

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 1952

The Flying Tiger Line Inc.

HIGHLIGHTS

Of the Year's Operation

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

<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.

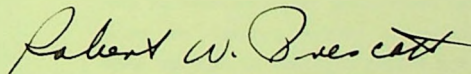
In our Annual Report for last year we announced the purchase of seven DC-6A Liftmaster Airfreighters from the Douglas Aircraft Company. In your management's opinion these four-engined aircraft are the most efficient available in the foreseeable future for operation over the Company's domestic route. 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.

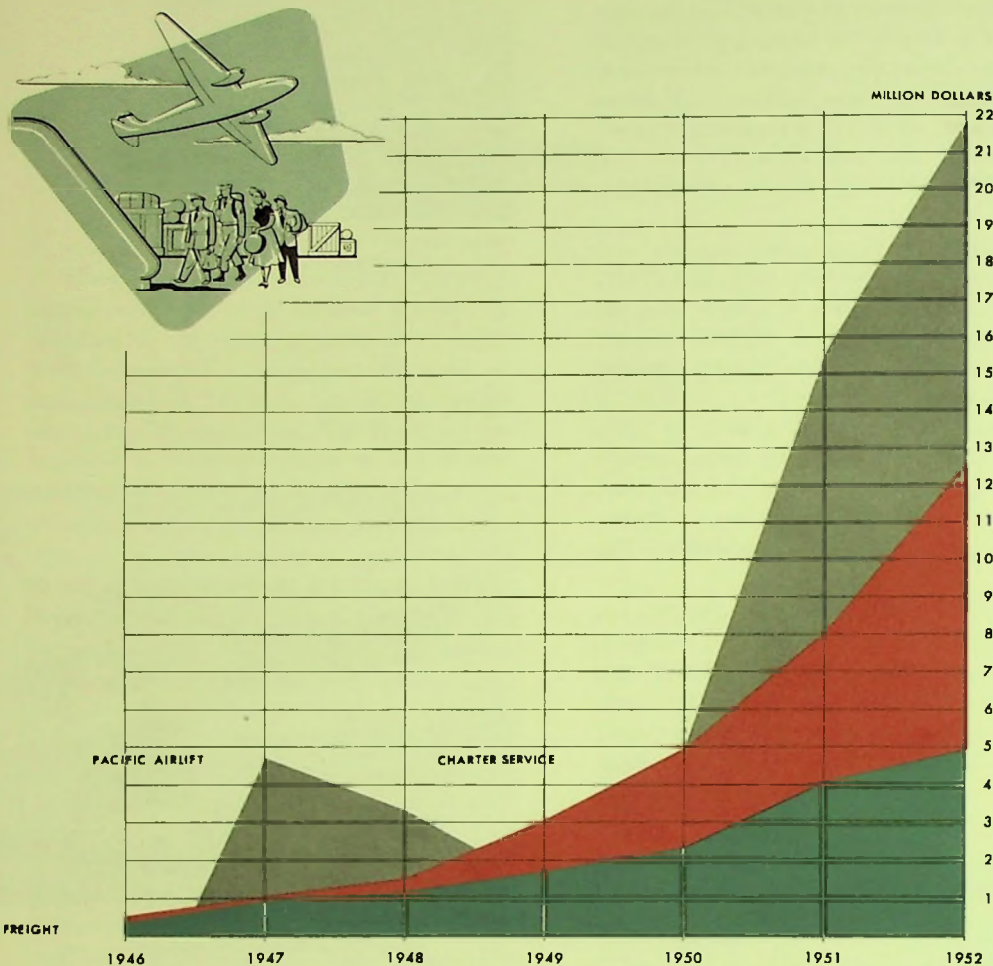


Flying Tiger Line initiates airfreight service to the Pacific Northwest.



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

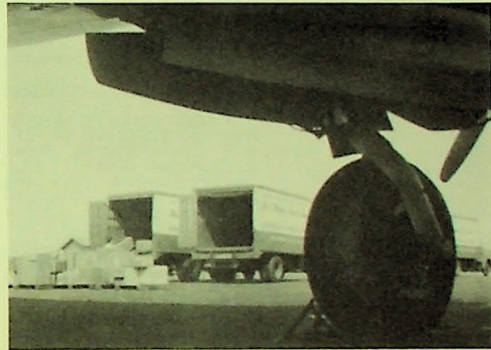
The Company has developed a system of "hub trucking" to provide the same airfreight service to outlying cities as is provided at the points directly served by the Company. Airfreight originating or destined to cities within short trucking distance of the airports served by the Company can be trucked 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

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.

