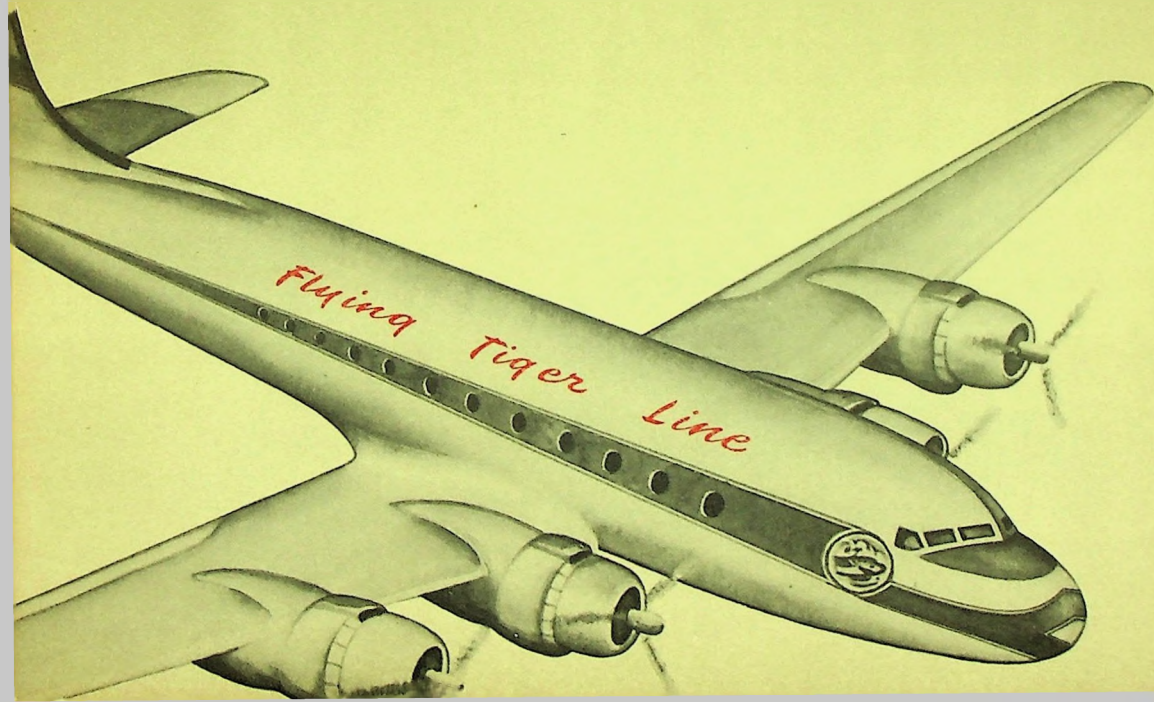


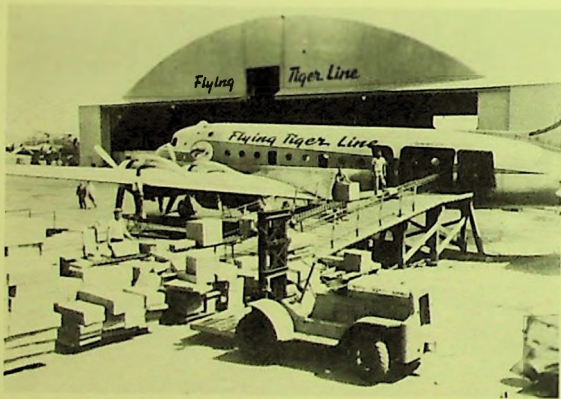
The Flying Tiger Line Inc.

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30

1950







Summary

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



Samuel B. Mosher



Fred Benninger



William E. Bartling



Norman L. Meyers



Robert W. Prescott



George T. Cussen



Robert P. Hedman

DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

ALLEN T. CHASE

JAMES E. DAVIDSON

HARLAN B. ELDRID

ROBERT W. PRESCOTT

HOUSTON REHRIG

T. J. SULLIVAN

OFFICERS

President ROBERT W. PRESCOTT

Secretary-Treasurer FRED BENNINGER

Vice-President of Sales GEORGE T. CUSSEN

Vice-President of Traffic WILLIAM E. BARTLING

Vice-President ROBERT P. HEDMAN

Assistant Secretary-Treasurer HOWARD FINNEY

Assistant Secretaries NORMAN L. MEYERS

ELMER E. BATZELL

RICHARD H. KEATINGE

EXECUTIVE OFFICES

Lockheed Air Terminal

Burbank, California

Telephone: STANley 7-3411

Teletype:

CHarleston 6-7444

Burbank 7588

Cable Address—"FLYTIGER"

TRANSFER AGENT

Chase National Bank of New York

18 Pine Street, New York 5

REGISTRAR

Bankers Trust Company

16 Wall Street, New York 5

GENERAL COUNSEL

Norman L. Meyers

Shorcham Bldg., Wash., D. C.

