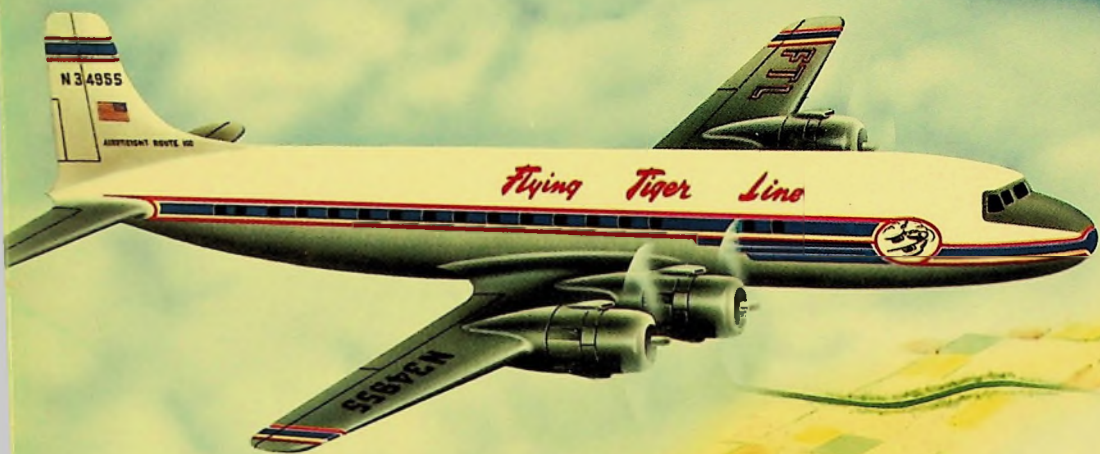


# *Annual Report*



*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*

<i>We Received from Customers</i>		\$25,735,697
<i>We Paid Out or Set Aside Funds for:</i>		
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>
<i>Leaving</i>		\$ 1,274,559
Profit on sales of equipment and miscellaneous income		<u>1,718,596</u>
<i>Gain Before Income Taxes</i>		\$ 2,993,155
<i>Federal Income Taxes</i>		<u>1,140,000</u>
<i>Net Gain</i>		\$ 1,853,155
<i>Gain per Common Share before Taxes</i>		83.75
<i>Gain per Common Share after Taxes</i>		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

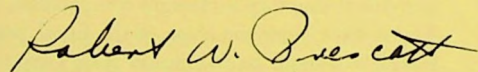
of both Flying Tigers and Slick, we shall establish our right to renewals.

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,



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

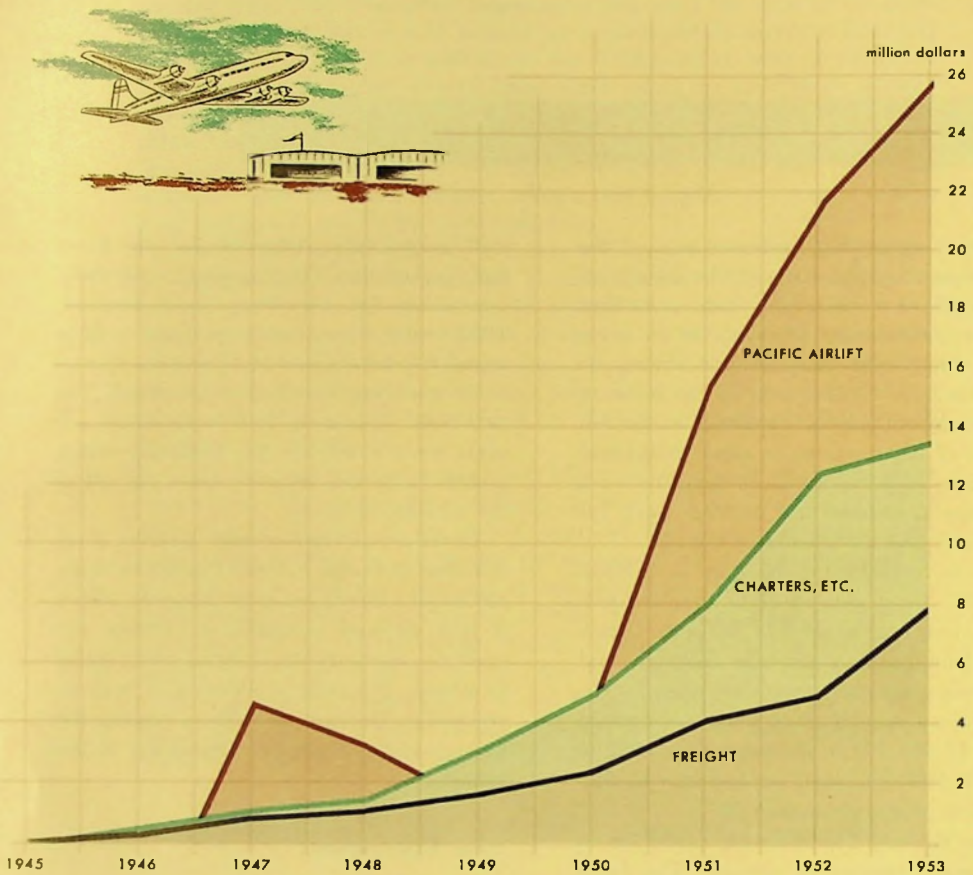
well as military airfreight for the Army and the Airforce. The Company commenced operations for the Navy in September, 1952 under a contract to perform a daily round trip from Coast to Coast on a special route carrying materiel at a record low unit cost. During the year to the extent aircraft were available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