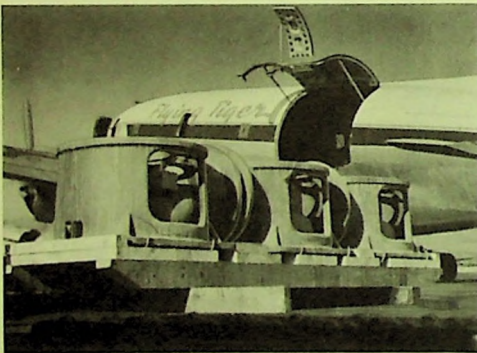
Despite the traditional "off-seasons" in transportation, the Company has been able

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.

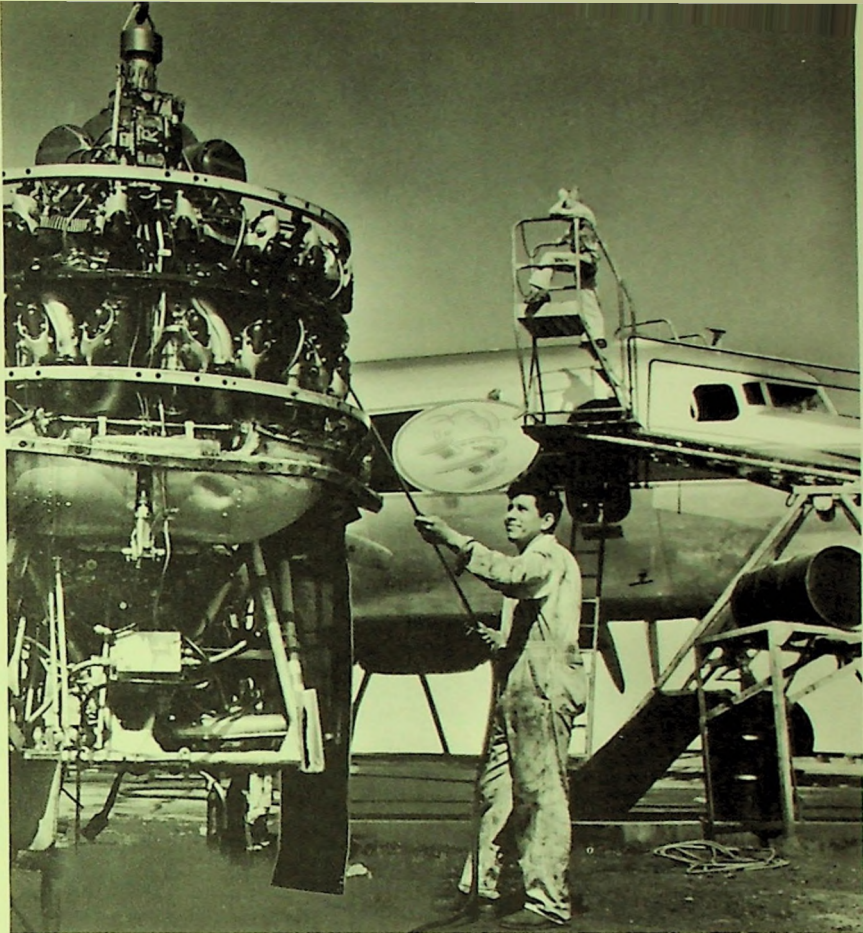
Directional rates providing lower rates east-

Shipment of naval gear for the mobilization program.



Modern fork lifts load a variety of airfreight.



