$ 729,122.18	\$ 1,564,071.59
Shippers	942,050.18	885,515.40	534,273.64
Gas tax refunds	94,663.63	97,923.64	63,002.01
Advances to employees	79,766.01	92,347.03	83,492.02
Miscellaneous	<u>3,487,876.53</u>	<u>2,533,493.20</u>	<u>1,774,469.00</u>
	\$ 5,396,399.32	\$ 4,338,401.45	\$ 4,019,308.26
Less: Reserve for bad debt losses	<u>90,899.69</u>	<u>85,968.17</u>	<u>40,000.00</u>
Total accounts receivable-net	\$ <u>5,305,499.63</u>	\$ <u>4,252,433.28</u>	\$ <u>3,979,308.26</u>
Notes receivable	\$ -	\$ -	\$ 218,000.00
Marketable securities	\$ <u>1,000,000.74</u>	\$ -	\$ -
Materials and supplies	\$ <u>419,380.44</u>	\$ <u>419,396.56</u>	\$ <u>531,021.01</u>
Prepaid expenses:			
Insurance	\$ 176,766.34	\$ 164,083.00	\$ 113,839.21
Taxes	11,957.92	17,936.85	-
Other items	<u>33,442.88</u>	<u>48,122.75</u>	<u>42,737.94</u>
Total prepaid expenses	\$ <u>222,167.14</u>	\$ <u>230,142.60</u>	\$ <u>156,577.15</u>
Total current assets	\$ 8,691,009.69	\$ 7,248,619.73	\$ 5,828,967.28
INVESTMENTS AND ADVANCES TO AFFILIATES	67,500.00	67,500.00	92,500.00
DEPOSITS ON NEW EQUIPMENT	5,400,000.00	3,200,000.00	-
PROPERTY AND EQUIPMENT-NET (Sched. I)	3,133,921.34	5,841,175.88	11,316,099.06
UNAMORTIZED BOND DISCOUNT	<u>131,615.53</u>	<u>132,923.13</u>	<u>144,691.53</u>
	<u>\$17,424,046.56</u>	<u>\$16,490,218.74</u>	<u>\$17,382,257.87</u>

THE FLYING TIGER LINE INC.BALANCE SHEETS

	April 30 <u>1956</u>	March 31 <u>1956</u>	June 30 <u>1955</u>
<b>CURRENT LIABILITIES:</b>			
Notes payable - current installments	\$ <u>8,564.00</u>	\$ <u>1,809,314.00</u>	\$ <u>1,480,997.48</u>
Accounts payable	\$ <u>1,898,689.92</u>	\$ <u>1,866,801.29</u>	\$ <u>1,432,140.22</u>
Accrued liabilities:			
Salaries and wages	\$ 177,519.58	\$ 252,903.02	\$ 256,036.60
Vacation and holiday pay	305,397.72	280,525.98	199,422.17
Transportation taxes	13,448.10	14,441.41	15,296.18
Payroll taxes	48,778.71	87,163.35	64,440.74
Insurance	-	4,189.07	12,865.64
Income tax withheld from employees	86,633.94	93,063.61	82,081.67
Other accrued liabilities	<u>268,581.69</u>	<u>159,517.11</u>	<u>198,720.92</u>
	\$ <u>900,359.74</u>	\$ <u>891,803.55</u>	\$ <u>828,863.92</u>
Dividends declared	\$ <u>24,778.00</u>	\$ <u>24,778.00</u>	\$ -
Reserve for Federal income taxes	\$ <u>101,000.00</u>	\$ <u>46,000.00</u>	\$ -
Total current liabilities	\$ <u>2,933,391.66</u>	\$ <u>4,638,696.84</u>	\$ <u>3,742,001.62</u>
NOTES PAYABLE AFTER ONE YEAR	\$ -	\$ -	\$ <u>4,245,251.09</u>
CHARTER DEPOSITS, ETC.	\$ <u>195,919.95</u>	\$ <u>76,022.15</u>	\$ <u>218,144.23</u>
BONDS PAYABLE-CONVERTIBLE 5½% DEBENTURES, DUE 1967	\$ <u>2,746,000.00</u>	\$ <u>2,746,000.00</u>	\$ <u>2,746,000.00</u>
RESERVE FOR DEFERRED INCOME TAXES- relating to loss of future tax benefits on new equipment purchase transaction	\$ <u>1,107,000.00</u>	\$ <u>702,000.00</u>	\$ -
<b>CAPITAL STOCK AND SURPLUS:</b>			
Capital stock:			
Preferred-\$10 par value, Series "A" - Authorized -- 500,000 shares, Issued & outstanding--99,112 shares	\$ 991,120.00	\$ 991,120.00	\$ 991,120.00
Common-\$1 par value - Authorized - 1,500,000 shares, Issued & outstanding-884,452 shares	<u>884,452.00</u>	<u>784,452.00</u>	<u>784,452.00</u>
	\$ <u>1,875,572.00</u>	\$ <u>1,775,572.00</u>	\$ <u>1,775,572.00</u>
Capital surplus	\$ <u>2,632,397.85</u>	\$ <u>1,732,397.85</u>	\$ <u>1,732,397.85</u>
Earned surplus	\$ <u>5,933,765.10</u>	\$ <u>4,819,529.90</u>	\$ <u>2,922,891.08</u>
	\$ <u>17,424,046.56</u>	\$ <u>16,490,218.74</u>	\$ <u>17,382,257.87</u>

## THE FLYING TIGER LINE INC.

## STATEMENTS OF INCOME

	April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
REVENUE:			
Common carriage freight	\$ 657,499.71	\$ 692,647.55	\$ 6,814,805.42
Lease rentals - net	-	-	261,579.14
Other	<u>1,610,620.24</u>	<u>1,388,001.29</u>	<u>11,032,264.59</u>
	\$2,268,119.95	\$2,080,648.84	\$18,108,649.15
Revenue from outside maintenance	<u>122,665.64</u>	<u>48,363.68</u>	<u>475,368.68</u>
	\$2,390,785.59	\$2,129,012.52	\$18,584,017.83
Less: Cost of outside maintenance	<u>68,911.26</u>	<u>33,872.82</u>	<u>273,242.96</u>
Total	\$2,321,874.33	\$2,095,139.70	\$18,310,774.87
Less:			
Pick-up and delivery charges-net	\$ 15,562.08	\$ 18,066.49	\$ 194,939.45
Cost of freight carried by others	<u>2,015.78</u>	<u>9,594.67</u>	<u>47,301.86</u>
	\$ 17,577.86	\$ 27,661.16	\$ 242,241.31
Net revenues	<u>\$2,304,296.47</u>	<u>\$2,067,478.54</u>	<u>\$18,068,533.56</u>
DIRECT OPERATING EXPENSES:			
Flying operations-Sched.II	\$ 877,607.59	\$ 827,444.10	\$ 7,409,741.58
Direct maintenance-Sched.III	330,740.07	350,969.26	2,749,609.03
Depreciation and rental of flight equipment-Sched.IV	<u>189,488.85</u>	<u>200,664.48</u>	<u>1,673,576.07</u>
Total direct operating expenses	\$1,397,836.51	\$1,379,077.84	\$11,832,926.68
INDIRECT OPERATING EXPENSES:			
Ground operations-Sched.V	\$ 199,191.44	\$ 206,754.89	\$ 2,034,408.04
Ground and indirect maintenance-Sched.VI	191,331.13	168,151.43	1,404,789.29
Passenger service-Sched.VII	45,333.10	40,012.60	671,397.86
Traffic and sales-Sched.VIII	60,360.02	73,519.27	727,577.82
Advertising and publicity-Sched.IX	12,648.44	6,702.89	125,344.13
General and administrative-Sched.X	140,336.34	135,634.81	1,196,480.70
Depreciation-ground equipment	<u>12,956.01</u>	<u>12,502.61</u>	<u>124,172.05</u>
Total indirect operating expenses	\$ 662,156.48	\$ 643,278.50	\$ 6,284,169.89
Total operating expenses	<u>\$2,059,992.99</u>	<u>\$2,022,356.34</u>	<u>\$18,117,096.57</u>
Operating profit	\$ 244,303.48	\$ 45,122.20	\$ (48,563.01)
OTHER DEDUCTIONS FROM INCOME - Sched.XI	<u>28,410.89</u>	<u>24,648.98</u>	<u>404,687.06</u>
	\$ 215,892.59	\$ 20,473.22	\$ (453,250.07)
NON-OPERATING INCOME-Sched.XI	<u>1,358,342.61</u>	<u>98,399.17</u>	<u>4,721,680.09</u>
Profit before income taxes	\$1,574,235.20	\$ 118,872.39	\$ 4,268,430.02
FEDERAL INCOME TAX PROVISION	<u>460,000.00</u>	<u>46,000.00</u>	<u>1,208,000.00</u>
Net profit	<u>\$1,114,235.20</u>	<u>\$ 72,872.39</u>	<u>\$ 3,060,430.02</u>

STATEMENTS OF EARNED SURPLUS

THE FLYING TIGER LINE INC.

STATEMENTS OF EARNED SURPLUS

	Month Ending April 30 <u>1956</u>	Fiscal Year to Date <u></u>
Balance at beginning of period	\$4,819,529.90	\$2,922,891.08
Add:		
Profit for the period	<u>1,114,235.20</u>	<u>3,060,430.02</u>
	\$5,933,765.10	\$5,983,321.10
Deduct:		
Cash dividend on preferred stock, Series "A" - \$.25 per share:		
Paid 12-15-55	-	24,778.00
Payable 7-16-56	<u>-</u>	<u>24,778.00</u>
Balance at end of period	<u>\$5,933,765.10</u>	<u>\$5,933,765.10</u>

THE FLYING TIGER LINE INC.  
STATISTICS

		April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
HOURS FLOWN: Freight	C-46	1,638.7	1,681.1	14,997.8
	C-54	15.5	93.3	2,864.5
	DC-6	<u>996.1</u>	<u>1,006.2</u>	<u>9,439.9</u>
	Total	<u>2,650.3</u>	<u>2,780.6</u>	<u>27,302.2</u>
Contracts and leases	C-46	1,640.7	1,431.1	12,314.8
	C-54	2,158.0	2,001.8	18,089.0
	DC-6	<u>358.9</u>	<u>393.5</u>	<u>3,617.7</u>
	Total	<u>4,157.6</u>	<u>3,826.4</u>	<u>34,021.5</u>
Non-Revenue	C-46	12.4	16.2	307.4
	C-54	-	16.2	291.5
	DC-6	<u>36.5</u>	<u>20.1</u>	<u>284.5</u>
	Total	<u>48.9</u>	<u>52.5</u>	<u>883.4</u>
Total	C-46	3,291.8	3,128.4	27,620.0
	C-54	2,173.5	2,111.3	21,245.0
	DC-6	<u>1,391.5</u>	<u>1,419.8</u>	<u>13,342.1</u>
	Total	<u>6,856.8</u>	<u>6,659.5</u>	<u>62,207.1</u>
MILES FLOWN: Freight	C-46	280,581	287,820	2,564,101
	C-54	2,470	16,721	513,151
	DC-6	<u>252,066</u>	<u>256,128</u>	<u>2,399,205</u>
	Total	<u>535,117</u>	<u>560,669</u>	<u>5,476,457</u>
Contracts and leases	C-46	273,330	241,114	2,124,545
	C-54	379,369	359,922	3,326,469
	DC-6	<u>90,590</u>	<u>97,855</u>	<u>911,412</u>
	Total	<u>743,289</u>	<u>698,891</u>	<u>6,362,426</u>
Non-Revenue	C-46	2,323	3,035	57,386
	C-54	-	2,993	52,137
	DC-6	<u>10,960</u>	<u>5,749</u>	<u>83,057</u>
	Total	<u>13,283</u>	<u>11,777</u>	<u>192,580</u>
Total	C-46	556,234	531,969	4,746,032
	C-54	381,839	379,636	3,891,757
	DC-6	<u>353,616</u>	<u>359,732</u>	<u>3,393,674</u>
	Total	<u>1,291,689</u>	<u>1,271,337</u>	<u>12,031,463</u>
AVERAGE AIRCRAFT UTILIZATION:	C-46	5.2 hrs.	5.0 hrs.	4.5 hrs.
	C-54	10.1 hrs.	9.4 hrs.	10.0 hrs.
	DC-6	<u>11.6 hrs.</u>	<u>11.5 hrs.</u>	<u>11.2 hrs.</u>

THE FLYING TIGER LINE INC.  
STATISTICS - COMMON CARRIAGE FREIGHT

		April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
<b>LOAD FACTORS:</b>				
Great Circle miles	C-46	58.2%	60.0%	59.7%
	C-54	30.8%	58.9%	66.1%
	DC-6	67.8%	66.3%	67.3%
	Average	<u>64.7%</u>	<u>64.2%</u>	<u>65.1%</u>
	Westbound	70.1%	66.6%	69.8%
	Eastbound	<u>59.1%</u>	<u>61.6%</u>	<u>60.4%</u>
Actual miles	C-46	67.9%	71.6%	68.2%
	C-54	45.5%	70.2%	74.3%
	DC-6	79.8%	78.6%	76.8%
	Average	<u>76.0%</u>	<u>76.2%</u>	<u>74.2%</u>
	Westbound	85.4%	84.4%	83.1%
	Eastbound	<u>66.3%</u>	<u>67.6%</u>	<u>65.4%</u>
<b>REVENUE PER TON MILE CARRIED:</b>				
Great Circle miles	Westbound	\$ .1913	\$ .1939	\$ .1922
	Eastbound	.1481	.1508	.1503
	Average	<u>.1717</u>	<u>.1737</u>	<u>.1728</u>
Actual miles	Average	<u>\$ .1477</u>	<u>\$ .1477</u>	<u>\$ .1498</u>
<b>TON MILES CARRIED:</b>				
Great Circle miles	Westbound	2,077,287.5	2,094,085.4	21,001,447.1
	Eastbound	<u>1,726,221.2</u>	<u>1,844,128.0</u>	<u>18,186,784.2</u>
	Total	<u>3,803,508.7</u>	<u>3,938,213.4</u>	<u>39,188,231.3</u>
Actual miles	Westbound	2,528,429.0	2,617,384.3	24,885,669.1
	Eastbound	<u>1,909,494.9</u>	<u>2,005,842.2</u>	<u>19,627,162.0</u>
	Total	<u>4,437,923.9</u>	<u>4,623,226.5</u>	<u>44,512,831.1</u>
<b>REVENUE - NET OF FREIGHT CARRIED BY OTHERS</b>				
		<u>\$655,483.93</u>	<u>\$683,052.88</u>	<u>\$6,667,503.56</u>

THE FLYING TIGER LINE INC.

TRAFFIC STATISTICS

	Origination of Freight					
	<u>April 1956</u>		<u>March 1956</u>		<u>Fiscal Year to Date</u>	
	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>
Albany	\$ 1,889.76	4.453	\$ 2,932.85	6.756	\$ 13,966.63	33.069
Sacramento	14,234.70	44.074	6,078.00	16.353	50,208.56	139.154
San Diego	9,863.53	26.189	14,134.56	43.004	129,354.63	366.950
South Bend	2,952.97	10.405	650.41	2.803	17,704.04	70.660
Stockton	5,344.13	19.236	3,443.42	13.152	21,365.79	74.023
Hartford	18,848.42	65.227	15,195.31	52.123	193,969.05	657.047
Buffalo	8,536.08	26.602	6,606.76	19.926	88,506.96	273.723
Los Angeles	109,151.34	376.565	116,245.00	389.359	1,187,454.56	4,040.706
Boston	21,407.76	79.929	25,423.23	75.432	244,908.94	846.922
San Francisco	44,365.22	177.696	61,339.24	240.008	538,310.50	1,980.101
Seattle	13,246.63	47.637	18,286.62	66.859	154,333.06	551.972
Binghamton	12,666.93	36.364	12,401.35	33.700	138,176.89	383.006
Akron	9,857.48	33.968	12,820.23	46.040	108,029.89	408.840
Cleveland	26,911.53	107.794	29,714.57	120.594	310,124.01	1,148.214
Toledo	1,481.81	5.129	3,746.62	11.377	64,032.13	224.013
Chicago	31,180.53	128.805	31,073.96	129.101	356,702.34	1,508.950
Milwaukee	18,481.47	92.331	18,692.46	92.358	262,002.89	1,381.942
Minneapolis	8,752.20	48.011	11,405.51	59.385	59,744.40	297.877
New York	203,811.98	561.138	194,747.24	581.414	1,620,320.11	4,939.014
Oakland	12,183.29	43.758	10,855.09	36.188	119,097.00	380.156
Portland	20,253.88	68.124	20,688.03	69.081	144,010.99	456.913
Providence	4,040.75	14.901	5,487.39	18.109	45,854.90	155.365
Philadelphia	30,207.43	93.859	31,500.23	103.155	270,731.46	904.757
Grand Rapids	398.19	1.050	820.48	2.389	19,265.09	56.287
Detroit	23,329.66	79.160	35,193.36	115.746	625,854.93	2,088.519
Rochester	<u>4,138.54</u>	<u>9.444</u>	<u>4,643.64</u>	<u>10.933</u>	<u>41,434.90</u>	<u>101.199</u>
Total	<u>\$657,536.21</u>	<u>2,201.849</u>	<u>\$694,125.56</u>	<u>2,355.345</u>	<u>\$6,825,464.65</u>	<u>23,469.379</u>

THE FLYING TIGER LINE INC.

TRAFFIC STATISTICS

Destination of Freight

	<u>April 1956</u>		<u>March 1956</u>		<u>Fiscal Year to Date</u>	
	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>
Albany	\$ 280.28	1.407	\$ 980.23	6.481	\$ 59,103.70	234.774
Sacramento	7,455.72	15.236	4,624.48	9.825	28,289.20	62.202
San Diego	17,387.60	40.665	17,933.88	45.151	143,543.71	335.337
South Bend	425.85	1.987	906.59	3.724	7,941.22	35.956
Stockton	849.32	1.955	633.73	1.236	3,723.70	8.093
Hartford	8,022.35	45.717	10,187.02	53.678	103,719.70	529.161
Buffalo	4,694.10	16.536	8,039.98	23.483	69,583.80	220.581
Los Angeles	211,354.27	498.367	212,381.61	502.484	2,027,190.45	4,895.503
Boston	16,314.72	73.923	20,111.01	80.942	177,962.46	751.070
San Francisco	48,218.17	109.931	47,056.11	103.984	447,832.77	1,030.087
Seattle	39,822.66	133.388	34,748.86	119.972	399,356.83	1,186.014
Binghamton	5,862.77	16.827	6,316.70	17.150	61,132.84	197.754
Akron	1,850.17	7.644	2,581.00	12.831	22,910.32	111.548
Cleveland	10,053.52	53.852	11,570.33	60.906	122,265.67	588.432
Toledo	556.24	2.164	1,003.09	3.944	8,605.65	38.410
Chicago	69,057.77	341.136	81,682.20	414.730	761,453.31	3,770.608
Milwaukee	10,410.13	49.250	12,838.01	59.529	98,588.93	474.652
Minneapolis	13,260.43	62.239	14,002.32	64.592	101,590.32	481.931
New York	107,653.22	411.309	111,343.14	434.529	1,169,505.42	4,796.021
Oakland	19,055.96	44.542	32,007.30	78.510	399,551.77	1,025.748
Portland	11,444.25	38.215	13,855.88	44.198	123,830.32	356.042
Providence	758.38	2.878	964.36	3.553	17,515.16	64.705
Philadelphia	18,887.96	76.590	15,677.02	64.349	188,967.26	774.940
Grand Rapids	6,849.73	26.922	4,183.41	16.752	22,570.16	96.499
Detroit	25,752.81	125.914	26,940.87	124.808	250,162.40	1,380.646
Rochester	1,257.83	3.255	1,556.43	4.004	8,567.58	22.665
<b>Total</b>	<b>\$657,536.21</b>	<b>2,201.849</b>	<b>\$694,125.56</b>	<b>2,355.345</b>	<b>\$6,825,464.65</b>	<b>23,469.379</b>

THE FLYING TIGER LINE INC.FIXED ASSETS AND RESERVES

APRIL 30, 1956

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft	\$3,554,023.32	\$2,519,990.18	\$1,034,033.14
Improvements to leased aircraft - C-54	13,061.43	2,877.18	10,184.25
Improvements to leased aircraft - DC-6	22,188.19	1,929.90	20,258.29
Aircraft propellers	68,856.78	38,711.48	30,145.30
Aircraft radio	283,410.68	172,109.48	111,301.20
Engines	1,792,176.23	1,173,785.07	618,391.16
Miscellaneous flight equipment	154,321.93	128,701.64	25,620.29
Spare parts and assemblies	785,780.86	297,398.30	488,382.56
Hangar, shop and ramp equipment	457,200.12	212,532.17	244,667.95
Motorized vehicles	199,336.66	158,646.41	40,690.25
Furniture, fixtures and office equipment	157,910.10	72,142.38	85,767.72
Medical equipment	678.20	422.18	256.02
Engineering equipment	1,756.84	862.71	894.13
Miscellaneous equipment	15,864.13	7,748.71	8,115.42
Land owned	36,500.00	-	36,500.00
Buildings and improvements on land owned	214,184.61	80,445.22	133,739.39
Buildings and improvements on land not owned	320,461.24	215,010.40	105,450.84
Construction work in progress	139,523.43	-	139,523.43
Total	<u>\$8,217,234.75</u>	<u>\$5,083,313.41</u>	<u>\$3,133,921.34</u>

THE FLYING TIGER LINE INC.FLYING OPERATIONS EXPENSES

	April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
Pilots and co-pilots	\$201,848.56	\$201,489.89	\$1,905,359.48
Other flight personnel	30,273.18	32,253.36	348,072.96
Sick leave	1,190.59	1,604.88	19,653.53
Vacations	9,504.22	8,402.25	89,853.89
Holiday	2,376.06	2,100.59	22,463.51
Travel, incidentals and per diem	63,641.73	60,138.95	544,406.88
Special, professional and technical fees and expenses	470.00	447.00	15,036.76
Rentals	-	-	7,202.63
Aircraft engine fuels and oils	475,387.96	446,724.33	3,752,532.92
Aircraft engine fuels and oils-taxes	23,025.86	25,683.96	276,175.32
Other supplies	6,770.89	4,189.28	20,282.79
Insurance-P/L, P/D and general	56,012.28	44,333.00	349,624.93
Insurance-employee welfare and compensation	5,251.11	(4,083.89)	44,532.66
Injuries-loss and damage	1,815.39	4,155.50	12,777.47
Other expenses	<u>39.76</u>	<u>5.00</u>	<u>1,765.85</u>
Total	<u>\$877,607.59</u>	<u>\$827,444.10</u>	<u>\$7,409,741.58</u>

THE FLYING TIGER LINE INC.