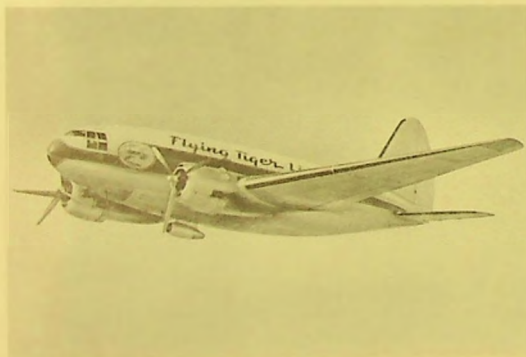
A Flying Tiger plane loads for another trip to Tokyo.





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

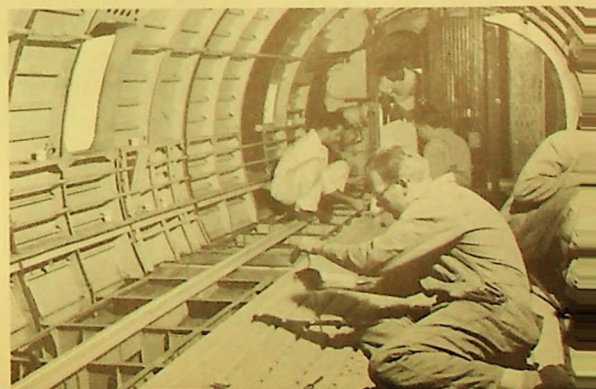
those of the preceding year. Net income, including special income and after taxes and preferred dividends, totaled \$1,803,000, equal to \$2.30 per share on the 784,452 shares of common stock outstanding. For fiscal 1952, net profit totaled \$1,561,695, equal to \$1.95 per share. The losses incurred 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.