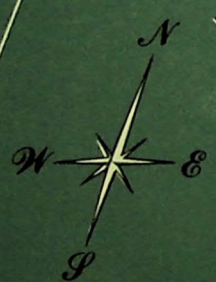
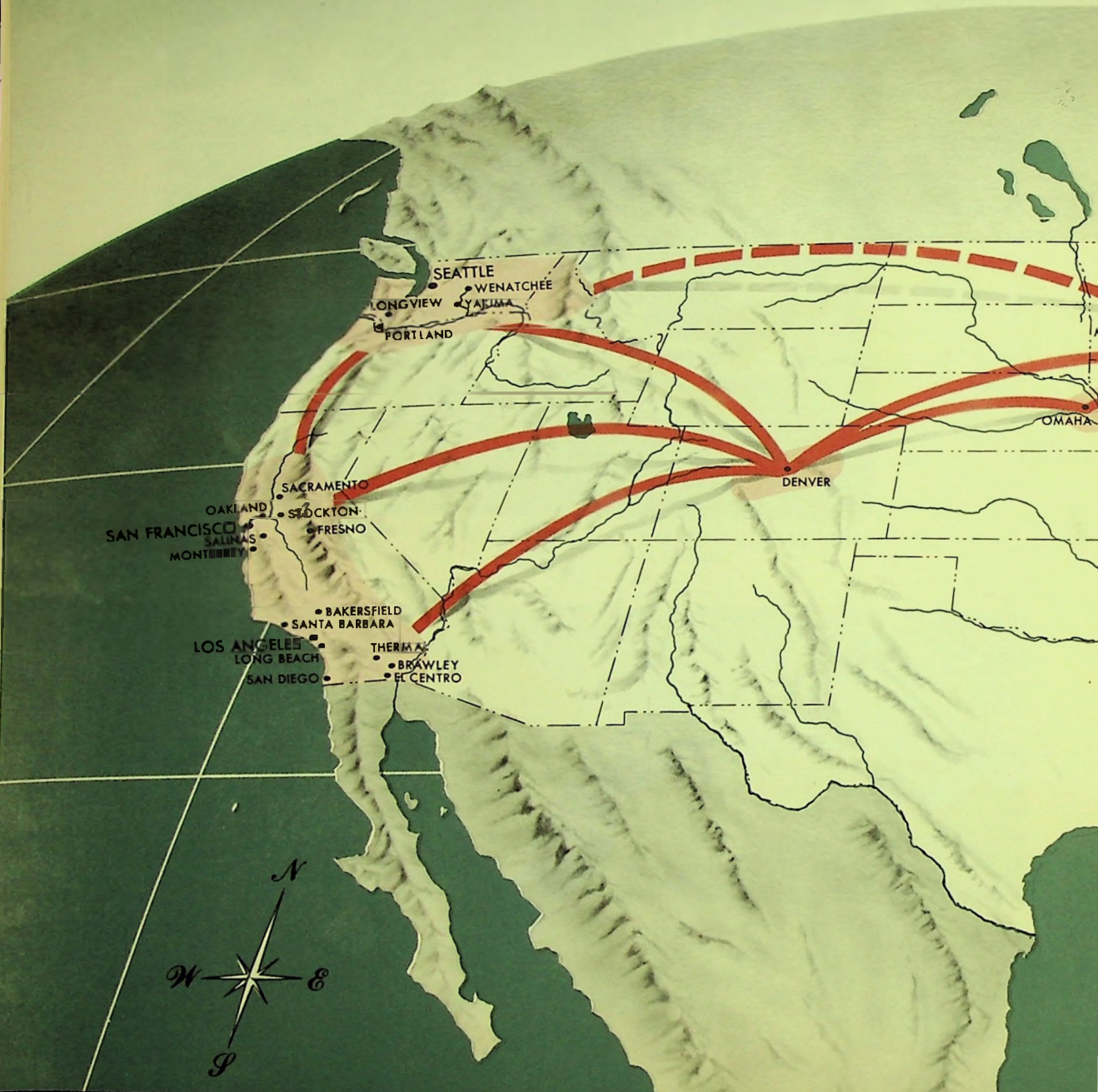


Rapid engine changes help keep Tiger planes at a high utilization level.



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

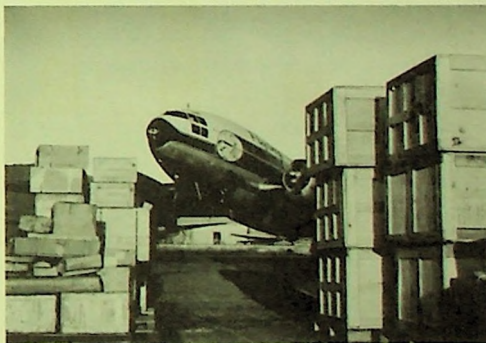
volume carried by the Company by approximately 60%.

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

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

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.