DIRECT MAINTENANCE-FLIGHT EQUIPMENT

	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
Direct maintenance labor-aircraft	\$103,209.70	\$106,470.08	\$ 778,801.50
Direct maintenance labor-engine	7,587.38	9,899.76	87,864.49
Direct maintenance labor-other	15,915.20	20,573.04	145,969.43
Direct maintenance materials and outside repairs-aircraft	28,825.14	16,267.85	157,132.84
Direct maintenance materials and outside repairs-engines	1,876.09	11,631.15	85,340.38
Direct maintenance materials and outside repairs-other	47,499.27	54,909.58	373,250.36
Reserve provision-aircraft overhaul	11,583.50	11,937.70	126,709.60
Reserve provision-engine overhaul	91,214.60	91,318.80	759,904.66
Cost of overhaul of spare parts	15,243.97	22,870.13	203,121.21
Transportation costs-property and equipment	<u>7,785.22</u>	<u>5,091.17</u>	<u>31,514.56</u>
Total	<u>\$330,740.07</u>	<u>\$350,969.26</u>	<u>\$2,749,609.03</u>

THE FLYING TIGER LINE INC.DEPRECIATION AND RENTAL OF FLIGHT EQUIPMENT

	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
Depreciation - aircraft	\$ 67,313.58	\$ 67,313.58	\$ 713,599.66
Depreciation - aircraft engines	19,603.91	19,592.51	205,525.33
Rental of aircraft	82,839.78	96,456.55	579,599.53
Depreciation - other flight equipment	<u>19,731.58</u>	<u>17,301.84</u>	<u>174,851.55</u>
Total	<u>\$189,488.85</u>	<u>\$200,664.48</u>	<u>\$1,673,576.07</u>

THE FLYING TIGER LINE INC.GROUND OPERATIONS

	April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
General officers and superintendents	\$ 9,080.29	\$ 9,528.18	\$ 87,482.31
Local managers and superintendents	21,086.70	21,369.18	198,324.73
Sick leave	783.44	320.79	3,706.96
Vacations	4,210.90	4,291.82	40,670.56
Holiday	1,052.73	1,072.96	10,167.63
Ground service employees	34,076.99	34,471.34	350,921.46
Communications operators and dispatchers	39,592.05	39,804.15	385,191.76
Other employees	4,089.34	3,989.31	34,748.19
Travel, incidentals and per diem	8,503.99	6,406.51	49,181.99
Entertainment	701.40	284.98	2,713.68
Telephone and telegraph service	19,059.45	16,541.72	186,562.96
Light, heat, power and water	2,715.86	3,116.58	19,879.38
Other services	2,056.35	3,419.00	93,861.51
Rentals - space	8,228.32	9,103.81	76,200.02
Rentals - equipment	3,637.84	6,906.81	48,531.37
Rentals - landing fees	27,269.35	33,540.35	354,114.96
Shop and servicing supplies	529.87	486.78	5,431.42
Stationery, printing and office supplies	961.94	472.32	6,104.89
Other supplies	3,768.27	4,036.11	33,646.45
Insurance-P/L, P/D and general	436.01	483.39	5,427.17
Insurance-passenger and cargo liability	12.58	(1,426.16)	(3,851.61)
Insurance-employee welfare and compensation	597.22	541.79	6,219.87
Injuries-loss and damage	3,092.28	7,928.64	29,316.22
Memberships	-	2.00	2.00
Other expenses	3,492.50	12.53	8,064.83
Transportation costs-property and equipment	<u>155.77</u>	<u>50.00</u>	<u>1,787.33</u>
Total	<u>\$199,191.44</u>	<u>\$206,754.89</u>	<u>\$2,034,408.04</u>

THE FLYING TIGER LINE INC.

GROUND OPERATIONS - APRIL 1956

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BUR-GEN</u>	<u>BUR</u>	<u>SAN</u>	<u>CHARTERS &amp; CONTRACTS</u>	<u>SFO</u>	<u>OAK</u>	<u>EWB</u>	<u>GRI</u>	<u>CHI</u>
General officers and superintendents	\$ 9,080.29	\$ 3,816.67	\$ 1,324.24	\$	\$	\$ 1,324.24	\$	\$ 1,324.24	\$	\$
Local managers and superintendents	21,086.70	3,936.00	2,171.00	475.00	1,531.13	977.50		3,253.07		500.00
Vacation, sick leave and idle time	6,047.07	521.81	996.74	40.67		614.80	17.00	1,146.79		461.21
Ground service employees	34,076.99		6,518.50	38.40	435.00	3,919.23		5,448.97		3,753.81
Communications operators and dispatchers	39,592.05	2,292.50	7,840.65	300.00	500.00	3,805.49	340.00	3,746.60		3,610.24
Other employees	4,089.34	391.00	1,030.74			375.14		758.09		237.69
Travel, incidentals and per diem	8,503.99	876.78	479.40	3.50	6,449.17	5.18		302.31		47.95
Entertainment	701.40	356.98	26.50		309.45					
Telephone and telegraph	19,059.45	6,785.96	56.11	68.65	4,773.03	788.61	217.71	2,385.09	901.97	278.68
Light, heat, power and water	2,715.86			15.56	1,113.27	150.10	10.01	474.13		238.44
Other services	2,056.35	19.80	215.93		1,603.28		.50	10.00		108.60
Rentals - office and space	8,228.32		444.50	68.06	1,192.21	481.78	131.04	1,232.72	95.00	236.41
Rentals - equipment	3,637.84	16.00	343.72		172.00	(325.15)		821.40	70.00	519.00
Rentals - landing fees	27,269.35		612.00	25.00	14,170.70	690.84	18.00	1,622.45		2,067.05
Shop and servicing supplies	529.87		198.43		65.55			8.62		
Stationery, printing and office supplies	961.94		554.63		181.42	50.88	8.86	46.03		
Other supplies	3,768.27		109.43	5.80	871.40	214.44	7.93	573.99	18.90	289.55
Insurance-P/L, P/D and general	436.01		219.71	7.48	14.34	12.44	3.23	74.78	2.68	46.80
Insurance-passenger and cargo liability	12.58		196.98	(4.05)		(23.88)	(6.37)	(50.36)		(7.46)
Insurance-employee welfare & compensation	597.22	9.39	66.31	1.05	51.79	44.05	.30	175.31		38.99
Injuries-loss and damage	3,092.28		468.39			464.76		456.76		281.66
Other expenses	3,492.50		3,421.54		25.79	39.76		1.62		
Transportation costs-property and equipment	155.77				150.00					5.77
<b>Total</b>	<b>\$199,191.44</b>	<b>\$19,022.89</b>	<b>\$27,295.45</b>	<b>\$1,045.12</b>	<b>\$33,609.53</b>	<b>\$13,610.21</b>	<b>\$748.21</b>	<b>\$23,798.61</b>	<b>\$1,088.55</b>	<b>\$12,714.48</b>

THE FLYING TIGER LINE INC.

GROUND OPERATIONS - APRIL 1956

<u>DCA</u>	<u>IDL</u>	<u>BUF</u>	<u>BGM</u>	<u>CLE</u>	<u>CAK</u>	<u>MKE</u>	<u>BDL</u>	<u>BOS</u>	<u>RML</u>	<u>MSP</u>	<u>PHL</u>	<u>BFI</u>	<u>PDX</u>
\$ 600.00	\$ 2,485.00	\$ 440.00	\$ 460.00	\$ 465.00	\$	\$ 474.00	\$ 460.00	\$ 474.00	\$ 1,290.90	\$ 470.00	\$ 460.00	\$ 460.00	\$ 460.00
43.00	175.36	70.70	111.61	315.86	82.09	89.77	72.85	122.10	847.35	53.00	123.15	78.23	62.98
	269.70	234.00	557.75	856.41		535.37	80.40	1,046.76	8,982.59	241.20	804.90	219.60	134.40
	822.93	740.00	1,214.38	1,654.25	1,641.72	800.00	916.67	690.00	5,571.62	350.00	1,205.00	885.00	665.00
260.00			277.20					231.84	527.64				
	56.90	1.26	25.20	80.43		5.60		5.03	123.73		11.33	22.50	7.72
				3.97				2.20				2.30	
	664.13	117.89	109.74	152.51	178.16	55.01	134.10	273.68	593.03	100.80	138.86	152.79	132.94
				128.50		52.08			425.26		50.82	34.36	23.33
		18.00	21.80			14.32			44.04		1.08		(1.00)
	803.86	150.00	533.33			84.66	300.00	453.25	1,159.49		702.16	61.85	112.00
	150.00								1,608.87	262.00			
	4,109.20	162.40	236.32	(95.50)		256.05	33.00	813.40	1,853.62		370.50	138.30	186.02
			25.76			64.00			1.35	14.34		101.24	50.58
		4.42		8.80		6.00		6.00	11.65	35.94	18.31	10.00	19.00
		36.15	88.59	219.39	18.80	42.70	13.80	18.68	1,124.41	67.21	18.14		28.96
		4.30	2.68	15.98	.19	3.90	.94	3.36	14.79		1.61	4.83	1.88
		(10.26)	(1.29)	(4.28)	(1.89)	(10.63)	(2.67)	(5.82)	(2.68)	(1.93)	(9.92)	(15.12)	(25.79)
1.51	12.12	5.75	14.97	34.96	.99	8.41	2.99	23.54	80.83	3.07	10.01	8.04	2.84
		102.73	55.77	48.11		280.55		34.96	430.62	242.16	103.09		122.72
		3.79											
<u>\$904.51</u>	<u>\$9,549.20</u>	<u>\$2,081.13</u>	<u>\$3,456.61</u>	<u>\$4,161.59</u>	<u>\$1,920.06</u>	<u>\$2,761.79</u>	<u>\$2,012.08</u>	<u>\$4,192.98</u>	<u>\$25,224.11</u>	<u>\$1,837.79</u>	<u>\$4,009.04</u>	<u>\$2,163.92</u>	<u>\$1,983.58</u>

THE FLYING TIGER LINE INC.

GROUND AND INDIRECT MAINTENANCE

	April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
General officers and superintendents	\$ 1,000.00	\$ 1,175.00	\$ 15,653.23
Local managers and superintendents	36,099.49	35,644.22	345,287.01
Direct maintenance labor-other	18,670.14	15,448.76	112,586.23
Sick leave	3,791.52	5,057.44	23,001.32
Vacations	7,966.84	9,138.85	69,090.41
Holiday	2,958.29	4,231.77	31,962.64
Ground service employees	1,482.86	2,421.81	16,918.98
Stock and stores employees	6,957.37	8,357.50	57,836.72
Engineers and assistants	957.00	1,224.50	9,389.56
Other employees	7,494.18	7,800.77	73,327.55
Travel, incidentals and per diem	37,920.44	38,744.39	236,586.25
Entertainment	143.16	40.67	954.45
Telephone and telegraph service	2,181.44	3,163.45	25,923.30
Light, heat, power and water	1,290.27	2,564.78	11,427.82
Special, professional and technical fees and expenses	800.00	953.75	11,246.70
Other services	3,473.81	2,521.92	20,587.50
Rentals	7,394.25	7,888.18	77,213.24
Direct maintenance materials & outside repairs	4,446.20	4,225.81	41,884.99
Shop and servicing supplies	12,292.72	11,703.65	108,347.42
Stationery, printing and office supplies	452.77	231.82	3,726.36
Other supplies	5,219.66	3,785.20	18,538.47
Insurance-P/L, P/D and general	1,908.68	2,311.76	20,759.09
Insurance-employee welfare and compensation	1,913.25	2,188.80	15,062.72
Other expenses	29,229.20	10,382.29	101,143.43
Transportation costs-property and equipment	1,810.59	1,003.39	24,873.80
Expenses transferred and joint facilities-CR	(6,523.00)	(14,059.05)	(68,539.90)
<b>Total</b>	<b><u>\$191,331.13</u></b>	<b><u>\$168,151.43</u></b>	<b><u>\$1,404,789.29</u></b>

## THE FLYING TIGER LINE INC.

GROUND AND INDIRECT MAINTENANCE -- APRIL 1956

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BUR</u>	<u>CHARTERS AND CONTRACTS</u>	<u>EWR</u>	<u>RML</u>	<u>ALL OTHER</u>
General officers and superintendents	\$ 1,000.00	\$ 1,000.00	\$	\$	\$	\$
Local managers and superintendents	36,099.49	28,670.16		3,725.06	1,052.94	2,651.33
Direct maintenance labor - other	18,670.14	10,707.20		4,040.27	1,602.58	2,320.09
Vacation, sick leave and idle time	14,716.65	11,683.19		1,837.78	470.23	725.45
Ground service employees	1,482.86	838.78		519.66	5.66	118.76
Stock and stores employees	6,957.37	5,785.10		1,012.27		160.00
Engineers and assistants	957.00	957.00				
Other employees	7,494.18	7,185.85		290.00		18.33
Travel, incidentals and per diem	37,920.44	1,690.94	35,550.46	249.18	190.61	239.25
Entertainment	143.16	6.27	67.39			69.50
Telephone and telegraph service	2,181.44	1,530.10	549.63	101.71		
Light, heat, power and water	1,290.27	816.13		474.14		
Special, professional and technical fees and expenses	800.00	800.00				
Other services	3,473.81	331.18	2,119.61	145.42	45.72	831.88
Rentals	7,394.25	6,206.18	42.07	1,140.00		6.00
Direct maintenance materials and outside repairs-other	4,446.20	455.02	1,417.40	199.42	21.40	2,352.96
Shop and servicing supplies	12,292.72	8,569.02	2,135.49	460.28	394.07	733.86
Stationery, printing and office supplies	452.77	272.88	56.01		45.02	78.86
Other supplies	5,219.66	255.68	4,873.11			90.87
Insurance-P/L, P/D and general	1,908.68	1,908.68				
Insurance-employee welfare and compensation	1,913.25	1,178.34	65.40	505.69	48.37	115.45
Other expenses	29,229.20	861.07	28,353.23			14.90
Transportation costs-property and equipment	1,810.59	829.71	681.72	118.63	12.99	167.54
Expenses transferred and joint facilities-CR	<u>(6,523.00)</u>	<u>(6,523.00)</u>				
Total	<u>\$191,331.13</u>	<u>\$86,015.48</u>	<u>\$75,911.52</u>	<u>\$14,819.51</u>	<u>\$3,889.59</u>	<u>\$10,695.03</u>

THE FLYING TIGER LINE INC.PASSENGER SERVICE

	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
Other flight personnel	\$10,507.77	\$ 5,051.07	\$151,763.03
Sick leave	284.40	-	579.41
Vacation	465.93	314.49	5,714.45
Holiday	116.48	78.62	1,428.61
Travel, incidentals and per diem	4,803.83	4,406.64	76,324.52
Other services	291.53	159.71	6,816.42
Rentals	1,270.89	1,037.01	11,597.10
Passenger food expense	21,561.76	14,047.45	268,319.10
Passenger supplies - other	2,206.64	667.50	39,972.56
Insurance-passenger and cargo liability	1,961.49	1,961.49	34,803.53
Insurance-employee welfare and compensation	371.02	246.14	3,761.38
Injuries-loss and damage	440.60	268.79	764.79
Interrupted trip expense	824.91	9,295.38	46,054.70
Clearance, customs and duties	250.85	2,467.30	21,620.44
Other expenses	<u>(25.00)</u>	<u>11.01</u>	<u>1,877.82</u>
Total	<u>\$45,333.10</u>	<u>\$40,012.60</u>	<u>\$671,397.86</u>

THE FLYING TIGER LINE INC.

TRAFFIC AND SALES

	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
General officers and superintendents	\$ 3,922.11	\$ 3,869.76	\$ 26,282.08
Local managers and superintendents	16,252.46	15,181.01	145,990.04
Sick leave	-	100.86	316.16
Vacations	1,555.95	1,466.56	13,683.84
Holiday	388.99	366.65	3,365.63
Traffic solicitors	15,348.55	16,513.02	155,689.36
Other employees	1,831.00	1,574.00	15,312.25
Travel, incidentals and per diem	5,652.86	5,487.55	61,863.70
Entertainment	2,117.98	2,201.23	20,694.32
Telephone and telegraph service	4,389.83	3,880.09	42,898.27
Light, heat, power and water	297.53	618.97	3,729.36
Commissions	4,862.74	17,207.59	202,182.19
Special, professional and technical fees and expenses	-	-	1,182.00
Other services	8.00	2,159.30	6,752.63
Rentals	1,454.94	1,279.48	11,488.88
Stationery, printing and office supplies	1,570.93	454.13	7,368.14
Other supplies	44.63	96.20	169.69
Insurance-employee welfare and compensation	63.29	61.45	657.92
Tariffs, schedules and time tables	120.01	750.42	4,382.81
Memberships	150.24	30.00	522.49
Other expenses	<u>327.98</u>	<u>221.00</u>	<u>3,046.06</u>
 Total	 <u>\$60,360.02</u>	 <u>\$73,519.27</u>	 <u>\$727,577.82</u>

THE FLYING TIGER LINE INC.