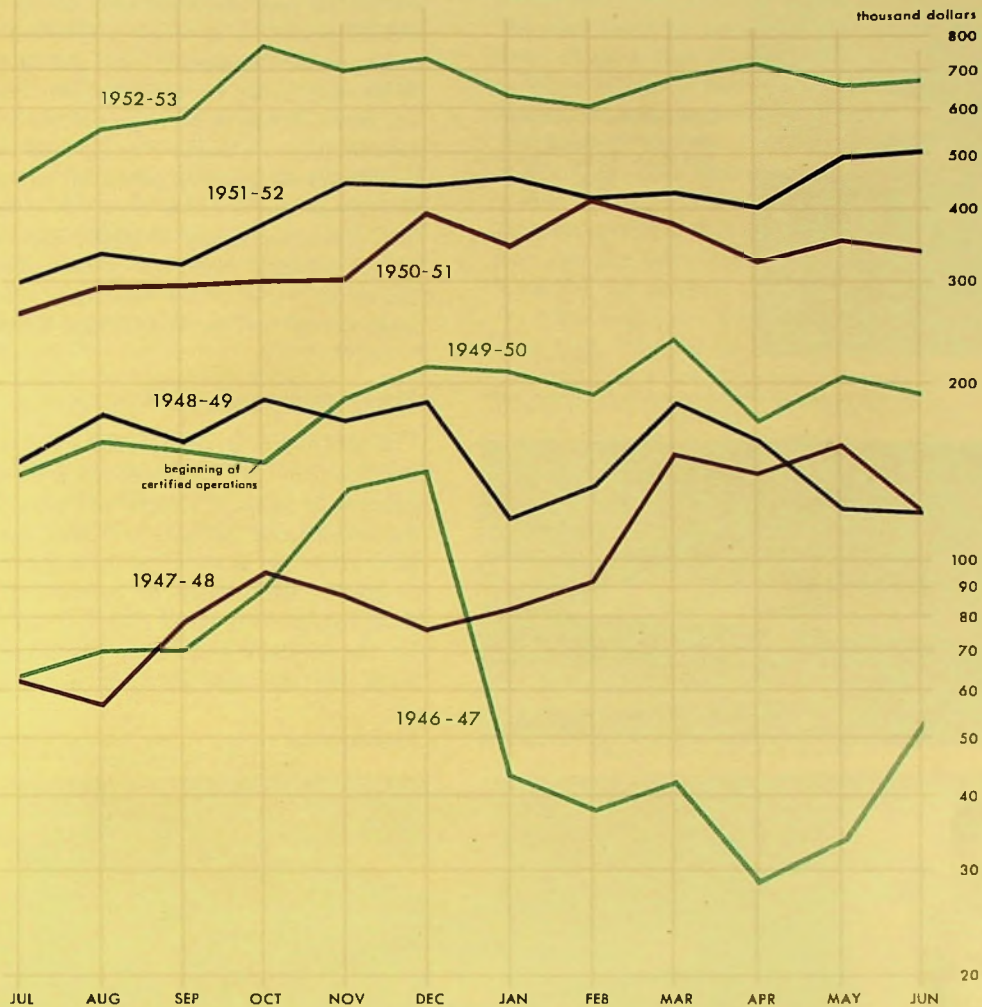
The growth in volume has been well spread over the whole system. As a result the average load factor for common carriage freight for the year has been maintained at 79%. Eighteen of the twenty-six sales offices showed impressive increases in business over the previous year. The highest increases in dollar 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



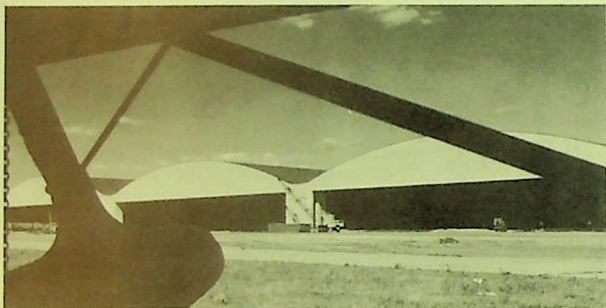
### *Airfreight Revenue*

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.

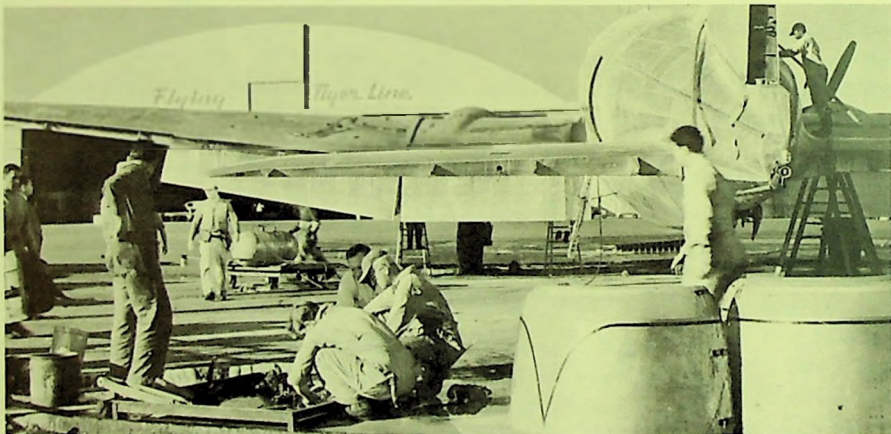


end of the year airfreight at a rate of one million pounds a year was originating on points on the Company's route and carried to gateway points for transshipment. About the same amount of tonnage was being delivered to the Company by international carriers at the gateway points for carriage to domestic 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.