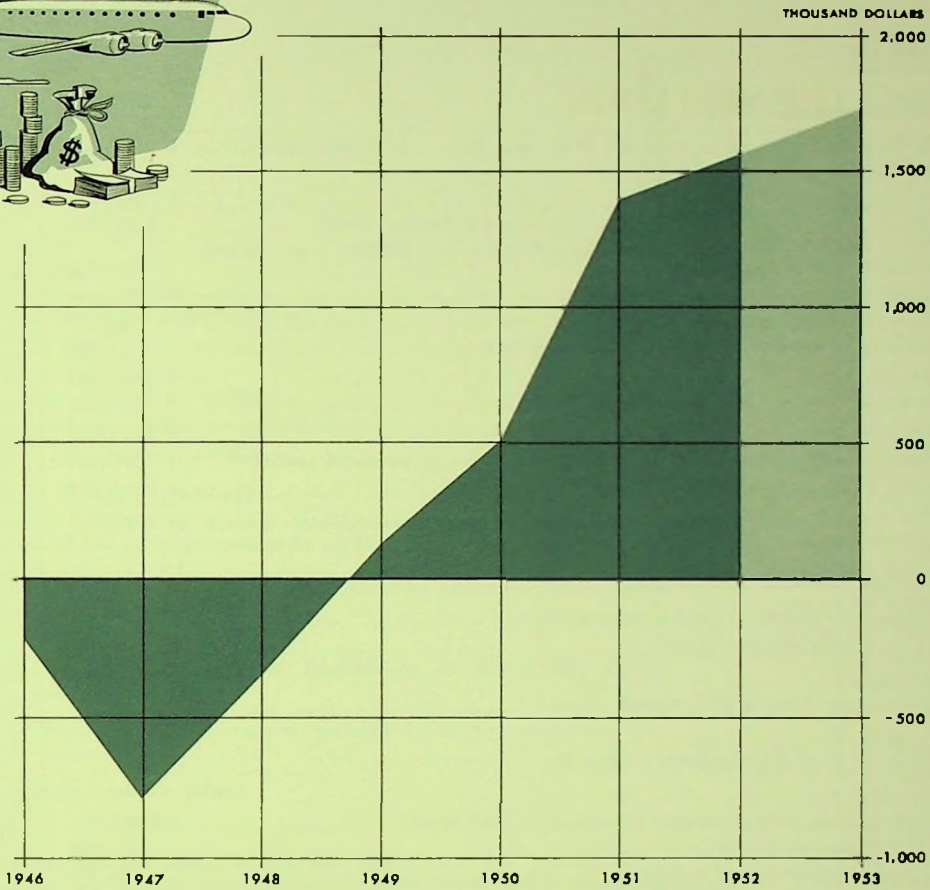
If this Company is to gain a full measure of growth it must overcome the handicaps of the one-sided competitive struggle in which it is engaged with the mail and passenger carrying airlines. These airlines continue to receive extraordinarily high rates of pay for carrying the United States mail and parcel 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
Current Assets:		
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
Investments and Advances:		
Subsidiary companies, at cost less reserve (Note 1)	\$ 84,594	\$ 73,241
Other security investment, at cost	5,000	—
	\$ 89,594	\$ 73,241
Deposit on New Equipment (Note 3)	\$ 250,000	\$ —
Property and Equipment (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
Debt Discount and Expense (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
Current Liabilities:		
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
Long-Term Notes Payable:		
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
Commitments and Contingent Liabilities at June 30, 1952 (Notes 3, 4 and 5)		
Unearned Income (charter revenue applicable to future periods, less provision for income taxes).....	\$ —	\$ 4,500
Capital Stock and Surplus:		
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
Operating Revenues:		
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>
Operating Expenses and Costs:		
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>
Other Income and Deductions*:		
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>
Provision for Taxes Based on Income:		
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>
Special Item:		
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
Balance at Beginning of Year (Surplus or Deficit *)	\$ 696,851	\$ 703,021*
Add or Deduct:		
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*	—
Balance at End of Year (Surplus)		
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
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Elmhurst 1-4815
- ROCHESTER, N. Y.**
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- SAN DIEGO, Calif.**
1803 Pacific Highway
Telephone—Franklin 6504
- SAN FRANCISCO, Calif.**
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106 Harbor Street
Telephone—76-6255
- TOLEDO, Ohio**
618 Broadway
Telephone—Garfield 4276
- WASHINGTON, D. C.**
201 Shoreham Building
Telephone—Sterling 5959

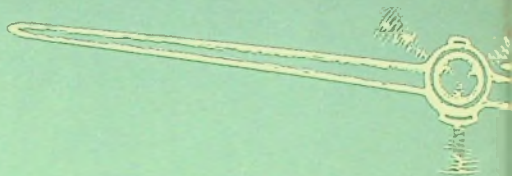
SALES AGENCY OFFICE

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