TRAFFIC AND SALES - APRIL 1956

ACCOUNT	TOTAL	BUR-GEN	BUR	SAN	OAK	CHARTERS &	SFO	EWR	CHI	NYC
						CONTRACTS				
General officers and superintendents	\$ 3,922.11	\$2,422.11	\$	\$	\$	\$	\$	\$	\$	\$
Local managers and superintendents	16,252.46	1,588.78	2,269.23	69.39	613.78		1,227.56	1,483.54	563.78	800.00
Vacation, sick leave and idle time	1,944.94	238.59	405.49	5.66	59.04		145.56	278.71	74.22	76.25
Traffic solicitors	15,348.55		5,264.52	19.72	505.12		1,418.50	3,861.02	582.81	400.00
Other employees	1,831.00	699.00	252.00				130.00		280.00	325.00
Travel, incidentals and per diem	5,652.86	591.50	1,159.67	117.58	176.31		446.85	635.97	171.08	492.97
Entertainment	2,117.98	752.86	325.03	18.95	70.15		187.20	392.16	35.49	9.50
Telephone and telegraph service	4,389.83	1,835.85	52.35	37.22	117.29		426.42	161.26	160.29	552.33
Light, heat, power and water	297.53				3.34		43.90		57.83	2.00
Commissions	4,862.74		808.98			150.00	608.98	2,060.92	175.58	
Other services	8.00									8.00
Rentals	1,454.94			18.05	43.68		362.47		78.80	253.50
Stationery, printing and office supplies	1,570.93	13.00	1,358.05					37.50		85.87
Other supplies	44.63									44.63
Insurance-employee welfare and compensation	63.29	4.29	16.14	.15	1.92		5.01	13.63	2.22	3.28
Tariffs, schedules and time tables	120.01		117.76							
Memberships	150.24		75.24							75.00
Other expenses	327.98	353.10	17.38				17.50			
Total	<u>\$60,360.02</u>	<u>\$8,499.08</u>	<u>\$12,121.84</u>	<u>\$286.72</u>	<u>\$1,590.63</u>	<u>\$150.00</u>	<u>\$5,019.95</u>	<u>\$8,924.71</u>	<u>\$2,182.10</u>	<u>\$3,128.33</u>



THE FLYING TIGER LINE INC.

ADVERTISING AND PUBLICITY

	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
General officers and superintendents	\$ 883.33	\$ 800.00	\$ 2,483.33
Local managers and superintendents	416.00	416.00	9,317.81
Vacations	51.98	48.64	472.07
Holiday	12.99	12.16	118.01
Travel, incidentals and per diem	302.88	153.28	3,008.38
Entertainment	357.15	219.45	3,729.81
Telephone and telegraph service	12.76	-	100.88
Stationery, printing and office supplies	-	-	30.45
Insurance-employee welfare and compensation	1.16	1.09	10.58
Advertising - space	6,591.09	3,209.47	59,565.76
Advertising - other	1,300.54	1,320.77	28,663.42
Other promotional and publicity expenses	2,718.56	522.03	17,841.20
Other expenses	-	-	2.43
Total	<u>\$12,648.44</u>	<u>\$6,702.89</u>	<u>\$125,344.13</u>

THE FLYING TIGER LINE INC.

GENERAL AND ADMINISTRATIVE

	April <u>1956</u>	March <u>1956</u>	Fiscal Year <u>to Date</u>
General officers and superintendents	\$ 9,166.67	\$ 9,000.00	\$ 99,252.67
Local managers and superintendents	13,280.00	14,128.96	139,563.77
Sick leave	131.36	362.78	5,938.65
Vacation	1,669.13	1,669.41	16,551.03
Holiday	417.28	417.35	4,137.76
Communications operators and dispatchers	1,140.96	1,254.62	12,073.52
Other employees	18,196.28	17,546.07	162,649.41
Travel, incidentals and per diem	4,007.92	2,098.72	31,161.42
Entertainment	1,842.53	895.06	9,475.51
Telephone and telegraph service	6,917.26	7,284.87	72,722.11
Light, heat, power and water	674.36	989.89	6,345.22
Special, professional and technical fees and expenses	3,973.33	2,973.33	29,973.75
Legal fees and expenses	23,234.89	14,039.22	156,434.78
Other services	171.71	258.30	3,697.32
Rentals	3,084.50	7,167.75	38,811.78
Stationery, printing and office supplies	6,392.01	8,068.70	56,191.20
Other supplies	55.49	72.16	732.92
Insurance-P/L, P/D and general	1,472.89	314.89	3,945.54
Insurance-employee welfare and compensation	46.70	38.60	(2,504.60)
Memberships	740.79	273.56	4,868.78
Corporate and fiscal expenses	2,500.00	2,873.36	23,045.76
Bad debts	4,931.52	5,205.95	51,046.90
Taxes - payroll	26,380.11	30,411.77	185,269.34
Taxes - other	7,033.37	6,052.82	69,296.78
Other expenses	2,865.38	2,158.61	15,443.71
Transportation costs-property and equipment	<u>9.90</u>	<u>78.06</u>	<u>355.67</u>
Total	<u>\$140,336.34</u>	<u>\$135,634.81</u>	<u>\$1,196,480.70</u>

THE FLYING TIGER LINE INC.

NON-OPERATING INCOME

AND OTHER DEDUCTIONS FROM INCOME

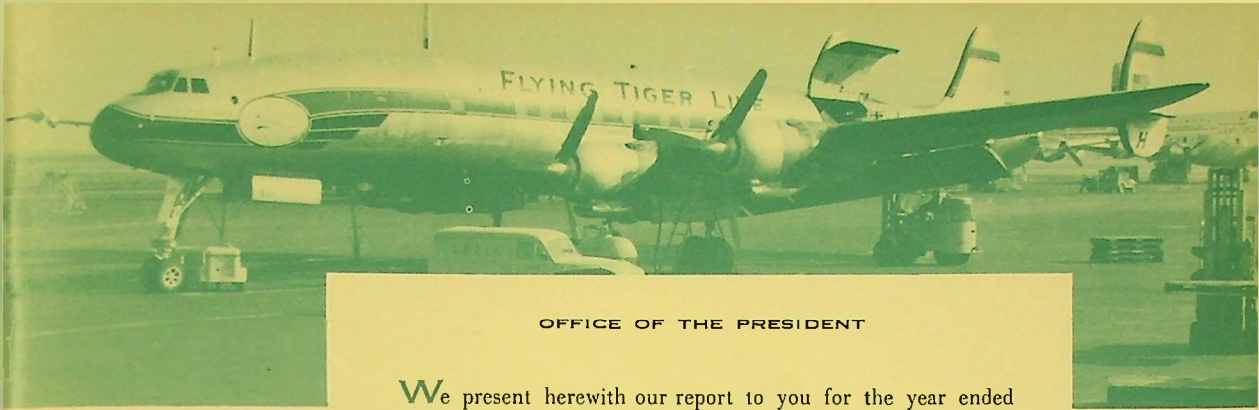
	<u>April</u> <u>1956</u>	<u>March</u> <u>1956</u>	<u>Fiscal Year</u> <u>to Date</u>
<b>NON-OPERATING INCOME:</b>			
Cash discounts	\$ 262.88	\$ 387.76	\$ 2,737.58
Interest income	4,830.00	6.00	5,728.60
Other income	-	(85.38)	8,165.90
Gain on sale of equipment	<u>1,353,249.73</u>	<u>98,090.79</u>	<u>4,705,048.01</u>
Total	<u>\$1,358,342.61</u>	<u>\$98,399.17</u>	<u>\$4,721,680.09</u>
<b>OTHER DEDUCTIONS FROM INCOME:</b>			
Bond discount expense	\$ 1,307.60	\$ 1,307.60	\$ 13,076.00
Miscellaneous interest expense	12,000.01	10,755.63	16,214.42
Other non-operating expenses	2,517.53	-	93,903.31
Interest on long term debt	<u>12,585.75</u>	<u>12,585.75</u>	<u>281,493.33</u>
Total	<u>\$ 28,410.89</u>	<u>\$24,648.98</u>	<u>\$ 404,687.06</u>



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.

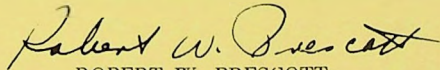
We have continued to maintain your company's position as the leading all-cargo carrier of the world. With the new fleet now installed we have plans to increase our cargo route capacity considerably, which gives us the opportunity to widen that lead.

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



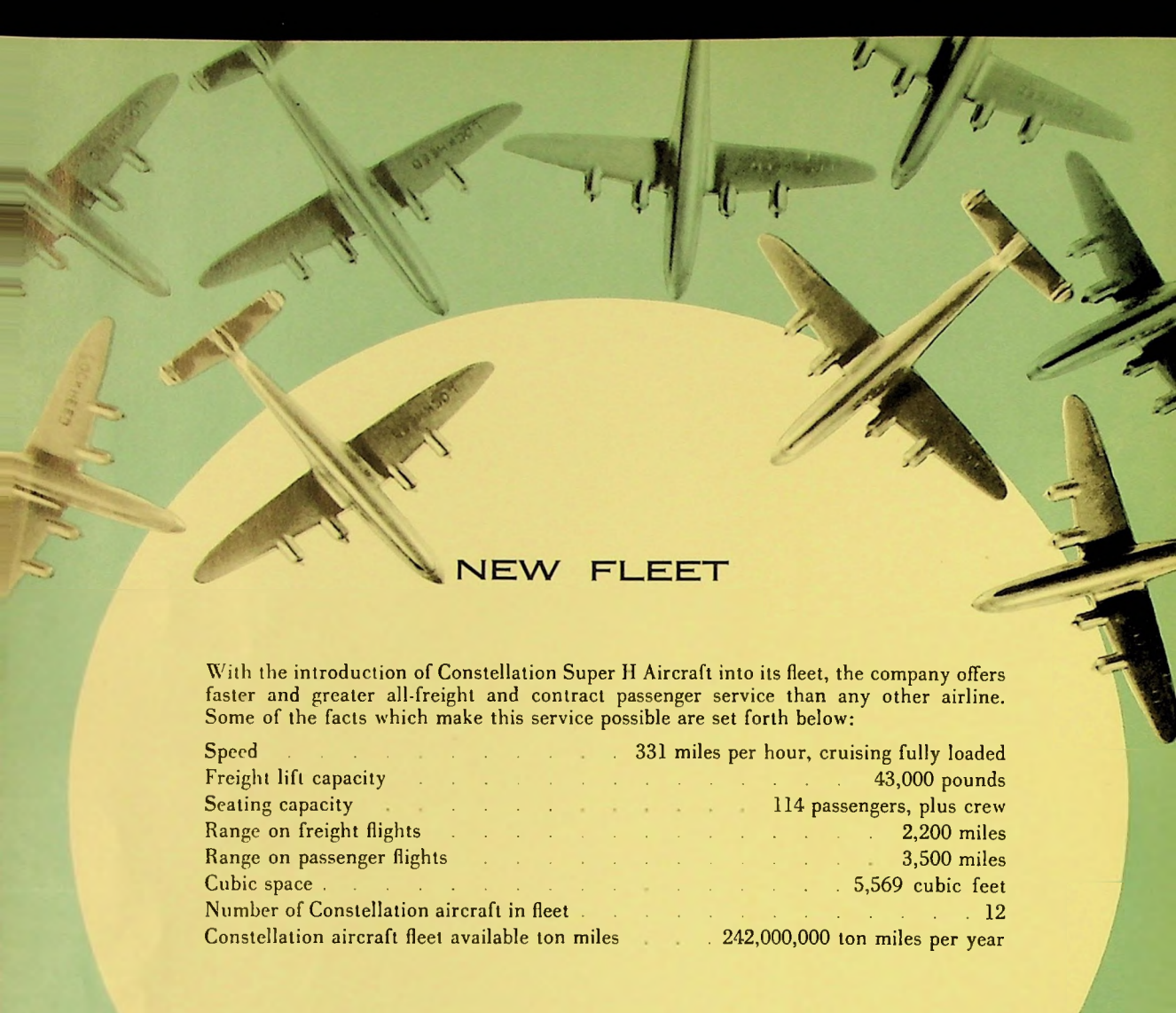
ROBERT W. PRESCOTT  
President



AMERICAN SHIPPERS  
AIR FREIGHT

N6913

Super  
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AIRFREIGHT



## NEW FLEET

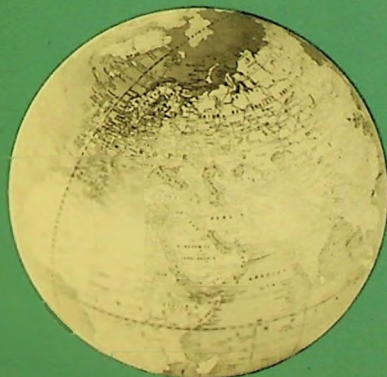
With the introduction of Constellation Super H Aircraft into its fleet, the company offers faster and greater all-freight and contract passenger service than any other airline. Some of the facts which make this service possible are set forth below:

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%

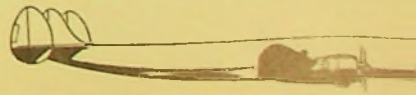
The impact of the introduction of the 1049H Super Constellation air freight fleet was not reflected to any degree in the increases achieved during the past year because the program was not completed until June 1957 when service was inaugurated between San Francisco and eastern destinations.

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.

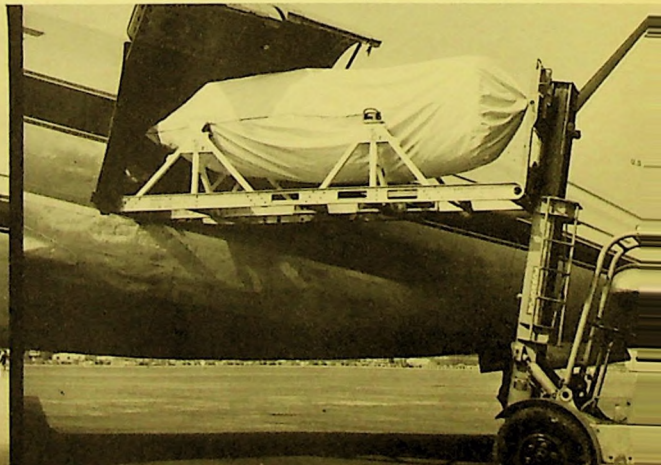
The company is presently negotiating with one of the largest van line companies in the United States to provide a specialized service for the movement of household goods which, when considered from the viewpoint of speed in transit, will be competitive costwise with surface movement. We expect to be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

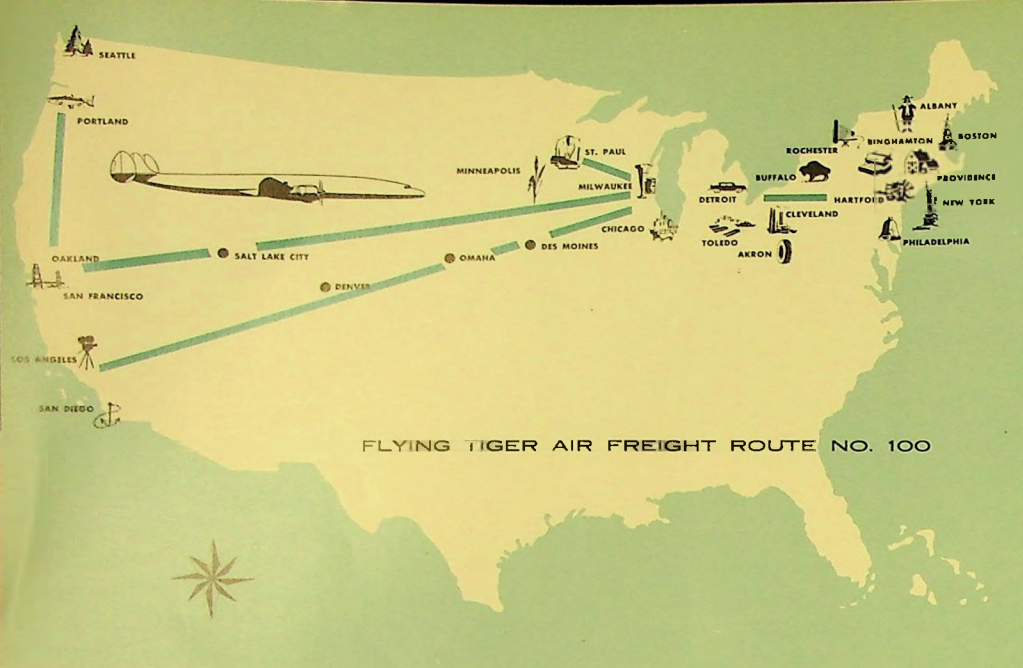
the coming year to provide additional and faster service to New England points and to Seattle and Portland in the Northwest as well as to increase existing service to and from New York, Binghamton, Chicago, San Francisco and Los Angeles. The air freight fleet will be standardized to consist of Super 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.

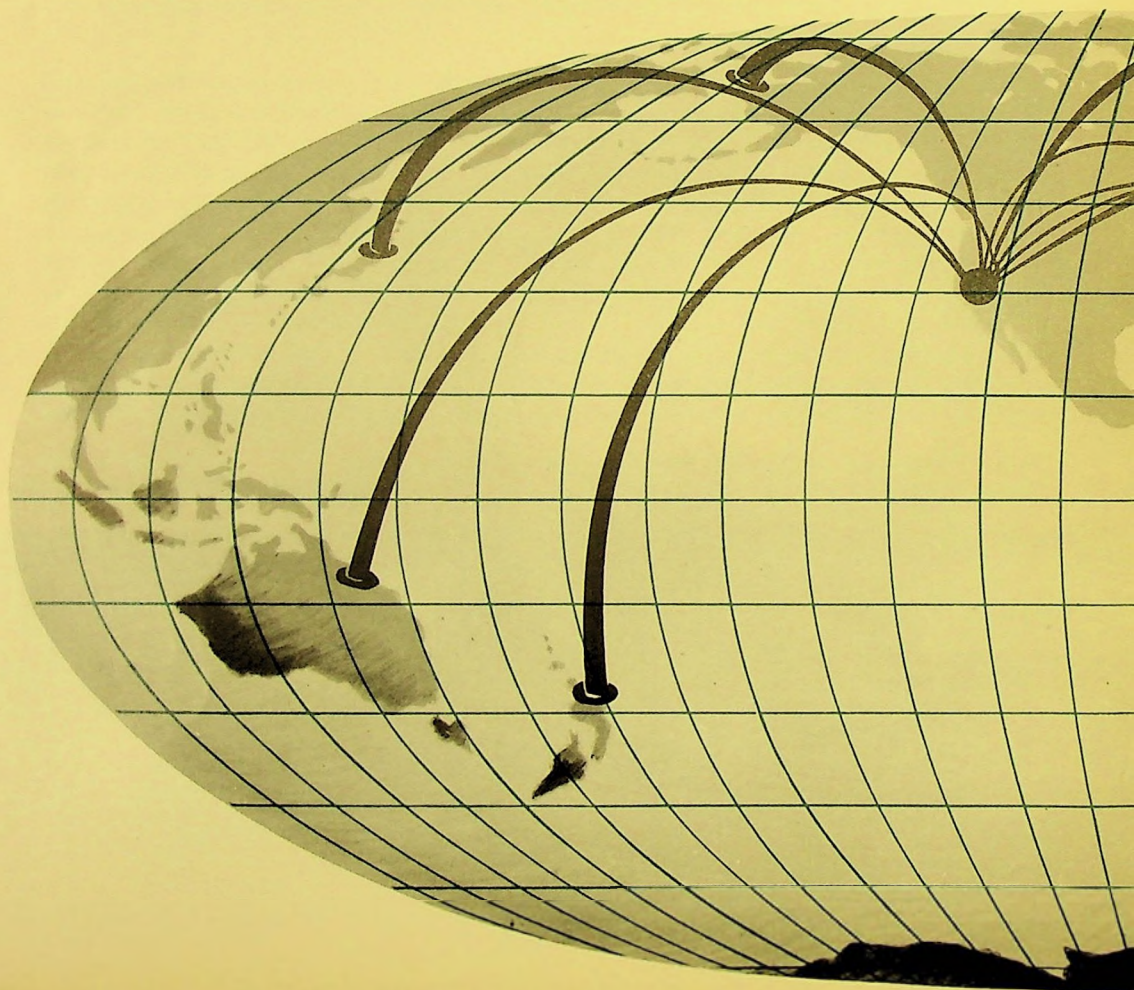
The immense stacks of boxes of cut flowers are dwarfed against the background of the triple tail section of the new Constellation.