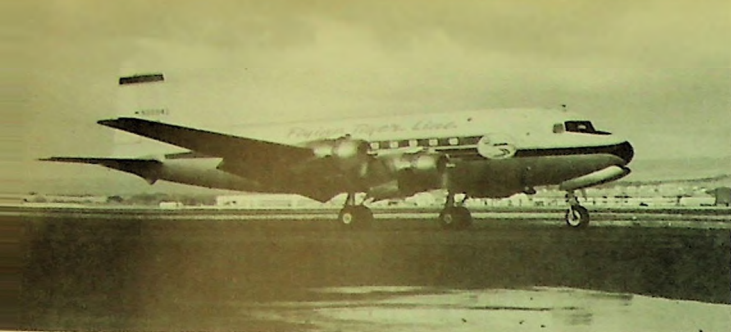
Route 101 overlays Route 100 in the California area, over portions of the Middle West and Eastern Seaboard areas and in Maine. The entire California and Maine areas are included on both routes. The areas in brown enclosed by the blue line in the Middle West and Eastern Seaboard areas are on Route 101 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



*airfreight route 100—airfreight route 101*  
*(additions in event of merger)*



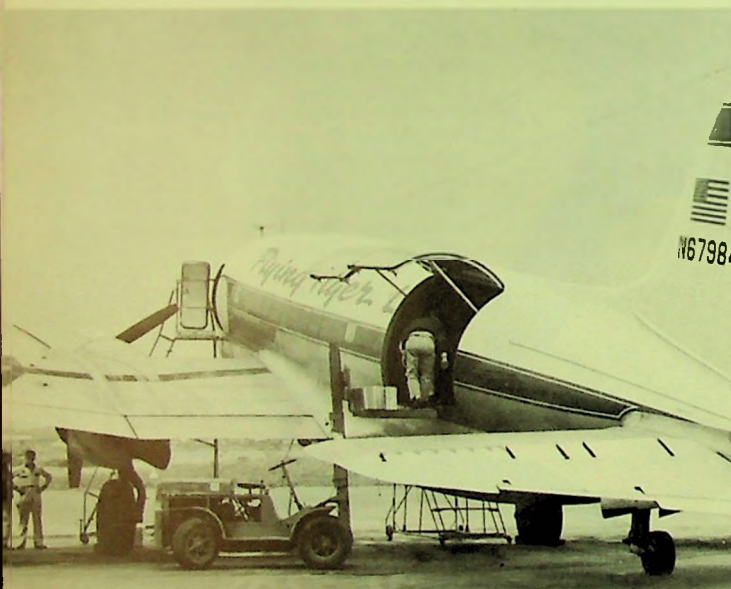


DC-6A aircraft are soon to join the Flying Tiger fleet.

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-

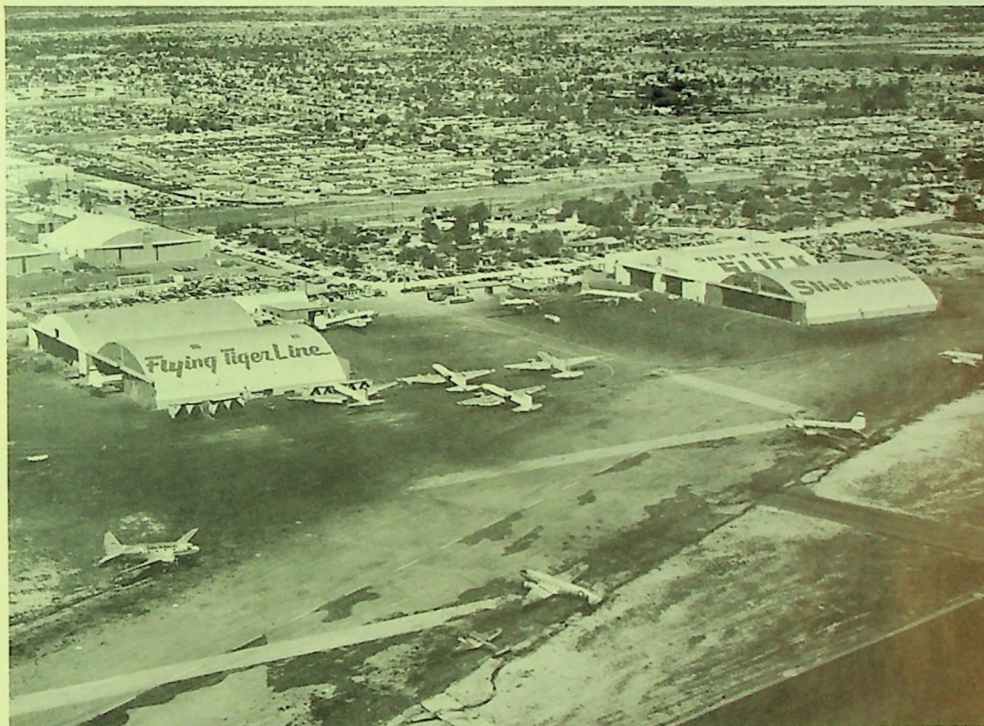
tween the eastern seaboard and California. In addition, while Tigers also serves the Pacific Northwest on its Route 100, Slick also serves the Texas area on its Route 101. The combined route structure is shown on the accompanying map.