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





WORLD-WIDE  
ROUTES OF  
THE FLYING  
TIGER LINE

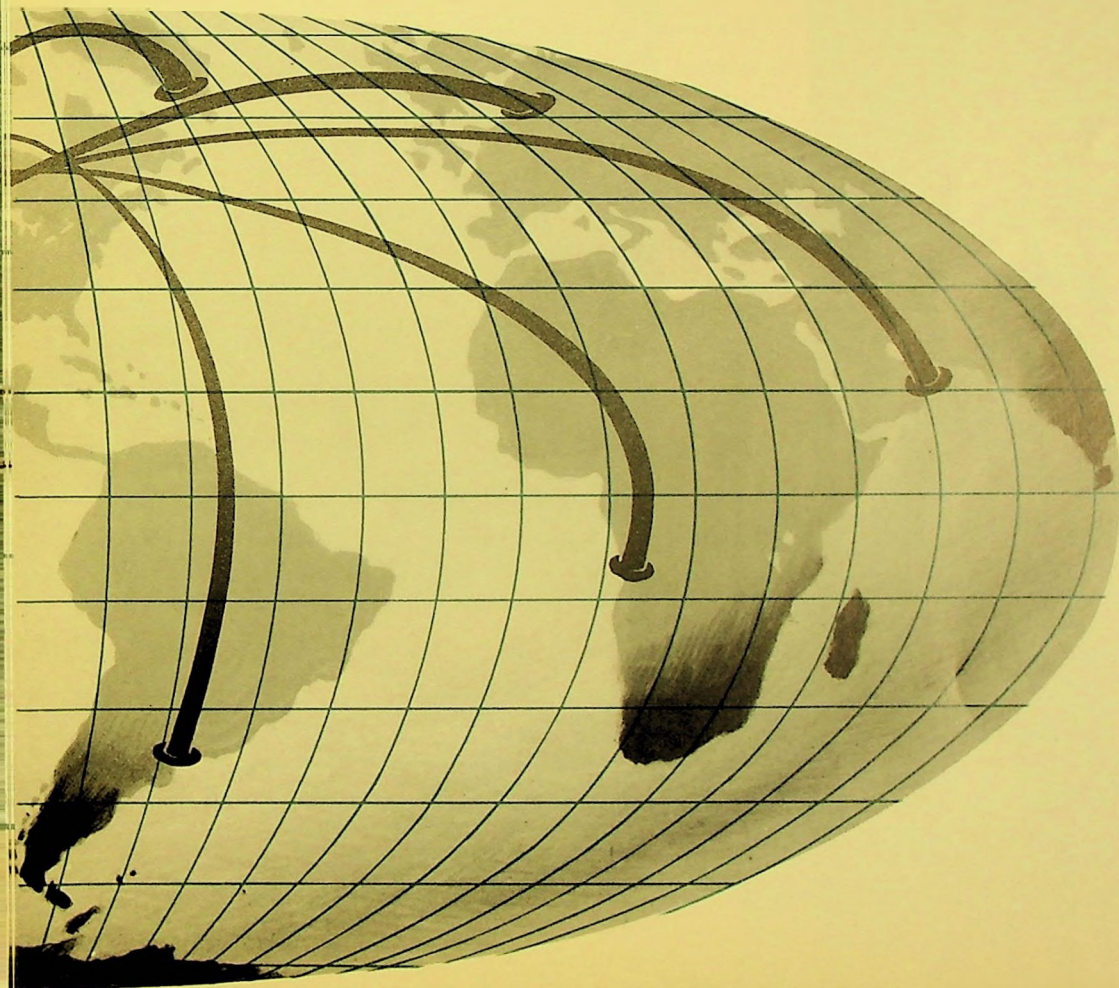


## THE UNITED STATES

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.



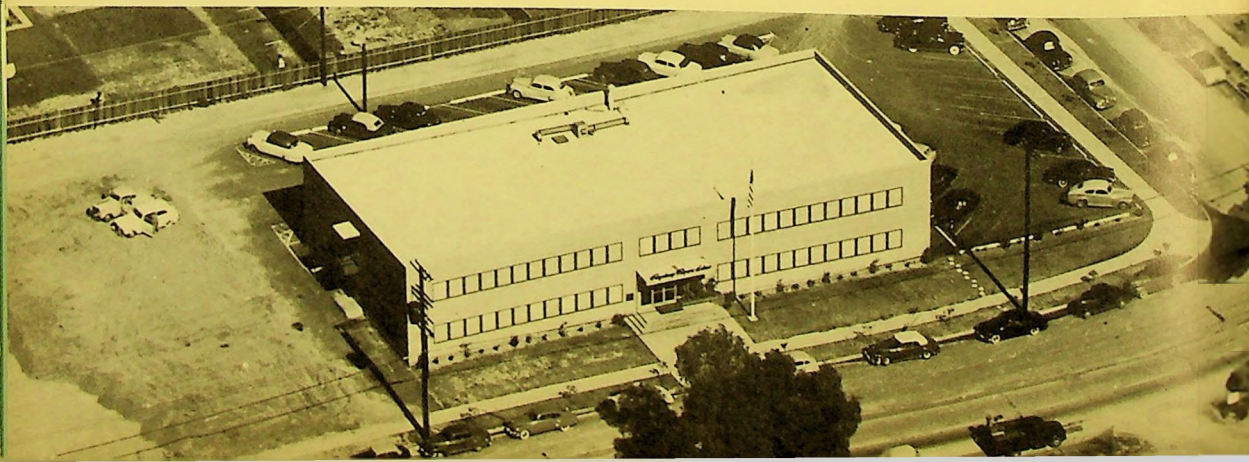


## HIGHLIGHTS OF YEAR'S OPERATIONS

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

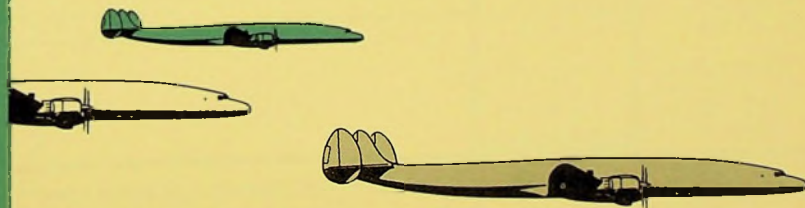
Long-term bank loan..... 13,000,000

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
<b>CURRENT ASSETS:</b>		
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
<b>INVESTMENTS AND SPECIAL FUNDS:</b>		
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
<b>PROPERTY AND EQUIPMENT—Note 1:</b>		
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
<b>DEFERRED CHARGES:</b>		
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
<b>CURRENT LIABILITIES:</b>		
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>
<b>LONG-TERM DEBT—Notes 3 and 4:</b>		
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>
<b>DEFERRED CREDITS:</b>		
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>
<b>CAPITAL STOCK AND SURPLUS:</b>		
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
<b>OPERATING REVENUES:</b>		
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>
<b>OPERATING EXPENSES:</b>		
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>
<b>OTHER INCOME AND (EXPENSE):</b>		
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>
<b>CREDIT FOR FEDERAL INCOME TAXES</b> .....	666,000	102,000
Net (loss).....	<u>\$ (614,336)</u>	<u>\$ ( 94,897)</u>
<b>SPECIAL ITEMS:</b>		
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
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 2,640,663	\$ 1,732,398
<b>ADD—</b>		
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
<b>BALANCE AT END OF YEAR</b> .....	<u>\$ 3,448,855</u>	<u>\$ 2,640,663</u>

## EARNED SURPLUS

<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 5,849,106	\$ 2,922,891
<b>ADD—</b>		
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>
<b>DEDUCT—</b>		
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>
<b>BALANCE AT END OF YEAR (See Note 3)</b> .....	<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:

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

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

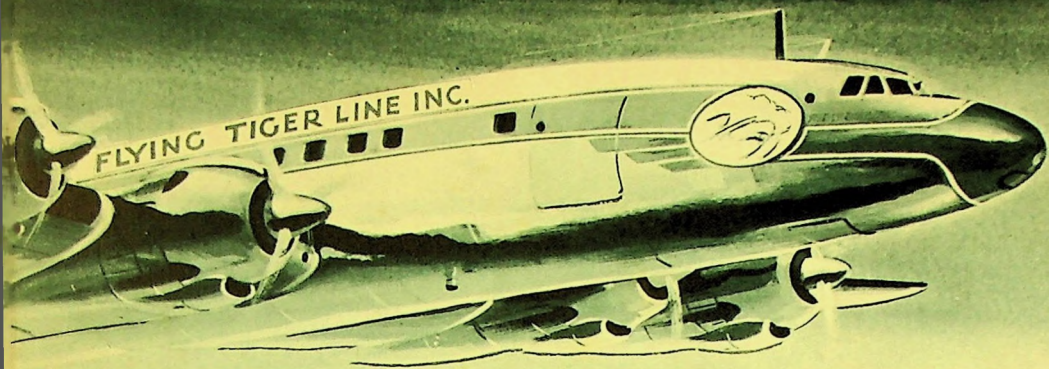
NEW YORK, N. Y.  
60 East 42nd Street  
New York 17, N. Y.  
Oxford 7-8850

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





THE FLYING TIGER LINE INC.

*Annual Report*

year ended June 30, 1958

# THE YEAR IN BRIEF.....

FOR THE FISCAL YEAR ENDING JUNE 30,

	<u>1958</u>	<u>1957</u>
Operating Revenues .....	\$33,860,549	\$24,651,146
Operating Expenses .....	\$32,460,976	\$25,668,596
Operating Income or (Loss) .....	\$ 1,399,573	\$( 1,017,450)
Interest Expense .....	\$( 803,672)	\$( 383,783)
Net Income (Loss) After Interest and Income Taxes .....	\$ 443,778	\$( 614,336)
Special Item .....	\$ 864,004	\$ 716,005
Net Income and Special Item .....	\$ 1,307,782	\$ 101,669
Per Common Share .....	\$ 1.28	\$ .05
Investment in Property and Equipment (Gross) .....	\$31,198,580	\$30,115,561
Long-Term Debt .....	\$11,848,435	\$13,167,315
Net Worth of Company .....	\$12,176,024	\$10,917,798
Net Worth per Common Share .....	\$ 11.37	\$ 10.09
Total Assets .....	\$33,936,837	\$36,077,854
Working Capital (Deficit) .....	\$ 1,070,536	\$( 1,234,736)

## TO OUR STOCKHOLDERS AND EMPLOYEES



We present herewith our report to you on your Company covering the fiscal year ending June 30, 1958.

This was the first full year of operations with our fleet of new Constellation aircraft, and a comparison of results from operations between this year and last demonstrates the impact of our fleet replacement and modernization program which was started in the Spring of 1957. The transformation of our operations and our fleet from DC-6A and C-46 aircraft was not completed until April 1958. It is our belief that the change over to the new equipment was the first step necessary for the Company to meet the ever increasing competition and we have good reason to believe that we can improve our operating results for the coming year.

At this time the Company gets its revenue from two principal sources, the common carriage airfreight business and military contracts. I will discuss the outlook for these two fields.

The airfreight business has from the outset been beset with difficulties in making a profit. It is the newest field of property transportation, it is the highest priced transportation, it has required a tremendous amount of public education which is yet far from complete, and the competition has been extremely keen. Such factors as these forced, in February of this year, the withdrawal from freight operations of our all-cargo competitor, Slick Airways, Inc. About 90% of the business on our routes was directly competitive with Slick Airways, Inc. As a result of Slick's withdrawal, plus improved service and operating economies of our new fleet of Constellations, we were finally able in May of this year to turn our airfreight business into a profitable operation. This was in spite of the general business slump that has been prevailing. We do believe that we can hold this position and continue to improve it as business picks up.

The Military Air Transport Service (MATS) is the agency of the Air Force through which we contract our military transportation. MATS has grown over the past few years into a huge civilian-type airline system spread all over the world. It is today larger than our two largest civilian airlines combined. The commercial airlines have long contended that the government should curtail its airline type of activities, just as it has curtailed all other governmental activities that compete with private enterprise in this country. There has been much opposition to this by the military on the grounds that they require a large stand-by military airlift in case of emergency, and while they have it they may as well use it. The argument was resolved partly in favor of the commercial carriers on August 7, 1958, when Congress approved the 1959 Military Appropriations Bill which earmarked \$80,000,000 which can only be spent for commercial transportation by MATS. This represents approximately one-fourth of the business under MATS' control. Legislation was enacted several years ago requiring the Military Sea Transportation Service (MSTS), the surface counterpart of MATS, to allocate a minimum of 50% of its business to commercial operators. MATS has become well enough satisfied with the commercial services that presently about 70% of its business is done with commercial operators. It is hoped that this trend can be accomplished with MATS. If so, hundreds of millions of dollars of new business will be opened up. At any rate, this 80 million dollars is a gain of 23 million dollars over last year's commercial business by MATS of 57 million dollars. This increase greatly enhances our chances of full fleet utilization for the year.

## REVENUES AND EARNINGS

The fiscal year ending June 30, 1958 showed considerable gains in revenue over the preceding year 1957. An increase of \$9,209,403, or 37% over the 1957 revenues brought the total revenues for 1958 to \$33,860,549. Common carriage airfreight revenues increased from \$8,448,604 in 1957 to \$9,595,074 in 1958, and contract operation revenues increased from \$13,601,184 in 1957 to \$22,885,211 in the fiscal year 1958.

Although total revenues increased 37 per cent during the past year, operating expenses increased only 26 per cent, resulting in an operating income of \$1,399,573 in the 1958 fiscal year. This can be compared to a \$1,017,450 operating loss in the preceding year 1957, or an improvement of \$2,417,023.

The Company's net income for 1958 (after interest expense and Federal income taxes) and special item totalled \$1,307,782 as compared with \$101,669 for the 1957 fiscal year. This amounts to \$1.28 per common share for 1958 as compared to \$.05 per common share for 1957. The highlights of a comparison of the revenues and earnings between 1958 and 1957 are as follows:

	Fiscal Year	
	1958	1957
Total revenues .....	\$33,860,549	\$24,651,146
Common carriage revenues .....	\$ 9,595,074	\$ 8,448,604
Common carriage ton miles .....	56,705,686	53,275,954
Operating income (loss) .....	\$ 1,399,573	\$( 1,017,450)
Net income (loss) after interest and Federal income taxes .....	\$ 443,778	\$( 614,336)
Special item .....	\$ 864,004	\$ 716,005
Net income and special item .....	\$ 1,307,782	\$ 101,669

## FINANCIAL POSITION

The Company's financial position was strengthened considerably during the 1958 fiscal year, as is evidenced by the figures shown on the next page. At June 30, 1957, the Company had a working capital deficit of \$1,234,736; while at June 30, 1958, this deficit had been eliminated and the Company's financial statement showed a working capital of \$1,070,536.

Net income and special items for the fiscal year 1958 amounted to \$1,307,782, accounting for the substantial increase in net worth during the year. The Company's investment in property and equipment increased \$1,083,019 during the year, principally as the result of the purchase of one 1049H Constellation aircraft in May 1958, thereby increasing its fleet to 13 Constellation aircraft, offset in part by sales of C-46 and C-54 aircraft. Payments on bank loans during the year in connection with equipment financing totalled \$2,951,808, leaving \$11,694,951 due to banks as of June 30, 1958.

A comparison of the Company's financial position between 1958 and 1957 is as follows:

	June 30	
	1958	1957
Working capital (deficit) .....	\$ 1,070,536	\$( 1,234,736)
Investment in property and equipment .....	\$31,198,580	\$30,115,561
Long-term debt .....	\$11,848,435	\$13,167,315
Net worth .....	\$12,176,024	\$10,917,798
Net worth per common share .....	\$ 11.37	\$ 10.09

## AIRFREIGHT TRAFFIC

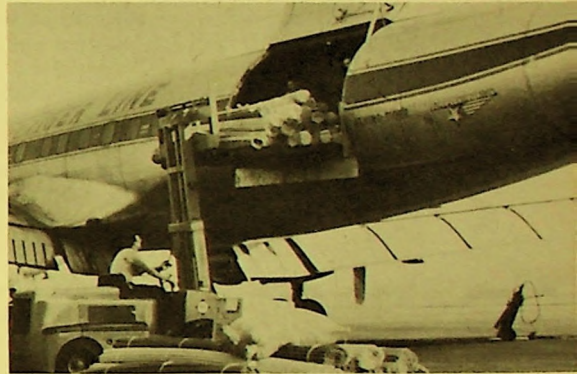
For the first time in the history of the Company gross domestic airfreight revenue exceeded 10 million dollars, reaching an all-time high of \$10,126,781, representing an increase of 8.3% over last year.

While there were a number of important contributing factors to this increase, the most important was our ability to completely equip the domestic airfreight system with the 1049H Super Constellation freight fleet, eliminating the older and more expensive operating DC-6's and C-46's.

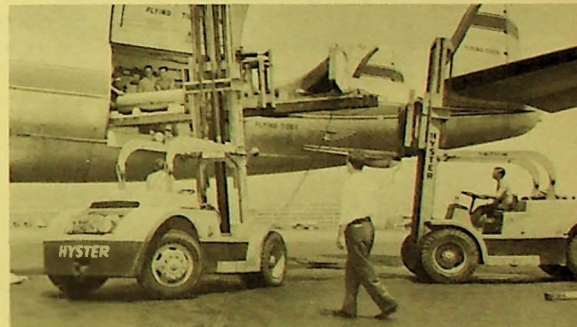
We were able to concentrate our fleet operation where it was the most effective, on long-haul routes feeding freight into and out of major terminals by truck between such points as Philadelphia to New York, Buffalo to Cleveland, and Milwaukee to Chicago. The net result was an improvement in time in transit over previous schedules.

The Company has become the largest airfreight carrier in the world which is concrete evidence of the success of your Company's aggressive sales policy and the acceptance by the shippers of the economic advantages of our fleet of new all-cargo Lockheed Super H Constellations, providing the fastest freight service and the greatest lift capability ever offered the shipping public. Over-night service between the East and West Coasts in both directions has proved a great success and dependability of schedules is remarkable. The speed and lift capacity of the Super H Constellation has enabled us to greatly improve service between all stations on the system.

We are still engaged in the deferred airfreight program which provides for the movement of freight on a "subject



*Air freight is everything — even steel rods*



*Airfreight is anything you can get through the door — here is a 14,000-pound ship's rudder stock*



*A famous passenger takes to the air with his famous trainer Wee Willie Molter (in hat)*

to space" basis at a reduced rate (approximately 50% of the first class rate) after all first class freight has been accommodated. This activity has added approximately \$600,000 to our revenue, an increase of nearly 100% over last year's revenue from this source. A great advantage provided as a result of our ability to offer this service is that it is usually not only faster than any surface transportation, at a rate close to surface rates, but has encouraged many new shippers who after discovering the advantages of airfreight go on to utilize our first class services.

On July 1, 1958, the United States Air Force issued a policy in connection with the movement of materiel to friendly foreign nations under what is known as the "Military Aid Program." This directive ordered all installations concerned to move materiel by commercial aircraft and military aircraft may be used only for security reasons, out-sized cargo, or when commercial airlift is not available or adequate. It is expected this directive will materially increase the amount of U. S. Government freight we have been carrying.

During the year, several new sales techniques were developed. Among these was the "engine buck program." This program was in the preliminary stage and was briefly described in last year's report. Since last year's report the "buck," or cradle, has been completed and successfully tested and is in daily use moving jet engines from the engine manufacturer on the East Coast to the airframe manufacturer on the West Coast for installation in new jet aircraft. Previously these engines moved in a metal can, or container, weighing 3,780 pounds, or 200 pounds less than the weight of the engine itself. The new engine buck weighs only 650 pounds and gives complete protection to the engine enroute. As a result of the weight saving and other attendant savings the movement was converted to air from surface and it has been estimated a savings of more than \$750,000 will accrue to the aircraft companies.

Another new technique has been the concentrated effort on the part of sales personnel to secure the cooperation of American industry to view the use of airfreight as applied to the idea of "Total Cost of Distribution." This means considering all costs of selling and distributing a product after it comes off the production line.

Realizing that more than 50% of the cost of a product is distribution, we are urging business executives to allow us to join with them in analyzing warehouse costs, insurance, capital turn over, loss and damage, extended sales areas and all costs which occur after the product has been produced but before it reaches the hands of the ultimate purchaser, as opposed to considering only the airfreight rate itself as the basis for decision.

The success of the program is growing as evidenced by the experience of a large Eastern manufacturer who has been able to close two West Coast warehouses and expects to effect a total savings of \$250,000 this year by using airfreight as opposed to his former method of distribution using surface carriers.

The advertising, direct mail, and publicity programs have been carried on a continuing basis acquainting the public with our various services, highlighting the superiority of the 1049H Super Constellation fleet. The results have been gratifying.

A number of adjustments to the rate structure were made during the year resulting in the highest return per ton mile that the Company has received to date.



## CONTRACT OPERATIONS

Again for this year your Company carried more passengers and cargo on overseas routes, on a contract basis, for both the military and commercial customers than any other contract carrier. The 103,459 passengers and 5,262 tons of cargo carried by the Company across the Atlantic and Pacific Oceans represented an increase of 68% in volume over the fiscal year ending June 30, 1957 and has made your Company the largest contract carrier in the world.

The introduction of our new fleet of Super H Constellation aircraft into the contract business during the past year has allowed the Company to provide cargo service to the Orient and Europe at ton mile rates far below previous years' rates but still profitable to the Company.

The summer tourist charter business to Europe, pioneered by your Company several years ago, has been more successful this year than any other previous year, in spite of increased competition from both domestic and foreign air carriers. The increase in the operating efficiency of the new fleet of Constellation aircraft permitted the Company to offer charter rates to eligible groups traveling to Europe this summer below \$300.00 per round trip seat. This program has enabled the Company to develop a completely new source of traffic and has permitted thousands of American tourists to visit Europe for the first time. It has been gratifying to your Company to be able to report that the excellent service offered by the Company on this program has created a large percentage of repeat business.

The Company was able to secure through competitive bidding a contract for \$3,500,000 from the Military Air Transport Service for the carriage of passengers and cargo between the United States and Japan. This contract was in addition to the monthly business the Company was able to secure from MATS in both the Pacific and Atlantic areas. During this year our business with MATS amounted to 19 million dollars, or 33% of the total MATS commercial business.



U. S. bound passengers on a Flying Tiger-MATS Pacific flight say good-bay at Tokyo



Reunion-bound to Germany — a singing club on a low-cost group travel flight



Freight to the far corners of the world — unloading a Flying Tiger-MATS cargo flight at Tokyo

## EQUIPMENT

As of June 30, 1958, the Company was operating thirteen 1049H Super Constellation aircraft and two C-46 airfreighters.

The changes in the Company's equipment during the fiscal year under review may be summarized as follows:

<u>Type of Aircraft</u>	<u>1958</u>	<u>1957</u>
C-46 — Owned .....	11	15
C-54 — Owned .....	—	3
C-54 — Leased .....	—	3
DC-6A — Leased .....	—	2
1049H — Owned .....	11	10
1049H — Leased .....	2	2
TOTAL .....	<u>24</u>	<u>35</u>

During the past year we disposed of four C-46 aircraft and all of the C-54 aircraft. Two DC-6A aircraft were leased by the Company for a term expiring April 1, 1961, the Company having an option to purchase such aircraft at any time after April 1958. These aircraft were sub-leased by the Company during May 1958 to another airline under the same terms and conditions as the basic lease.

The lease term on the two 1049H Constellation aircraft presently leased will expire in 1962. However, we have an option to purchase the aircraft in June 1959. The nine C-46 aircraft surplus to the needs of the Company's operations are being sold.

The standardization of the aircraft fleet during the year has resulted in many economies and has been a great contributing factor in the improvement of the operating results for the fiscal year.

The 1049H Constellation aircraft is a convertible type aircraft that can be used for both passenger and cargo operation. With this airplane we established a record for transporting the largest number of tons of cargo on any commercial aircraft across the Pacific Ocean. The increased speed and capacity of the aircraft permitted the Company to increase considerably the service on our airfreight routes.

## CIVIL AERONAUTICS BOARD PROCEEDINGS

We are involved in two important cases before the Civil Aeronautics Board at the present time.

The first of these is an application to have the restriction against subsidy application removed from our Certificate. Every certificated airline in the United States, including trunk lines, local feeder lines and helicopter services, is eligible to apply for and receive government subsidy to make up its losses, including a profit if under honest, economical and efficient management it is unable to make its operation support itself. Every local service or "feeder" airline and every helicopter service is today receiving that subsidy. There are eighteen such in the country and the average amount paid to each carrier appears to be between \$2,000,000 and \$2,500,000 per year.

The only certificated airlines in the country who are operating without this protection are the all-cargo airlines. This hampers us in many ways, the chief of which is the financing of new equipment. The insurance companies, who are today the principal source of borrowings by the airline industry, are reluctant to finance all-cargo airlines as long as this condition exists. Their position is that if the government withholds this support from us while giving it to the rest of the industry there must be something wrong with us and we might not have a very secure future. Thus, if we get any financing at all it comes from the banks on shorter term loans and at interest rates considerably higher than those enjoyed by our competitors who have the right to receive subsidy. You will note on our income statement that our interest expense for the fiscal year was over \$800,000 and thus realize the burden this item is to us. As will be discussed elsewhere in this report, we, like our competitors, are facing the transformation into the jet age and we feel that we should no longer be forced to carry this handicap in our race for additional funds for financing new equipment. In this connection, I wish to emphasize that there was not one year in our nine years of certificated existence that we would have been in a position because of our losses to apply for and receive subsidy, and we do not anticipate being in any such position in the future. We do feel, however, that if we have to compete against subsidy-eligible carriers, we should have equal rights with such air carriers. A decision on this case is now pending before the Civil Aeronautics Board.

Our second case before the Civil Aeronautics Board is an application for a certificate to carry passengers, mail, express and airfreight on a route from the West Coast to Florida, with intermediate stops at Houston and New Orleans. Since the Civil Aeronautics Board has announced that they will investigate the possibilities of opening this new route, and if another air carrier should be successful in securing such right resulting in your Company facing another competitor in the airfreight business, it was imperative that we protect our interests and enter this case.

## EMPLOYEE RELATIONS

During the past year the Company experienced no interruption of service due to labor disputes. Agreements were concluded with labor organizations representing pilots, navigators and flight engineers.

The company has continued to emphasize the importance of training of its employees in the many different phases of the Company's operations. As a result, we have enjoyed a year of operations without injury or loss of life of passenger or crew due to aircraft accidents.

This is the picture of employment as of June 30, 1958:

	Number	Per Cent
Flight .....	384	31
Maintenance .....	444	36
Administration .....	119	10
Sales .....	76	6
Ground .....	210	17
TOTAL .....	<u>1,233</u>	<u>100</u>

As of July 1957, the Company established The Flying Tiger Line Inc. Profit Sharing and Retirement Fund for the benefit of the Company's employees. The Company contributes to the plan 20 per cent of net profits as computed for Federal income tax purposes before reduction for any contributions 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. The Company contributed \$100,000 to the plan for the fiscal year ending June 30, 1958 to commence the plan. In addition to the Company's contribution, the employees have also contributed over \$50,000 during the first ten months the plan was in effect.

### FUTURE GROWTH

This item lies almost completely within the domain of the aircraft and engine manufacturers and their ability to produce a more efficient airplane. As our direct operating costs per ton mile reduce, our tariffs can be reduced and as this is done, we participate in a greater share of the transportation market. As our volume increases our indirect costs per ton mile reduce. So our path to future growth is as simple and as obvious as that.

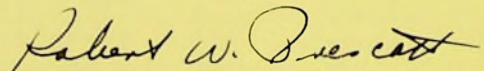
There exists today in the turbine-powered field, engines, which, when mated to the proper airframe, can produce ton miles at approximately one-half of what our costs are today with our Super Constellation fleet. We are making extensive studies of the present and potential configurations of the turbine-powered airplanes and when we determine which one we believe to be the most desirable for our operations we expect to place our commitment. We hope to make that decision in the very near future. Delivery times of these airplanes are in the 1960-61 period.

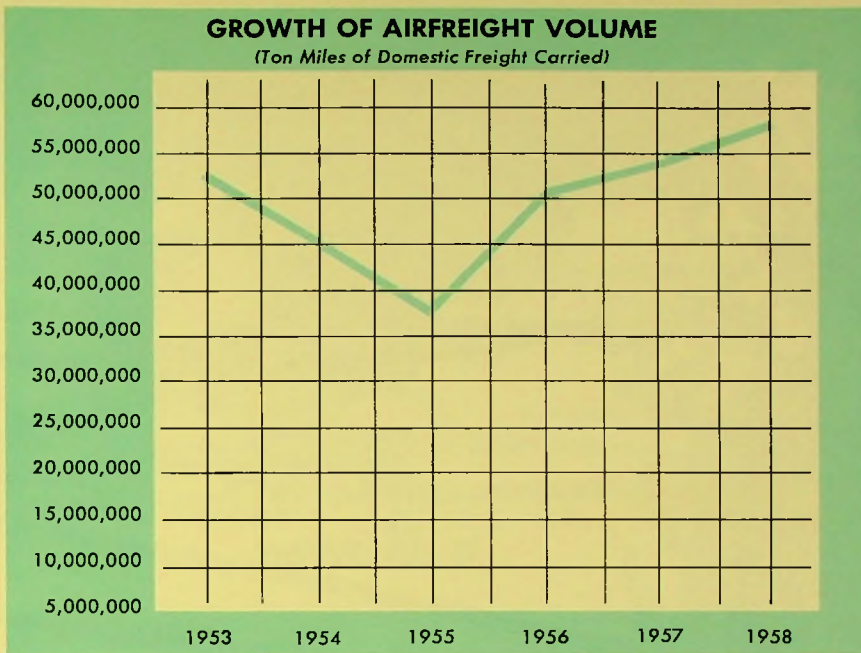
### CONCLUSION

A high standard of service in an airline is the end product of all personnel concerned — their teamwork, enthusiasm, technical skill and ingenuity.

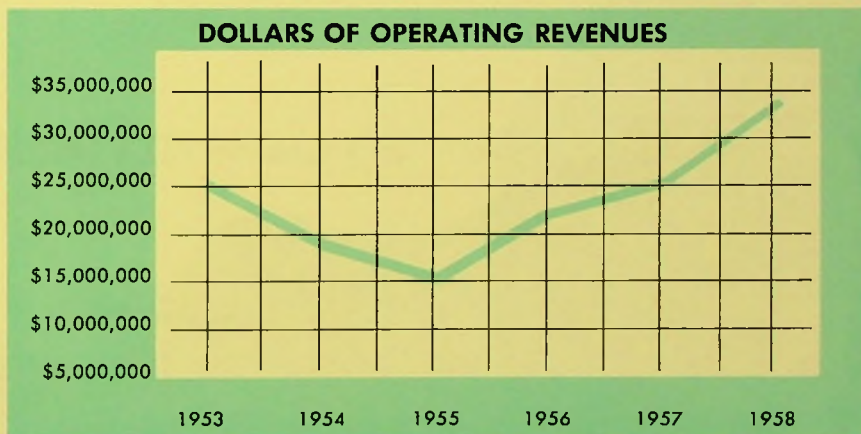
Therefore, on behalf of our Directors and Management, I would like to thank all employees and stockholders for their loyalty and helpful cooperation during the past year.

By order of the Board of Directors

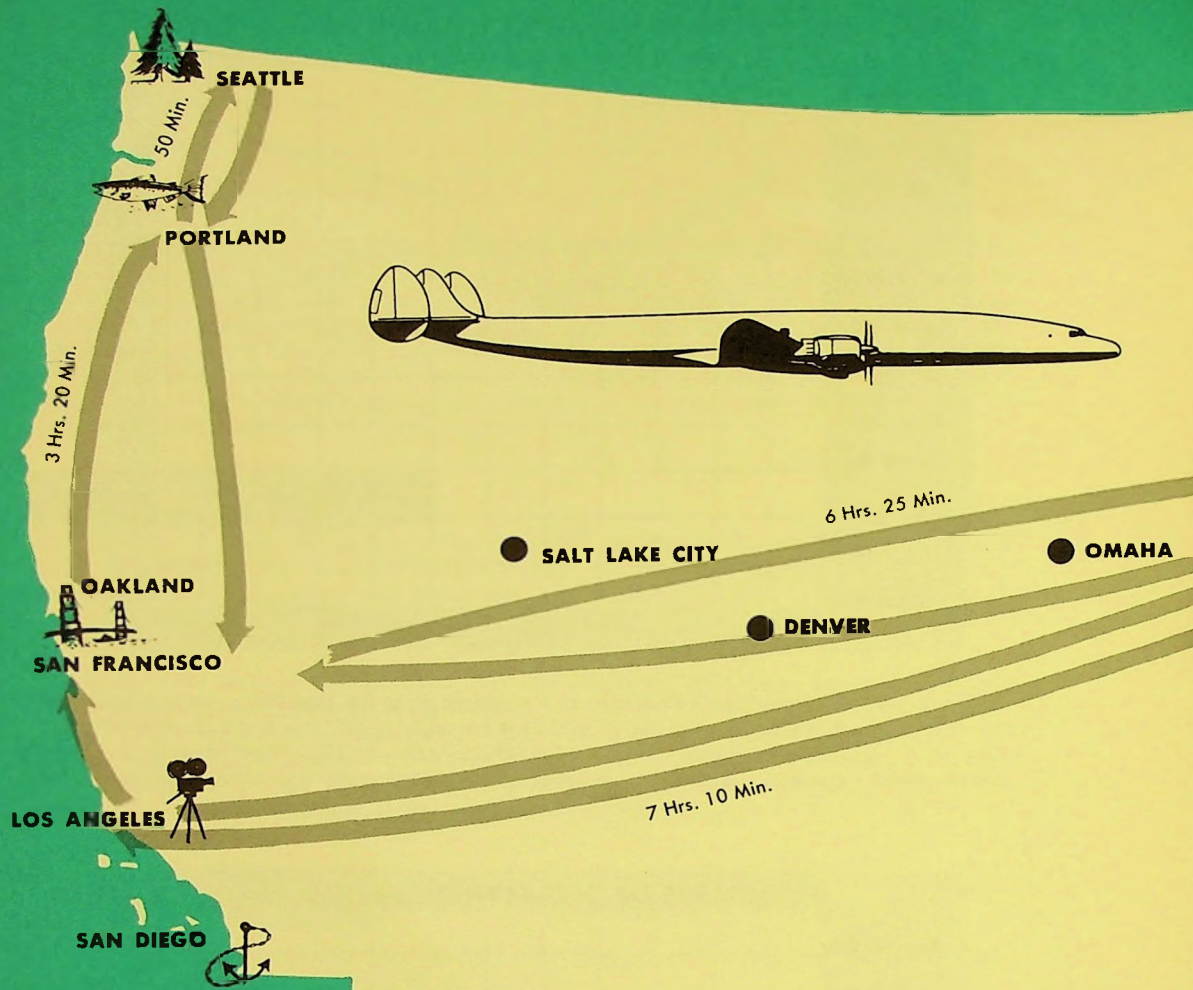
  
ROBERT W. PRESCOTT  
*President*



The growth of Flying Tiger's Domestic Air Freight traffic in the past few years is reflected in this six-year graph. From a high point of 51,324,134 ton miles in 1953, the last year of the Korean War period, traffic declined to a low of 36,890,469 ton miles in 1955. Since then, it has risen steadily, reaching a new all-time Company record of 57,012,013 at the close of the 1958 fiscal year.

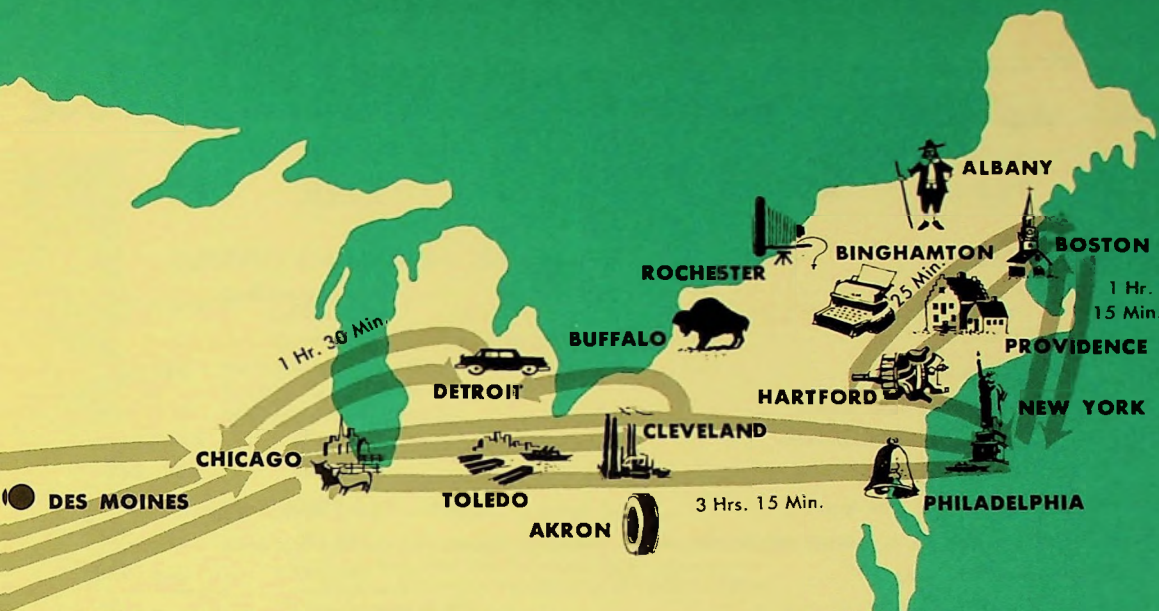


This graph shows the steady increase that has been recorded in over-all Company Operating Revenues since 1955. From the low point of \$15,363,289 in 1955, end of the post-Korean War period, revenues have more than doubled and set an all-time Company record of \$33,860,549 in 1958.



**FLYING TIGER**





# AIR FREIGHT ROUTE NO. 100



# THE FLYING TIGER LINE INC.

ASSETS	<u>1958</u>	<u>1957</u>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 2,181,636	\$ 2,571,993
Receivables—		
Freight customers .....	1,488,679	791,965
Charters, service sales, etc.—		
United States Government .....	2,439,732	2,368,847
Other .....	1,306,449	2,581,845
Reserve for bad debt losses .....	(65,000)	(38,000)
Materials and supplies, at average cost or less .....	719,133	581,572
Prepaid insurance, rents, etc. ....	195,297	385,094
Total current assets .....	<u>\$ 8,265,926</u>	<u>\$ 9,243,316</u>
<b>PROPERTY AND EQUIPMENT—Note 1:</b>		
Cost—		
Aircraft, engines and other flight equipment .....	\$26,952,795	\$28,143,236
Other equipment .....	1,266,414	1,331,842
Land and buildings .....	849,823	640,483
	<u>\$29,069,032</u>	<u>\$30,115,561</u>
Less—Reserves for depreciation .....	5,570,635	4,696,214
	<u>\$23,498,397</u>	<u>\$25,419,347</u>
Equipment held for sale, net .....	1,023,480	—
	<u>\$24,521,877</u>	<u>\$25,419,347</u>
<b>DEFERRED CHARGES:</b>		
Long-term prepayments .....	\$ 631,786	\$ 656,032
Training and other costs applicable to new aircraft (being amortized to June 30, 1959) .....	398,954	582,932
Debt discount and expense, being amortized .....	114,574	132,197
Other .....	3,720	44,030
	<u>\$ 1,149,034</u>	<u>\$ 1,415,191</u>
	<u>\$33,936,837</u>	<u>\$36,077,854</u>

The accompanying notes are an integral part of these statements.

# BALANCE SHEETS

JUNE 30, 1958 AND 1957

LIABILITIES	<u>1958</u>	<u>1957</u>
<b>CURRENT LIABILITIES—Note 6:</b>		
Bank loans—		
Note payable .....	\$ —	\$ 700,000
Current installments of long-term debt .....	3,266,409	2,888,889
Accounts payable and accrued liabilities .....	3,333,213	6,317,182
Reserve for vacations .....	328,665	357,658
Advance charter deposits .....	267,103	214,323
Total current liabilities .....	<u>\$ 7,195,390</u>	<u>\$10,478,052</u>
<b>LONG-TERM DEBT—Notes 2 and 3:</b>		
Bank loans, secured by pledge of aircraft, engines, and other flight equipment, less current installments shown above—		
Payable in monthly installments of \$240,741 plus interest at 5% .....	\$ 6,981,482	\$ 9,870,370
Payable in monthly installments of \$31,460 plus interest at 6% .....	1,447,060	—
5½% debentures due 1967 (subordinate) .....	2,724,000	2,724,000
Series A 5½% debentures due 1967 (subordinate) .....	500,000	500,000
Equipment purchase contract, secured by related assets .....	195,893	72,945
Total .....	<u>\$11,848,435</u>	<u>\$13,167,315</u>
<b>DEFERRED CREDITS AND NONCURRENT LIABILITIES:</b>		
Deferred income taxes .....	\$ 1,929,978	\$ 1,229,978
Deferred charter revenue, etc. ....	576,368	284,711
Maintenance liability—leased airframes and engines .....	210,642	—
Total .....	<u>\$ 2,716,988</u>	<u>\$ 1,514,689</u>
<b>CAPITAL STOCK AND SURPLUS:</b>		
Preferred stock—		
Authorized, 500,000 shares of \$10 par value		
Outstanding, 99,112 shares Series A, five per cent cumulative .....	\$ 991,120	\$ 991,120
Common stock—		
Authorized, 1,500,000 shares of \$1 par value (at June 30, 1958, 340,028 shares were reserved for conversion of debentures and 70,000 shares for stock options)—Notes 3 and 4		
Outstanding, 983,635 shares .....	983,635	983,635
Capital surplus .....	3,448,855	3,448,855
Earned surplus (see Note 2) .....	6,752,414	5,494,188
Total .....	<u>\$12,176,024</u>	<u>\$10,917,798</u>
Total .....	<u>\$33,936,837</u>	<u>\$36,077,854</u>

The accompanying notes are an integral part of these statements.