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.

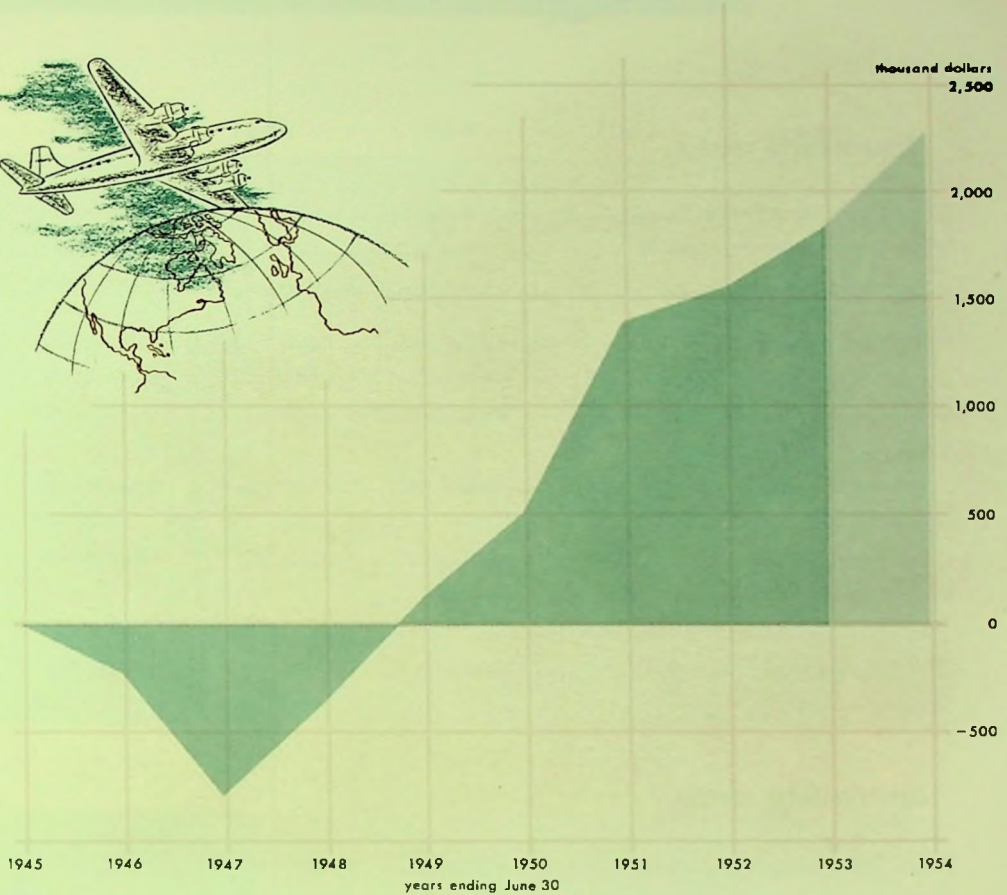
As the existing contract work for the Military Establishment phases out, the Company must find new work for its contract fleet of aircraft. There will undoubtedly be a period of re-adjustment before the new military programs materialize to provide new work or before the fleet is moved into contract work 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>\$ 1,347,593</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

	1953	1952
<b>Balance at Beginning of Year</b> (representing proceeds from sale of common stock over par value thereof)	\$1,728,839	\$1,728,839
<b>Add:</b>		
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	—
<b>Balance at End of Year</b>	<u>\$1,732,398</u>	<u>\$1,728,839</u>

### earned surplus

<b>Balance at Beginning of Year</b>	\$1,238,512	\$ 696,851
<b>Add:</b>		
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	—
Total	<u>\$3,095,877</u>	<u>\$2,258,546</u>
<b>Deduct:</b>		
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
Cash dividends on preferred stock, Series A, 50 and 25 cents per share in respective years	49,517	24,704
Total	<u>\$ 49,517</u>	<u>\$1,020,034</u>
<b>Balance at End of Year</b> (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>
	\$ —

#### 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