# STATEMENTS OF INCOME AND SURPLUS

FOR THE YEARS ENDED JUNE 30, 1958 AND 1957

## STATEMENTS OF INCOME

	<u>1958</u>	<u>1957</u>
<b>OPERATING REVENUES:</b>		
Scheduled freight operations .....	\$ 9,595,074	\$ 8,448,604
Charters and service sales .....	23,554,116	15,641,198
Rentals of property and equipment (net) Note 1 .....	711,359	561,344
Total .....	<u>\$33,860,549</u>	<u>\$24,651,146</u>
<b>OPERATING EXPENSES:</b>		
Flying operations .....	\$14,255,568	\$12,587,836
Ground operations .....	3,553,051	3,332,179
Maintenance .....	7,569,449	5,227,865
Traffic, sales, advertising and publicity .....	1,518,105	1,395,333
General and administrative .....	1,484,371	1,297,297
Depreciation and amortization .....	<u>4,080,432</u>	<u>1,828,086</u>
Total .....	<u>\$32,460,976</u>	<u>\$25,668,596</u>
Net income (loss) from operations .....	<u>\$ 1,399,573</u>	<u>\$ (1,017,450)</u>
<b>OTHER INCOME AND (EXPENSE):</b>		
Interest expense .....	\$( 803,672)	\$( 383,783)
Amortization of debt discount and expense .....	( 17,623)	( 16,742)
Miscellaneous (net) .....	277,500	137,639
Total .....	<u>\$( 543,795)</u>	<u>\$( 262,886)</u>
Net income (loss) before Federal income taxes .....	<u>\$ 855,778</u>	<u>\$ (1,280,336)</u>
<b>PROVISION OR (CREDIT) FOR FEDERAL INCOME TAXES—Note 6</b>		
Net income (loss) .....	412,000	( 666,000)
	<u>\$ 443,778</u>	<u>\$( 614,336)</u>
<b>SPECIAL ITEM:</b>		
Gain on disposals of aircraft, less provision of \$288,000 and \$775,000 for income taxes in respective years .....	864,004	716,005
Net income (loss) and special item .....	<u>\$ 1,307,782</u>	<u>\$ 101,669</u>
<b>CAPITAL SURPLUS</b>		
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 3,448,855	\$ 2,640,663
<b>ADD—</b>		
Excess of proceeds from sale of 50,000 shares of common stock over par value .....	—	448,000
Excess of fair value of stock dividend of 46,839 shares over par value .....	—	360,192
<b>BALANCE AT END OF YEAR</b> .....	<u>\$ 3,448,855</u>	<u>\$ 3,448,855</u>
<b>EARNED SURPLUS</b>		
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 5,494,188	\$ 5,849,106
<b>ADD—</b>		
From accompanying statement—		
Net income (loss) .....	443,778	(614,336)
Special item .....	864,004	716,005
	<u>\$ 6,801,970</u>	<u>\$ 5,950,775</u>
<b>DEDUCT—</b>		
Cash dividends on preferred stock—fifty cents per share .....	\$ 49,556	\$ 49,556
Five per cent common stock dividend—46,839 shares at fair value of \$8.69 per share .....	—	407,031
	<u>\$ 49,556</u>	<u>\$ 456,587</u>
<b>BALANCE AT END OF YEAR (See Note 2)</b> .....	<u>\$ 6,752,414</u>	<u>\$ 5,494,188</u>

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 1958

### (1) Aircraft:

At June 30, 1958, the company's fleet consisted of the following:

Type	Owned	Leased	Total
1049-H	11	2	13
C-46—			
Operated	2	—	2
Held for sale	9	—	9
TOTAL	<u>22</u>	<u>2</u>	<u>24</u>

Two of the 1049H aircraft are held under a five-year lease expiring in June, 1962, with options to purchase upon expiration of the first two years of the lease. One of the 1049H aircraft owned was destroyed in September, 1958; the loss was covered by insurance.

Of the C-46 aircraft, three have been disposed of under lease-purchase agreements since June 30, 1958.

The company also leases two DC-6A aircraft under a seven-year lease expiring April 30, 1963, with certain renewal and purchase options. These DC-6A's have been subleased to another airline at monthly rentals which in future years are anticipated to approximate the amounts paid by the company for periods ending in September, 1961. The sublease also grants purchase options to the sublessee.

### (2) Bank loans:

Under the credit agreement relating to the long-term bank loans, all of the earned surplus balance at June 30, 1958, 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, 1958, the company's working capital was approximately \$925,000 less than the minimum amount as defined in the credit agreement; capital expenditures for the year ended June 30, 1958, exceeded the specified limitation by approximately \$965,000.

### (3) 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 \$14.29 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 2.

### (4) Capital stock:

During the year ended June 30, 1957, 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.

A 5 per cent dividend payable in common shares (49,181 shares) was declared July 29, 1958, payable in December 1958 to common shareholders.

### (5) Profit-sharing plan:

A profit-sharing and retirement plan in effect requires 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. \$100,000 has been contributed for the current year.

### (6) Federal income taxes:

The 1958 provision for income taxes, amounting to \$412,000, is deferred through the deduction of accelerated depreciation for tax purposes. Federal income tax returns for the fiscal years 1952 through 1954 are presently being examined by the Internal Revenue Service, and issues involving possible additional taxes are under discussion. Although the amount of deficiency, if any, has not been determined, company management and its counsel believe that the company's position on these issues is sound and that any additional taxes which may ultimately be payable will not be material.

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, 1958, 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, 1958, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1957.

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, 1958, 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 12, 1958.



# THE FLYING TIGER LINE INC.

## directors

SAMUEL B. MOSHER, *Chairman of the Board*

RUTH AXE      ALLEN T. CHASE      JOHN C. COSGROVE      BORIS GRESOV      ARTHUR G. LINKLETTER  
CHARLES LUCKMAN      NORMAN L. MEYERS      ROBERT W. PRESCOTT      HOUSTON REHRIG      JOHN C. TYLER

## officers

*President* . . . . . ROBERT W. PRESCOTT  
*Executive Vice-President and Treasurer* . . . . . FRED BENNINGER  
*Vice-President* . . . . . WILLIAM E. BARTLING  
*Vice-President* . . . . . GEORGE T. CUSSENS  
*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

## 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

Lockheed Air Terminal, Burbank, California

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  
Logan 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

DAYTON, OHIO  
222 McDonough Street  
Baldwin 4-5331

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

LOS ANGELES, CALIF.  
Lockheed Air Terminal, Burbank  
Stanley 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

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.  
Lindbergh Field  
Cypress 6-6273

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

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

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

## EUROPEAN SALES OFFICES

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

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

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

**Please send in your proxy.**

It is urgently requested that you date and sign this Proxy and return it promptly in the enclosed envelope in order to insure the presence of a quorum at the meeting. This will save your Company the expense and extra work of additional solicitation and avoid the necessity of adjourning the meeting.

*The Flying Tiger Line Inc.*

55

**Proxy**  
**This Proxy is solicited on behalf**  
**of the present management of**  
**The Flying Tiger Line Inc.**

No. of shares voted in  
this Proxy -----

KNOW ALL MEN BY THESE PRESENTS that the undersigned hereby constitutes Samuel B. Mosher, Houston Rehrig and Robert W. Prescott, and each of them, attorneys and agents with power of substitution in each of them, in the name, place and stead of the undersigned to vote as proxy at the Annual Meeting of the Stockholders of The Flying Tiger Line Inc., to be held on Friday, October 31, 1958, at 2 o'clock P.M., Pacific Standard Time, and at any adjournment or adjournments thereof, according to the number of votes that the undersigned would be entitled to vote if personally present. Copies of the Notice of Meeting dated September 20, 1958, and of the Proxy Statement, dated September 20, 1958, have been received by the undersigned.

The undersigned hereby directs this Proxy to be voted as follows:

- FOR
  - AGAINST
- } Amendment of Article Fourth of the Corporation's Certificate of Incorporation, described in the Notice of Meeting and related Proxy Statement.

**In the absence of specification this Proxy will be voted for adoption of said Amendment.**

The undersigned agrees that said attorneys and agents and each of them, in person or by substitution, may vote in favor of the proposed directors named in said Proxy Statement, or in the event that such persons are not available by reason of an unforeseen emergency, then in their discretion in favor of the election as Directors of any other persons, and may vote in accordance with their discretion on any other matters or proposals not known at the time of solicitation of this Proxy that may lawfully come before the meeting or any adjournment or adjournments thereof.

A majority of such attorneys and agents as may be present may act at said meeting, or any adjournment or adjournments thereof, in person or by substitution, or, if only one shall be present and act, then that one may exercise all of the powers of said attorneys and agents hereunder.

The undersigned hereby revokes any proxy heretofore given and reserves the right to revoke this Proxy prior to its use.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this -----

day of -----, 1958.

----- (L. S.)  
Please sign exactly as name appears on stock certificate. If corporation, please affix corporate seal.

# *The Flying Tiger Line Inc.*

LOCKHEED AIR TERMINAL  
BURBANK, CALIFORNIA

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD OCTOBER 31, 1958

Notice is hereby given that the Annual Meeting of Stockholders of The Flying Tiger Line Inc., a Delaware corporation, will be held at the principal office of the Corporation, Lockheed Air Terminal, Burbank, California, on Friday, October 31, 1958, at 2:00 o'clock P.M., Pacific Standard Time, for the following purposes:

1. To elect a Board of Directors for the ensuing year;
2. To consider and vote upon the proposal to increase the number of authorized Common Shares of the Corporation from 1,500,000 to 2,000,000 shares; and
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

In accordance with the By-Laws and action of the Board of Directors of the Corporation, only stockholders of record at the close of business on September 19, 1958, will be entitled to notice of and to vote at the meeting or any adjournment thereof.

O. R. BURGHARDT, *Secretary*

Dated: Burbank, California,  
September 20, 1958.

### *IMPORTANT*

Whether or not you expect to be present in person, it is urged that you sign and send in the enclosed Proxy at your earliest convenience. This will insure the presence of a quorum at the meeting and will save the Corporation the expense and extra work of additional solicitation. An addressed envelope for which no postage is required if mailed in the United States is enclosed for that purpose. Sending in your Proxy will not prevent your voting your stock at the meeting if you are able to be there in person—and it is hoped that you will attend if it is at all possible—since your Proxy is revocable at your option.

*See Proxy Statement on following pages.*

# *The Flying Tiger Line Inc.*

## PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies to be used at the Annual Meeting of Stockholders of the Corporation to be held on Friday, October 31, 1958.

Proxies in the form enclosed herewith are solicited by the Management at the direction of the Board of Directors of the Corporation and the cost of solicitation is to be borne by the Corporation. In addition to the solicitation of proxies by the use of mails, officers and regular employees of the Corporation may solicit proxies personally from stockholders and brokers.

Any stockholder giving a proxy in such form has the power to revoke it at any time prior to the voting thereof. Unless so revoked, the shares represented by the proxy will be voted at the Annual Meeting, if the proxy is returned properly executed and is received in time for voting, and, where the stockholder specifies, as provided in the form of Proxy, a choice with respect to the matter to be acted upon, the shares will be voted in accordance with the specifications so made.

The Corporation has outstanding 983,635 Common Shares, par value \$1.00 per share, and 99,112 Preferred Shares, Cumulative \$10.00 par value, Series A. Shareholders are entitled to one vote in respect to each share of Common Shares held. Under the Corporation's charter, holders of the Preferred Shares do not have any voting rights at this time (holders of Preferred Shares as a class are entitled to elect the smallest number of directors which shall constitute a majority of the authorized number of directors if at any time eight or more quarter year dividends are in default, in whole or in part). Only stockholders of record at the close of business September 19, 1958, the record date for the meeting, will be entitled to vote at said meeting or any adjournment, or adjournments thereof.

## ANNUAL REPORT

The Corporation's Annual Report for the fiscal year ended June 30, 1958, is transmitted herewith. None of the statements or information in said Annual Report is intended or shall be construed to be a part of the proxy-soliciting material of the Corporation.

## NOMINEES FOR BOARD OF DIRECTORS

The Board of Directors to be elected will, in conformity with the amendment to the By-Laws adopted on November 20, 1957, consist of eleven (11) members, who will be elected to hold office during the ensuing year and until their successors are elected and qualified. The shares represented by proxies in the enclosed form will be voted in such election and it is the intention of the proxy holders to vote all such proxies in favor of the election as Directors for the ensuing year of Mrs. Ruth Axe and Mr. Boris Gresov, in place of Morris Townsend, resigned, and as the additional Director provided for by the aforesaid amendment to the By-Laws, and of the following persons who have served as Directors of the Corporation since the year stated opposite their respective names, and who, the Corporation is informed, owned beneficially as of September 1, 1958, the securities of the Corporation listed in other columns opposite their respective names.

Name	Address	Year First Became Director	Number of Shares and Debentures Beneficially Owned		
			Preferred	Common	5½% Debentures Due 1967 (Subordinate)
SAMUEL B. MOSHER ----	Chairman of the Board and President of Signal Oil & Gas Company, Los Angeles, California -----	1945*	818	27,762	None
ROBERT W. PRESCOTT ---	President, The Flying Tiger Line Inc., Burbank, California -----	1945	3	4,229	\$180,000
ALLEN T. CHASE -----	President, Standardized Aircraft, Inc., Machine Parts, Los Angeles, California -----	1945*	None	1,000	\$25,000
HOUSTON REHRIG -----	President, Rehrig Pacific Co., Manufacturer Dairy Containers, Los Angeles, California -----	1948	None	100	None
NORMAN L. MEYERS ---	Attorney-at-Law, Meyers & Batzell, Washington, D. C. -----	1952	8	3,181	\$85,000
JOHN C. COSGROVE -----	Cosgrove & Co. Inc., of Los Angeles, Insurance, Los Angeles, California -----	1955	None	525	\$25,000
ARTHUR GORDON LINKLETTER -----	Guedel-Linkletter Productions, Los Angeles, California -----	1957	None	2,000	\$10,000
CHARLES LUCKMAN ----	Pereira & Luckman, Architects and Engineers, Los Angeles, California -----	1957	None	1,000	None
JOHN C. TYLER -----	Chairman of the Board, Farmers Insurance Group, Los Angeles, California -----	1957	None	100	\$5,000
RUTH AXE -----	Vice President and Treasurer of E. W. Axe & Co., Inc., New York, New York -----	1957*	None	1,000	None
BORIS GRESOV -----	Economic Consultant to Axe Science and Electronics Corporation, New York, New York -----	1957*	None	500	None

\* Mr. Mosher, Director, June 25, 1945 to February 12, 1946; May 21, 1946 to date. Mr. Chase, Director, June 25, 1945 to February 12, 1946; May 21, 1946 to June 23, 1947; May 27, 1948 to date.

Mrs. Ruth Axe and Mr. Boris Gresov have not heretofore been elected by the stockholders. They have held office as Directors of the Corporation since November 20, 1957, having been appointed by the Board of Directors.

During the past five years Mrs. Axe has been Vice President, Director and Treasurer of E. W. Axe & Co., Inc., 730 Fifth Avenue, New York, New York; President, Axe Securities Corporation; Vice Chairman and Director of Axe-Templeton Growth Fund of Canada; Vice President and Director of Axe-Templeton Management, Ltd.; Vice President and Director of Axe-Houghton Fund A, Inc., Axe-Houghton Fund B, Inc. and Axe-Houghton Stock Fund, Inc.; President and Director of Axe Science and Electronics Corporation. The latter four Funds are, respectively, the beneficial owners of the following amounts of Common Shares of the Corporation: 40,900 shares, 78,750 shares, 18,000 shares and 10,000 shares. The Common Shares of the Corporation owned beneficially by Mrs. Axe, together with the Common Shares of the Corporation owned beneficially by these four funds, represent 15.1% of the outstanding Common Shares of the Corporation. Axe

Science and Electronics Corporation and Axe-Houghton Fund A, Inc. are, respectively, the beneficial owners of \$200,000.00 and \$300,000.00 of the Corporation's Series A 5½% Debentures Due 1967 (Subordinate), the total amount of this issue.

During the past five years Mr. Gresov has been an economic consultant. Since April, 1958, he has been economic consultant to Axe Science and Electronics Corporation, 730 Fifth Avenue, New York, New York; prior to that time he was consulting economist to G. H. Walker & Co. He is Chairman of the Board of Shattuck-Denn Mining Co. and is a Director of Western Development Co. of Delaware and of the Axe-Templeton Growth Fund of Canada.

In the event any one or more nominees for Directors should become unavailable for any reason not presently known, the enclosed proxy will be voted according to the judgment of the proxy holders.

PROPOSAL TO INCREASE NUMBER OF AUTHORIZED COMMON SHARES

The Board of Directors, noting that the total number of Common Shares issued and outstanding and required to be reserved for the conversion of the Corporation's outstanding Debentures was so close to the total of presently authorized Common Shares as to require an increase in the number of authorized Common Shares to provide properly for future growth of the Corporation, adopted on July 29, 1958, a resolution declaring the advisability of amending Article Fourth of the Certificate of Incorporation of the Corporation to increase the number of authorized Common Shares from 1,500,000 shares to 2,000,000 shares, and directed that this proposal be referred to this stockholders' meeting for consideration and approval. The vote needed for this approval is the affirmative vote of a simple majority of the outstanding Common Shares. There are no pre-emptive rights with respect to any of the additional shares proposed to be authorized. If the proposed amendment is adopted the total number of Common Shares which will not be allocated will be 506,640 shares. These unallocated shares may be issued by the Management for such purposes as it may consider desirable without further approval by the stockholders. At the present time, there are no contemplated use or uses of the additional shares, nor are there any understandings, plans or discussions in which Officers or Directors of the Corporation, or their affiliates, have been engaged, relating to the issuance of any of the additional shares including any possible acquisitions of other businesses. No financial statement is included herein inasmuch as the same is not material for the exercise of prudent judgment in regard to the proposal to increase the number of authorized Common Shares.

REMUNERATION AND OTHER TRANSACTIONS WITH DIRECTORS, NOMINEES, OFFICERS AND OTHERS

The following tabulation shows the aggregate remuneration paid by the Corporation during the fiscal year ended June 30, 1958, to, or for the benefit of, each of the following persons whose aggregate remuneration exceeded \$30,000.00 and who was a Director at any time during the year, or was one of the three highest paid officers of the Corporation; and to, or for the benefit of, all persons as a group, who were Directors or officers of the Corporation at any time during the fiscal year:

<i>Name of Individual or Identity of Group</i>	<i>Capacities in Which Remuneration Was Received</i>	<i>Salaries and Fees Paid by Corporation During Fiscal Year</i>
ROBERT W. PRESCOTT ----- No other Director of the Corporation received remuneration exceeding \$30,000.00.	President and Director -----	\$ 48,666.00
ALL OFFICERS AND DIRECTORS AS A GROUP -----	Officers and Directors -----	\$231,631.00

The following tabulation shows the aggregate contribution made by the Corporation during the fiscal year ended June 30, 1958, to the Corporation's Profit Sharing and Retirement Plan:

Name of Individual or Identity of Group	Amount Set Aside or Accrued During Issuer's Last Fiscal Year	Estimated Annual Benefits Upon Retirement
ALL EMPLOYEES (INCLUDING OFFICERS) AS A GROUP	\$100,000.00*	*

\* The Corporation's Profit Sharing and Retirement Plan provides for annual Company contributions to the Plan of 20% of net profits (as computed for Federal Income Tax purposes before reduction on account of Federal or foreign income and excess profits taxes or any contribution under the Plan, but excluding capital gains and losses and an amount equal to 6% 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 amount as the Board of Directors may determine, but not in excess of 15% of the total compensation otherwise paid or accrued to the participants of the Plan in any fiscal year. All employees under age 64, including officers, who have completed one year's service are eligible to participate under the Plan. The Corporation's contribution is credited to accounts of participating employees in the same ratio that the compensation paid each participant bears to the total compensation paid all participants.

Note 1. Norman L. Meyers, Esq., a Director and Assistant Secretary, is a member of the firm of Meyers & Batzell, General Counsel to the Corporation, which received fees aggregating \$60,000 during the fiscal year ended June 30, 1958.

Note 2. No person owns of record, or is known to the Corporation to own beneficially, more than 10% of the outstanding voting securities of the Corporation except King & Co., 1 Wall Street, New York 5, N. Y., which owns of record 119,650 shares of the Common Shares of the Corporation, or 12.1% of the outstanding Common Shares of the Corporation, all of which are held for beneficial owners none of whom are the beneficial owners of more than 10% of such securities.

No director, officer, or nominee was indebted to the Corporation at any time during the fiscal year other than from transactions in the ordinary course of business.

#### OTHER MATTERS

While there is no business other than the election of Directors and action upon the proposal to increase the number of authorized Common Shares, as set forth in the Notice of Meeting, so far as now known, to be presented for action at the Annual Meeting, it is intended that the proxies solicited herewith will be exercised on any other matters and proposals that may legally come before the meeting, or any adjournment or adjournments thereof, in accordance with the discretion and judgment of those acting under the proxies.

O. R. BURGHARDT, *Secretary*

Burbank, California,  
September 20, 1958.





THE  
FLYING  
TIGER  
LINE  
INC.

*annual report, 1959*

# THE YEAR IN BRIEF

FOR THE FISCAL YEAR ENDED JUNE 30,

	<u>1959</u>	<u>1958</u>
Operating Revenues.....	\$34,579,936	\$33,860,549
Operating Expenses.....	\$31,773,547	\$32,460,976
Operating Income.....	\$ 2,806,389	\$ 1,399,573
Interest Expense.....	\$ 774,958	\$ 803,672
Net Income After Interest and Income Taxes.....	\$ 1,011,140	\$ 443,778
Special Item.....	\$ 380,226	\$ 864,004
Net Income and Special Item.....	\$ 1,391,366	\$ 1,307,782
Per Common Share Outstanding (Average for year).....	\$ 1.23	\$ 1.28
Investment in Property and Equipment (Gross).....	\$33,823,595	\$31,198,580
Long-Term Debt.....	\$16,138,379	\$11,848,435
Stockholders' Equity at Book Value.....	\$16,105,435	\$12,176,024
Per Common Share.....	\$ 11.22	\$ 11.37
Total Assets.....	\$43,311,205	\$33,936,837
Working Capital.....	\$ 1,849,085	\$ 1,070,536

to our stockholders

September 10, 1959

The 1959 story is one of establishing new records in the attainment of peaks in business as well as substantial increases in operating earnings.

The introduction of the Super H Constellation aircraft into a standardized fleet two years ago has produced for the 1959 year record traffic volumes and revenues and the largest operating earnings in the Company's history.

Most encouraging has been the continuing demonstration of the shippers' confidence in your Company's policy of rendering dependable airfreight services, climaxed by attaining the largest volume of airfreight revenue since inception of the Company. The Company was founded upon and has operated upon the proposition that airfreight can be self-sustaining and does not require government subsidy. It has financed the losses in airfreight development with collateral activities. In 1959 airfreight reached a self-sustaining plateau principally due to the economies of a standardized fleet and increased volume. One of the major factors that has been restraining the more extensive development of a volume airfreight market has been the lack of economic aircraft with low operating costs per ton mile carried. It is significant to note that the increase in volume of air cargo carried by your Company during the last 14 years has been in direct proportion to the introduction of more efficient and economical aircraft.

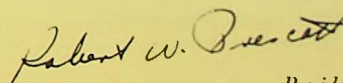
The Company has been studying for some time the economies of turboprop and jet aircraft to the airfreight industry. In May, 1959 the Company entered into a contract with Canadair Limited of Montreal, Canada for the manufacture and delivery of ten turboprop CL-44D airfreighters. These airfreighters will be delivered to the Company in the Spring of 1961 and with the introduction of these aircraft into the airfreight business, the Company will be entering into a second phase of the domestic airfreight operations. This phase will be the beginning of the "airfreight business" and the end of the development and experimentation in the carriage of property by air.

The introduction of the CL-44D airfreighter will permit a reduction in air cargo rates of between 30-40% which in turn will attract greater volume. The Company is now on the threshold of being able to realize the substantial gains that will be forthcoming through the ability to compete with the surface carriers.

Although the Company has enjoyed a substantial volume of military contract business during 1959, the rates applicable to such business have been declining steadily to an unprofitable level, and it is management's opinion that during the forthcoming year the situation will deteriorate further.

We are deeply grateful to our stockholders, customers, and employees for their share in the Company's past and continuing progress.

Sincerely,



President

## financial position

The Flying Tiger Line Inc. reached a new high during the fiscal year ending June 30, 1959. The operating profit of \$2,806,389 represents the largest in the company's history, 100% above the \$1,399,573 realized in the fiscal year ended June 30, 1958.

Operating revenues during the fiscal year also rose to a new high of \$34,579,936 as shown in the following comparison with the fiscal year 1958:

	Fiscal Year		Change
	1959	1958	
Received from—			
Common carriage airfreight.....	\$13,315,698	\$ 9,595,074	\$3,720,624
Contracts, charters, etc.....	21,264,238	24,265,475	(3,001,237)
Total.....	<u>\$34,579,936</u>	<u>\$33,860,549</u>	<u>\$ 719,387</u>

Net income after taxes amounted to \$1,011,140 (\$0.88 per share) for the fiscal year 1959 as compared to \$443,778 (\$0.40 per share) for the fiscal year 1958.

Gain after taxes on disposal of aircraft, etc. amounted to \$380,226, or \$0.35 per share for the fiscal year 1959, compared to \$864,004, or \$0.88 per share in the preceding year.

Depreciation expense amounted to \$4,169,119 as compared to \$4,080,432 for the fiscal year 1958. During June 1959 the company exercised its option to purchase two additional 1049H Super II Constellation aircraft which had been under contract during the previous two years. As a result of this acquisition the depreciation expense will substantially increase during the fiscal year 1960.

The policy of accelerated depreciation on flight equipment, which the Federal Government permits in computing depreciation charges for tax deduction purposes, was continued during the year. The company's financial statements reflect depreciation charges normally allowable and show the tax deferral as a deferred income tax credit. At the end of the fiscal year 1959 this deferral totaled \$2,484,000.

Earnings were equivalent to \$1.23 per common share as against \$1.28 in the fiscal year 1958, based upon the following average shares outstanding:

	1959	1958
Net income and special item.....	\$1,391,366	\$1,307,782
Average common shares outstanding.....	1,095,331	983,635
Earnings per share, after preferred dividends.....	<u>\$ 1.23</u>	<u>\$ 1.28</u>

To conserve cash to meet the requirements for the acquisition of new turboprop airfreighters, the company paid a 5% stock dividend on December 15, 1958 to stockholders of record of October 1, 1958.

The Flying Tiger Line Inc.'s financial strength has increased during the fiscal year 1959 as follows:

	1959	1958	Change
Total assets.....	\$43,311,205	\$33,936,837	\$9,374,368
Working capital.....	\$ 1,849,085	\$ 1,070,536	\$ 778,549
Stockholders' equity at book value.....	\$16,105,435	\$12,176,024	\$3,927,371
Per common share.....	<u>\$ 11.22</u>	<u>\$ 11.37</u>	<u>\$ (.15)</u>

Notes payable to banks amounting to \$11,694,951 as of June 30, 1958, were reduced during the fiscal year 1959 by payments of \$4,936,580. The company increased such bank borrowings in June 1959 by \$2,500,000 upon the purchase of two additional 1049H Super H Constellation aircraft, reflecting a total balance of \$9,258,371 outstanding as of June 30, 1959.

In May 1959 the company entered into a commitment to purchase ten CL-44D turboprop airfreighters at a total cost of \$51,000,000, including spares. The aircraft are scheduled for delivery in early 1961. In preparation for the financing of the new turboprop airfreighters, the company, in June 1959, called the 5½% Debentures Due 1967 (Subordinate) issued originally in July 1952. The debenture issue was for \$2,750,000, and all debenture holders except \$51,000 in face value elected to convert to common shares before the call date.

In August, 1959, the company, through private placements, issued \$5,000,000 of 5½% Debentures, Series "B", Due 1974 (Subordinate) convertible into common shares of the company until June 26, 1969 at \$18.00 per common share. The proceeds from the sale of these debentures will be used as advance payments toward the future delivery of the new turboprop flight equipment.

The financing arrangements for the balances due upon the delivery of the new turboprop equipment in 1961 contemplates \$3,500,000 from the proceeds of the disposal of the presently owned flight equipment, and Equipment Trust notes to the manufacturers of the new aircraft. These notes will be secured by an Equipment Trust Agreement which was signed on June 1, 1959.

### Source and Disposition of Funds

	1959	1958
Working capital at beginning of period—		
Current assets . . . . .	\$ 8,265,926	\$ 9,243,316
Less: Current liabilities . . . . .	7,195,390	10,478,052
	<u>\$ 1,070,536</u>	<u>(\$ 1,234,736)</u>
Additions during period—		
From cash profits . . . . .	\$ 6,168,617	\$ 5,459,640
From proceeds on disposal of fixed assets . . . . .	2,993,759	2,017,331
From all other sources (net) . . . . .	( 171,836)	158,895
	<u>\$ 8,990,540</u>	<u>\$ 7,635,866</u>
Used during period—		
To apply on bank loans and equipment purchase contracts . . . . .	\$ 4,494,427	\$ 2,971,261
To purchase fixed assets . . . . .	2,419,351	2,309,777
To pay cash dividend on preferred stock . . . . .	49,556	49,556
To apply as deposit on CL-44D equipment . . . . .	672,291	—
To apply on charter deposits . . . . .	576,366	—
	<u>\$ 8,211,991</u>	<u>\$ 5,330,594</u>
Net increase in working capital during period . . . . .	<u>\$ 778,549</u>	<u>\$ 2,305,272</u>
Working capital at end of period—		
Current assets . . . . .	\$10,060,787	\$ 8,265,926
Less: Current liabilities . . . . .	8,211,702	7,195,390
	<u>\$ 1,849,085</u>	<u>\$ 1,070,536</u>



## air freight

In the 1959 fiscal year, the Company completed the second full year of operation of the Lockheed Super H Constellation fleet of airfreighters placed in service in 1957. For the Company, the year stands out as the long-sought breakthrough in airfreight. For the first time, consistently profitable operations were reported in the airfreight operation.

The Company had four airfreighters in scheduled service over its domestic route No. 100 at the start of the year. By the end of the year, the Company was operating seven airfreighters over this same route, plus a large number of extra sections to accommodate traffic demands.

During the year, total traffic reached a new record of \$13,315,698, which represented a gain of 39% over the preceding year. This was the largest rate of gain reported by any major airfreight carrier.

Starting with August, 1958, traffic passed the million-dollar mark and continued above that level in each succeeding month. This was the first time in the Company's operations that the Company consistently achieved traffic volume in excess of a million dollars per month.

In December, 1958, the Company recorded the largest volume of any single month in its history, \$1,356,125. Following that record, the Company experienced an unusual volume of business. Although January traffic slackened, as was to be expected, volume still held above the million-dollar mark. In March, business reached the second highest point in the Company's history and then, in June, instead of declining, traffic rose still higher and surpassed the March record. This was the first time in the Company's operations that it has experienced such heavy traffic in the middle of the calendar year.

While much of these gains can be attributed to the high level of the nation's economy, there is no question that airfreight is now having a much greater impact on transportation and distribution programs of industry than at any previous time since 1945, when the Company started the nation's first air freight system.

For example, under the jet engine shipping buck program jointly developed by The Boeing Airplane Company and the Company, a total of nearly two million pounds of engines for the Boeing 707 jetliner has been flown from the Pratt & Whitney plant at Hartford, Connecticut, to the Boeing assembly line at Seattle. This was all traffic which formerly moved by surface. Significantly, much of this traffic which originally fell into lower-rated, slower-moving deferred airfreight classification now is moving as first class traffic. As the manufacturer speeded up production of his product, he needed faster service with the result that the carrier, in addition to receiving a large volume of traffic, now obtained that traffic at a higher return due in great measure to the reliability of his service and his ability to move the traffic in large volume.

Such service would not have been possible without the larger, faster Super H Constellation equipment.

Coincident with the new traffic development made possible by the Super H Constellation, including non-stop service between such terminals as: Los Angeles-New York, Los Angeles-Chicago, San Francisco-Chicago and Detroit-Los Angeles, the Company has started intensive preparation for the inauguration of service in 1961 with the newly-purchased Canadair CL-44D equipment.

A fully-staffed research department, assisted by transportation authorities from the Universities of Washington and California, is now analyzing future sources of traffic for the CL-44D aircraft, prospective rate levels and sales procedures which will be needed to provide the large increase in traffic which this new airplane can generate.

The Company believes that the CL-44D aircraft, with a ton-mile productivity nearly three times that of the Super H Constellation, will inaugurate in the next decade an advancement in property transportation which will substantially change the nation's patterns of distribution.

Just as the Company was the first domestic airline to utilize the Super H Constellation in airfreight, so it will be the first airline to fly propjet equipment in domestic freight service.

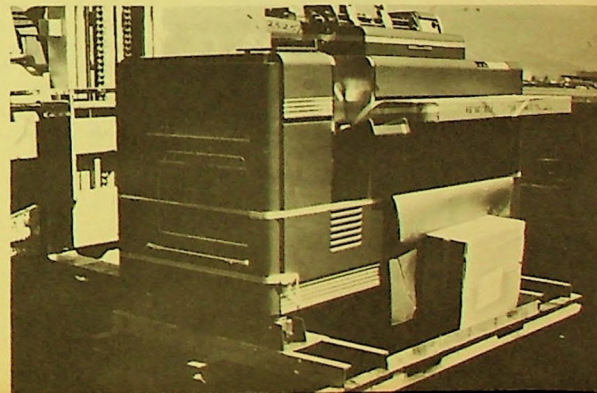
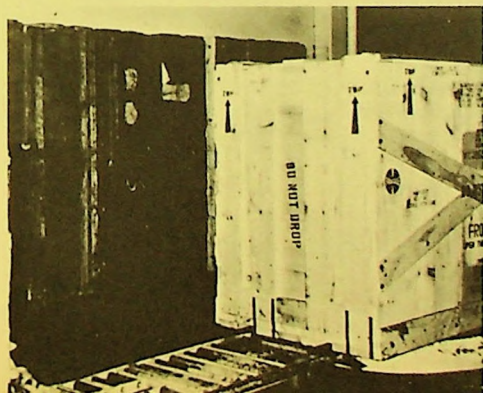
Special crane rigging equipment hoists a 13,000-pound gas turbine rotor aboard a Flying Tiger airfreighter at Philadelphia.



Shipping bucks provide lightweight transportation of jet engines, replacing the conventional steel cans formerly used. The buck permits a weight saving of nearly 3,000 pounds.



Flying Tiger's radio-controlled fleet of pickup-and-delivery trucks assure the fastest ground service for freight shippers.



The smooth ride of air freight greatly reduces the need for costly crating or packaging as these contrasting shipments of business machine equipment demonstrate. On the left is a shipment prepared for surface transportation, heavily crated. On the right is the same machine ready for air shipment, riding only on a skid and minus the crating.

## contract operations

The Company continued again this year to serve as the largest contract air carrier in overseas service.

Total business was \$20,988,439, which represented a decline from the previous year when traffic totaled \$23,107,652.

Several factors contributed to the lower volume of contract business. One was the decrease in the Company's overseas group charter flights for tourists and a second was the contraction in business from the Military Air Transport Service (MATS).

Despite this reduction, which resulted from extremely competitive conditions prevailing in both commercial and governmental fields and the unwillingness of the Company to embark on unprofitable operations, the year was not without significant results.

On its major contract, the provision of passenger and cargo airlift for MATS between the United States and the Orient, the Company achieved the most efficient operating record ever reported by a Trans-Pacific carrier. Through June, its record for on-time departures of all flights totaled 92.9 per cent. In the single month of June, this record rose to 100 per cent, the first time an airline had reported an entire month of operation without a departure delay.

The Company flew a total of 390 round trips on the Pacific during the year covering a total of 5,433,168 miles. In these operations, it transported 35,085 passengers and hauled more than 10,280,188 pounds of cargo.

On the Atlantic, the Company flew a military supply contract between the United States, England, Germany and the Azores. In this operation, it transported 4,489,285 pounds of cargo.

The military contract operations were supplemented with a considerable number of commercial flights, involving the transportation of both passengers and cargo.

In the passenger category, the airline flew 340 Korean orphans from Seoul, Korea, to the United States. On one of these flights, the airline carried the largest number of persons ever transported on an airliner—144. Of these, 121 were children, 71 being less than a year of age. Aboard were 12 attendants, including doctors and nurses, and a flight crew of 11. The flight was accomplished with complete safety to all passengers.

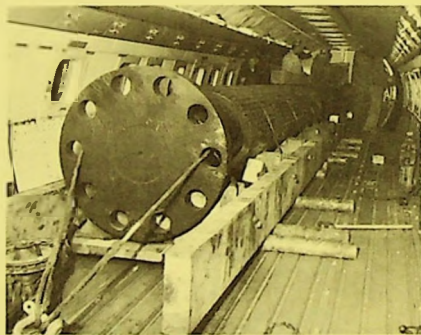
In the cargo category, the airline flew the largest single piece of airfreight ever carried, a 34,000-pound ship shaft from Newark, New Jersey to Palermo, Italy, for a disabled ship. It is significant that only the Super H Constellation equipment operated by the Company was able to handle a piece of freight of this size.

The Company also operated a number of flights from the United States to Greenland, carrying construction personnel and equipment for military base construction programs in the Arctic.

In still another large-scale cargo movement overseas, the Company's Super H Constellation aircraft flew 39,000 pounds of industrial gas-turbine rotors from Philadelphia to Venezuela for use in the Lake Maracaibo oil field.

Although such shipments are unusual, they produce a high level of revenue for the Company and the potential with the larger CL-44D equipment now on order is believed to be important. Because of the swing-tail loading design of the CL-44D and a much greater ease of loading, the Company feels that a substantial amount of new overseas charter business in large size freight can be developed for this aircraft.

Homeward bound soldiers board a Flying Tiger passenger ship at Tokyo, enroute to the United States. The airline flew more than 35,000 military personnel on its contract flights for the Military Air Transport Service last year.



Here is the largest single piece of airfreight ever flown—a 17-ton ship shaft transported from Newark to Palermo, Italy. The heavy skidding shown in the foreground was necessary to distribute the weight of the shaft along the floor of the airplane.

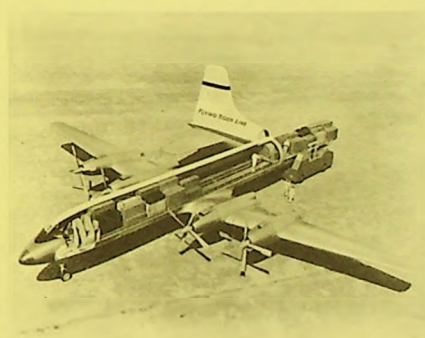
## turboprop equipment

Scale model of Flying Tiger's new airfreighter now on order for 1961 delivery—the Canadair CL-44D. With a gross weight of 205,000 pounds, it is almost 50 per cent larger than the airline's present Super H Constellation, is 136½ feet long, has a cubic capacity of 7,375 feet, will carry a payload of 66,000 pounds and will cruise non-stop coast-to-coast at 386 miles an hour.



The new CL-44D airfreighters will be delivered to the Company in the Spring of 1961. The aircraft is powered by four Rolls-Royce Tyne engines of 5,730 horsepower each. This engine represents the most advanced turbine propeller design in existence today and its future development ensures future growth of the airfreighter.

The CL-44D airfreighter has been designed to American standards, employing American systems, materials and equipment and will be certified under United States Federal Aviation Agency regulations for both passengers and cargo. One of the most outstanding features of the aircraft is its hinged tail which is hydraulically operated and permits straight-in loading of cargo and facilitates the loading and unloading of the aircraft, through the use of a mechanized loading system, in the time taken to refuel.



A principal feature of the CL-44D is the swing tail loading design, permitting straight-in loading. The tail is hinged to the fuselage and swings aside for loading, thus greatly speeding up ground service and reducing costs. There is also a large forward cargo door just aft of the nose.

In May 1959 the Company placed orders with Canadair Limited and Rolls-Royce Ltd. for ten CL-44D turboprop airfreighters and related spare parts and engines, totaling \$51,000,000.

Your Company's decision to by-pass the pure jet in favor of a turboprop aircraft as the future airfreighter was based upon careful study. The ability of the CL-44D turboprop airfreighter to operate in and out of the present airports, the low operating cost per ton mile, the favorable ratio of cubic capacity versus payload, the ability to use the aircraft for both long range as well as medium range operations, were only a few advantages that outweighed the greater speed of the pure jet aircraft. Speed is not as important in airfreight operations as in passenger operations. Nevertheless, the new CL-44D turboprop airfreighter is 100 miles an hour faster than any piston type airfreighter in existence today, and is capable of overnight delivery coast to coast in any direction with ample time to spare.

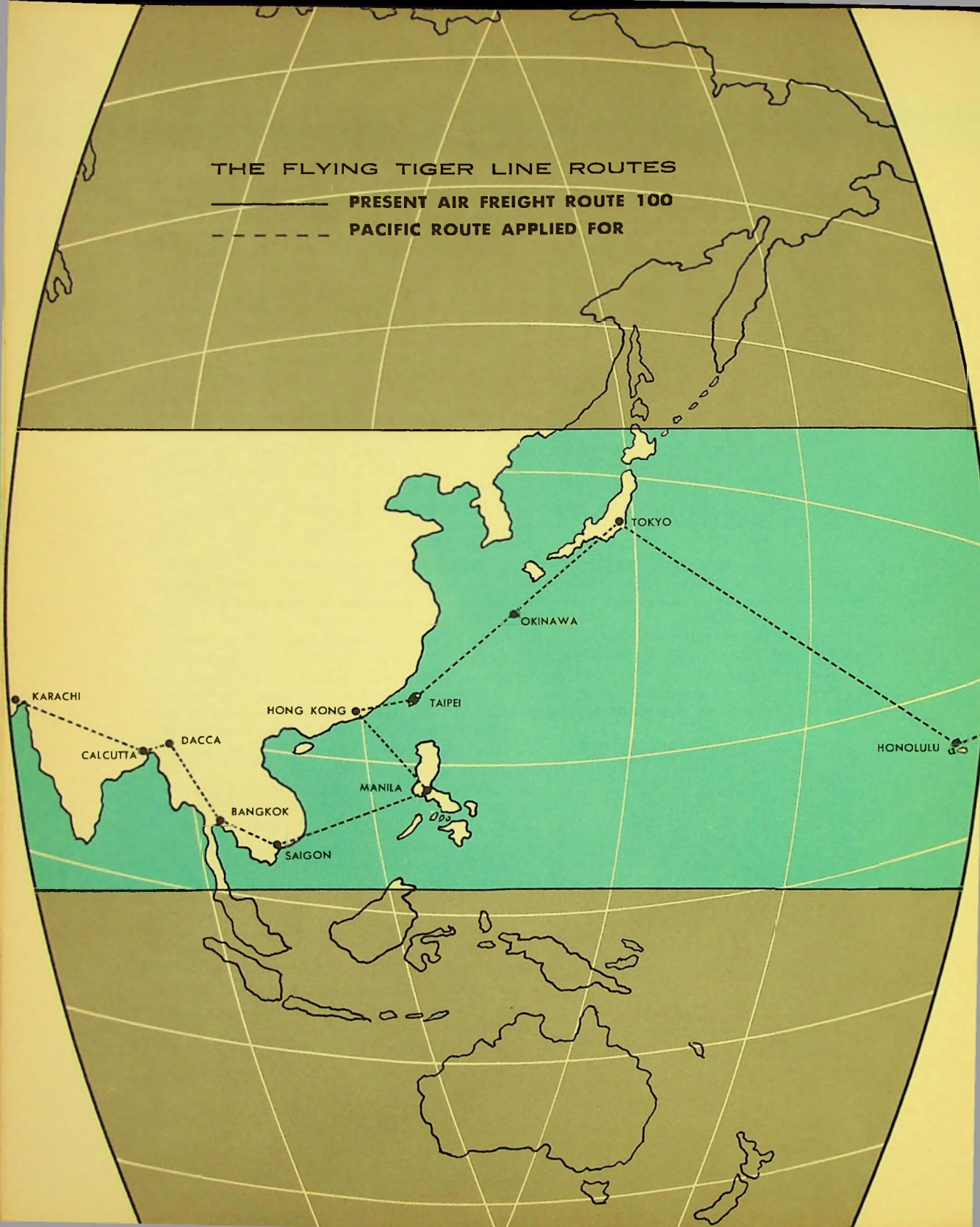
The direct operating cost per ton mile will be reduced approximately 35-40% from the present equipment operated by the Company. The economy of operation of the CL-44D airfreighter and the savings in the handling of the freight through mechanized systems, will permit the Company to compete with rates charged by surface carriers. The CL-44D aircraft compares with the 1049H Super Constellation as follows:

	1049H	CL-44D
Gross Take-off Weight—lbs. . . . .	142,000	205,000
Maximum payload—lbs. . . . .	40,000	66,000
Cubic capacity—cu. ft. . . . .	5,234	7,375
Average cruise speed—m.p.h. . . . .	289	386
Maximum range with maximum load—lbs. . . . .	2,130	2,840

THE FLYING TIGER LINE ROUTES

————— PRESENT AIR FREIGHT ROUTE 100

- - - - - PACIFIC ROUTE APPLIED FOR





## 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 specifically 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 scheduled for September 1959, the Company seeks 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. In its application for a permanent Certificate of Public Convenience and Necessity, the Company does not contend that a right to subsidy is required by all cargo carriers in order to finance their development and growth. At the present time the Company is facing strenuous competition from trunkline passenger carriers none of whom are currently receiving subsidy from the Civil Aeronautics Board. The Company is content to meet all the competition these carriers can offer as long as they do not compete with government funds from subsidy.

The Company has filed an application for a Certificate of Public Convenience and Necessity for a Trans-Pacific route which will effect an end-on-end junction with the Company's domestic trans-continental route. With a Trans-Pacific route the Company will supplement its large volume of military traffic over the route with commercial traffic.

The integration of the new turboprop CL-44D airfreighter into the Pacific area will permit a 60-70% reduction in present Trans-Pacific airfreight rates, thereby opening up large new markets, thus achieving economics and increasing volume for the domestic route.

## the outlook

Even though air cargo is the fastest growing transportation industry today, air freight profits have been marginal in relation to the investment and effort invested in the business. The principal reasons for this lack of remuneration in relation to the industry's growth are the lack of economic aircraft with low operating costs per ton mile and the lack of large volume. The introduction of the Super H Constellation airfreighter into the Company's air cargo business in 1957 was an improvement over previous equipment used. Nevertheless, the economics of this type of aircraft still did not permit the air cargo industry to break into the large volume of cargo now moving via surface carriers.

The introduction of the turboprop CL-44D airfreighter in 1961 will reduce the cost per ton mile approximately 40% and is the first step towards the "break-through" period in the air cargo industry. In introducing this aircraft into the Company's air cargo operation, the Company will be faced with solving problems that were never faced with past and present equipment. The Company will have to devise and introduce new and novel methods of operating and handling air cargo. To supply the answers to these problems, the Company has created an "Airfreight Research Division" to prepare the most detailed and comprehensive study of the problems that will be encountered in the transition from the present equipment and method of operation to the "jet age" in the air cargo industry. It is the goal of the Company to effect savings in the cost of handling air cargo equal to the savings that will be enjoyed in direct operating costs via the turboprop CL-44D airfreighter.

Although both the Federal Aviation Agency and the Subcommittee on Military operations of the House Committee on Government Operations have taken a favorable stand towards the creation and operation of a National Air Cargo Fleet which would be instantly and wholly responsive to the Military needs on a timely basis, the methods presently employed by the Military to contract out its supplemental airlift requirements are destroying the essential means of establishing such a National Air Cargo Fleet. The Company, being the operator of the major portion of the National Air Cargo Fleet and having obligated itself to provide the largest and most efficient turboprop air cargo fleet to the Military needs in both peace and war, has a vital interest in securing Military traffic at rates returning the Company a reasonable profit.

It is the intention of the Company to seek the cooperation of the Military and the Civil Aeronautics Board in controlling such rates to foster the development of a National Air Cargo Fleet.

On July 16, 1959, the Postmaster General submitted to Congress a proposed bill requesting Congress for authority to move any class of mail by air whenever it is determined to be in the public interest. The Company is supporting the Postmaster General's application on the basis that it is the first step towards a tremendous and far reaching improvement in the mail service in the United States and will greatly enhance the sound development of the air cargo industry.



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, 1959, 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, 1959, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1958.

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, 1959, 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 4, 1959

# THE FLYING TIGER LINE INC.

ASSETS	<u>1959</u>	<u>1958</u>
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 3,834,795	\$ 2,181,636
Receivables—		
Freight customers.....	1,894,213	1,488,679
Charters, service sales, etc.—		
United States Government.....	2,166,898	2,439,732
Other.....	1,184,507	1,306,449
Reserve for bad debt losses.....	(100,000)	(65,000)
Materials and supplies, at average cost.....	794,706	719,133
Prepaid insurance, rents, etc.....	285,668	195,297
Total current assets.....	<u>\$10,060,787</u>	<u>\$ 8,265,926</u>
 <b>PROPERTY AND EQUIPMENT—Notes 1 and 2:</b>		
Cost—		
Aircraft, engines and other flight equipment.....	\$30,972,921	\$26,952,795
Other equipment.....	1,266,281	1,266,414
Land and buildings.....	792,890	849,823
	<u>\$33,032,092</u>	<u>\$29,069,032</u>
Less—Reserves for depreciation.....	10,728,347	5,570,635
	<u>\$22,303,745</u>	<u>\$23,498,397</u>
Deposits on aircraft and engines on order.....	10,201,231	—
Equipment held for sale, net.....	291,325	1,023,480
	<u>\$32,796,301</u>	<u>\$24,521,877</u>
 <b>OTHER ASSETS AND DEFERRED CHARGES:</b>		
Long-term prepayments and receivables.....	\$ 406,292	\$ 631,786
Training and other costs applicable to new aircraft.....	—	398,954
Other.....	47,825	118,294
	<u>\$ 454,117</u>	<u>\$ 1,149,034</u>
	<u>\$43,311,205</u>	<u>\$33,936,837</u>

The accompanying notes are an integral part of these statements.

# BALANCE SHEETS

JUNE 30, 1959 AND 1958

LIABILITIES	<u>1959</u>	<u>1958</u>
<b>CURRENT LIABILITIES:</b>		
Current installments of debt.....	\$ 3,307,633	\$ 3,266,409
Accounts payable and accrued liabilities.....	3,983,111	3,333,213
Federal income taxes.....	321,000	—
Reserve for vacations.....	349,268	328,665
Advance charter deposits.....	250,690	267,103
Total current liabilities.....	<u>\$ 8,211,702</u>	<u>\$ 7,195,390</u>
<b>LONG-TERM DEBT—Notes 2, 3 and 4:</b>		
Bank loans, secured by 1049-H aircraft and engines, bearing interest at rates varying from 5% to 6%, less current installments included above.....	\$ 5,950,738	\$ 8,428,542
5½% debentures due 1967 (subordinate).....	—	2,724,000
Series A 5½% debentures due 1967 (subordinate).....	500,000	500,000
5½% note, exchanged in August, 1959 for Series B 5½% debentures due 1974 (subordinate).....	3,000,000	—
Equipment purchase obligations— 5½% notes due 1961 (to be refunded with equipment trust certificates). Other.....	6,531,200 156,441	— 195,893
	<u>\$16,138,379</u>	<u>\$11,848,435</u>
<b>DEFERRED CREDITS AND NONCURRENT LIABILITIES:</b>		
Deferred income taxes.....	\$ 2,484,000	\$ 1,929,978
Deferred income, etc.....	150,067	576,368
Maintenance liability—leased airframes and engines.....	221,622	210,642
	<u>\$ 2,855,689</u>	<u>\$ 2,716,988</u>
<b>CAPITAL STOCK AND SURPLUS:</b>		
Preferred shares— Authorized, 500,000 shares of \$10 par value Outstanding, 99,112 shares Series A, five per cent cumulative.....	\$ 991,120	\$ 991,120
Common shares— Authorized, 2,000,000 shares of \$1 par value (at June 30, 1959, 314,515 shares were reserved for conversion of debentures and 70,000 shares for stock options)—Notes 3 and 5 Outstanding, 1,347,134 shares.....	1,347,134	983,635
Capital surplus.....	6,065,421	3,448,855
Earned surplus (Note 4).....	7,701,760	6,752,414
	<u>\$16,105,435</u>	<u>\$12,176,024</u>
	<u>\$43,311,205</u>	<u>\$33,936,837</u>

The accompanying notes are an integral part of these statements.

# STATEMENTS OF INCOME AND SURPLUS

FOR THE YEARS ENDED JUNE 30, 1959 AND 1958

## STATEMENTS OF INCOME

	<u>1959</u>	<u>1958</u>
<b>OPERATING REVENUES:</b>		
Scheduled freight operations.....	\$13,315,698	\$ 9,595,074
Charters, service sales, etc.....	21,264,238	24,265,475
Total.....	<u>\$34,579,936</u>	<u>\$33,860,549</u>
<b>OPERATING EXPENSES:</b>		
Flying operations.....	\$12,581,150	\$14,255,568
Ground operations.....	3,424,136	3,553,051
Maintenance.....	8,455,587	7,569,449
Sales, advertising and publicity.....	1,245,137	1,518,105
General and administrative.....	1,898,418	1,484,371
Depreciation and amortization.....	4,169,119	4,080,432
Total.....	<u>\$31,773,547</u>	<u>\$32,460,976</u>
Net income from operations.....	<u>\$ 2,806,389</u>	<u>\$ 1,399,573</u>
<b>OTHER (INCOME) AND EXPENSE:</b>		
Interest expense.....	\$ 774,958	\$ 803,672
Amortization of debt discount and expense.....	16,558	17,623
Miscellaneous (net).....	38,733	(277,500)
Total.....	<u>\$ 830,249</u>	<u>\$ 543,795</u>
Net income before Federal income taxes.....	<u>\$ 1,976,140</u>	<u>\$ 855,778</u>
<b>PROVISION FOR FEDERAL INCOME TAXES—Note 7.....</b>	<b>965,000</b>	<b>412,000</b>
Net income.....	<u>\$ 1,011,140</u>	<u>\$ 443,778</u>
<b>SPECIAL ITEM:</b>		
Gain on disposals of aircraft, less provision of \$52,000 and \$288,000 for income taxes in respective years, etc.....	380,226	864,004
Net income and special item.....	<u>\$ 1,391,366</u>	<u>\$ 1,307,782</u>
<b>CAPITAL SURPLUS</b>		
<b>BALANCE AT BEGINNING OF YEAR.....</b>	<b>\$ 3,448,855</b>	<b>\$ 3,448,855</b>
<b>ADD—</b>		
Surplus arising from conversion of 5½% debentures into 314,318 common shares.....	2,273,283	—
Excess of fair value of stock dividend of 49,181 shares over par value...	343,283	—
<b>BALANCE AT END OF YEAR.....</b>	<u><b>\$ 6,065,421</b></u>	<u><b>\$ 3,448,855</b></u>
<b>EARNED SURPLUS</b>		
<b>BALANCE AT BEGINNING OF YEAR.....</b>	<b>\$ 6,752,414</b>	<b>\$ 5,494,188</b>
<b>ADD—</b>		
From accompanying statement—		
Net income.....	1,011,140	443,778
Special item.....	380,226	864,004
Total.....	<u>\$ 8,143,780</u>	<u>\$ 6,801,970</u>
<b>DEDUCT—</b>		
Cash dividends on preferred stock—fifty cents per share.....	\$ 49,556	\$ 49,556
Five per cent common stock dividend—49,181 shares at fair value of \$7.98 per share.....	392,464	—
Total.....	<u>\$ 442,020</u>	<u>\$ 49,556</u>
<b>BALANCE AT END OF YEAR (Note 4).....</b>	<u><b>\$ 7,701,760</b></u>	<u><b>\$ 6,752,414</b></u>

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS—JUNE 30, 1959

### (1) Aircraft:

At June 30, 1959, the company's fleet consisted of the following:

Type	Owned	Under Contracts	Total
1049-H.....	12	2	14
C-46—			
Operated.....	1	—	1
Leased to others.....	2	—	2
Held for sale.....	5	—	5
	<u>20</u>	<u>2</u>	<u>22</u>

Under the contracts covering the use of two 1049-H 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, 1959 would have aggregated \$3,566,374 for the two aircraft.

Four C-46 aircraft have been sold since June 30, 1959.

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:

Prior to June 30, 1959, the Company entered into purchase agreements for ten Canadair turboprop aircraft, with spare parts and engines, for delivery early in 1961, at a total cost of approximately \$51,000,000, to be financed principally by equipment trust certificates due 1961-1966, under equipment trust agreement dated June 1, 1959. The Company has also entered into a commitment for long-term lease of airport terminal facilities requiring payments of approximately \$80,000 annually, commencing in 1962.

### (3) Debentures:

The Company issued \$5,000,000 principal amount of Series B 5½% debentures due 1974 (subordinate) in August, 1959, including \$3,000,000 exchanged for a 5½% note. The Series A and Series B debentures are redeemable at a premium of 10%, and are convertible into common stock until June 27, 1967 currently at a price of \$13.61 per share for the Series A debentures, and until June 27, 1969 at an initial price of \$18.00 for the Series B debentures.

### (4) Restrictions under debt agreements:

The bank credit agreement, the debenture indentures, and the equipment trust agreement include restrictive provisions as to cash dividends on common stock, working capital, borrowings, capital expenditures, etc. Under the most restrictive of these provisions, the earned surplus at June 30, 1959 was restricted as to cash dividends on common stock.

### (5) Capital stock options:

Options have been granted to certain key employees to purchase 68,200 shares of the Company's common stock, at a price of approximately \$8.523 per share, exercisable during the period from August 20, 1960 to February 20, 1961.

### (6) Profit-sharing plan:

Provisions made under the Company's profit-sharing and retirement plan amounted to \$204,428 and \$100,000 for the respective years 1959 and 1958.

### (7) Federal income taxes:

Provision for Federal income taxes for the respective years 1959 and 1958 includes \$687,000 and \$412,000 deferred through the deduction of accelerated depreciation for tax purposes. Federal income tax returns for the years 1952 through 1958 are presently being examined by the Internal Revenue Service, but the Company's management and its counsel believe that no material income tax deficiencies will be payable for these years.

## THE FLYING TIGER LINE INC.

### officers—

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

### directors—

SAMUEL B. MOSHER . . . . .	Chairman of the Board
	<i>Chairman of the Board of Signal Oil &amp; Gas Company, Los Angeles</i>
RUTH AXE . . . . .	President, Axe Securities Corporation, New York
ALLEN T. CHASE, . . . . .	President, Standardized Aircraft, Inc., Los Angeles
JOHN C. COSGROVE . . . . .	Executive Vice-President,
	<i>Marsh &amp; McLennan-Cosgrove &amp; Co., Los Angeles</i>
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  
660 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.  
Los Angeles, Calif.

### 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.

60-74 Broadway  
Albany 4-8223

### BINGHAMTON, N. Y.

Broome County Airport  
Raymond 9-1591

### BOSTON, MASS.

Logan International Airport  
Logan 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-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

### LONDON, ENGLAND

7 Jermyn Street  
Trafalgar 1822

### LOS ANGELES, CALIF.

Lockheed Air Terminal, Burbank  
Triangle 7-3411

### MIAMI, FLA.

141 N. E. Third Ave.  
Franklin 1-3293

### 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.

2165 Kurtz St.  
Cypress 6-6273

### 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

### TOLEDO, OHIO

1831 E. Manhattan Blvd.  
Cherry 4-4276



SHIP WITH THE LEADER - IT COSTS  
NO MORE THAN ORDINARY AIR FREIGHT!