Your Officers

President's Letter

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

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

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

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

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

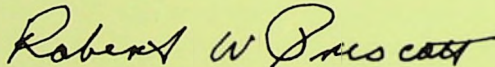
Moreover, in addition to the improvements in the Company's main business of certificated common carriage of airfreight, your Management has made aggressive strides in other directions to diversify and increase the income of the Company. The Maintenance Sales Division has shown considerable gain in the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

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

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

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

For the Board of Directors



ROBERT W. PRESCOTT, *President.*

23 August 1950

First Year of Scheduled Operations

NEW SCHEDULES

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

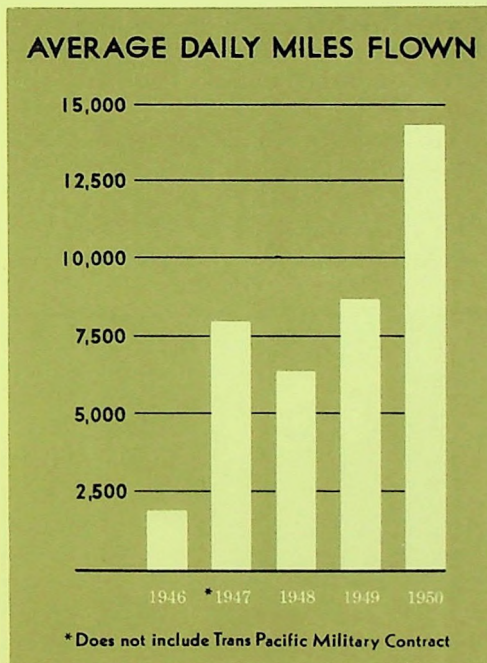
Prior to receiving our Certificate of Public Convenience and Necessity we operated two daily transcontinental schedules. Operating

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

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

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

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



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

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

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

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

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

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

NEW STATIONS

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

VOLUME INCREASE

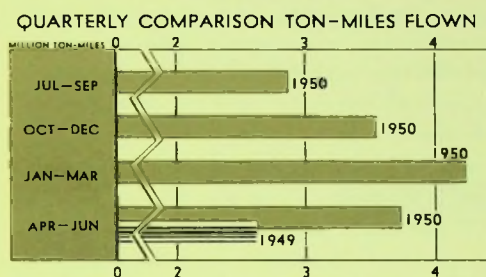
The past fiscal year evidences a progressive growth in airfreight volume. To a major extent this is attributable to the increasing number of cities in which service has been undertaken following certification. Steady increases have been evident, however, in cities where service has been in existence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

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



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

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



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

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

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

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

EQUIPMENT

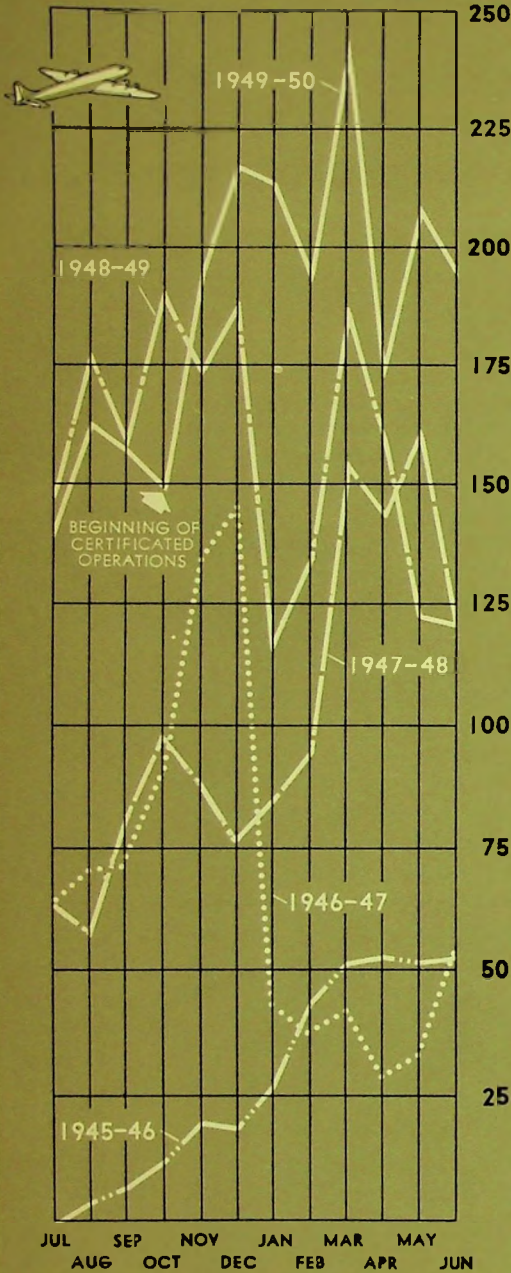
Whereas formerly the Company used only DC-4 cargo aircraft for its scheduled service, it has added to its fleet in the past year C-46 Commando type aircraft. The C-46's have been acquired through lease from the U. S. Air Force. The C-46 aircraft has a smaller payload capacity (13,500 pounds) than the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

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



AIR FREIGHT REVENUE

THOUSANDS OF DOLLARS



Revenue and Sales

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

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

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

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

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

ities which can be profitably attracted to airfreight.

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

Financial Results

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

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

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

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

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

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

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

Air Freight The Flyer



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

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

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

1. The terminal point Los Angeles, Calif., the intermediate points Bakersfield, Calif., Salinas, Monterey, Calif., Santa Barbara, Calif., San Francisco, Calif., Stockton, Calif., and Thermal, Calif.;
2. The intermediate points Longview, Wash., Wenatchee, Wash., and Yakima, Wash.
3. The intermediate point Denver, Colo.
4. The intermediate points Chicago, Ill., Cleveland, Ohio, Detroit, Mich., Fort Wayne, Ind., Memphis, Tenn., New York, N. Y., Philadelphia, Pa., Providence, R. I., and Rochester, N. Y.;
5. The intermediate points Albany, N. Y., Bangor, Me., Buffalo, N. Y., and Burlington, Vt.;
6. The intermediate point Newark, N. J., Philadelphia, Pa., Providence, R. I., and Rochester, N. Y.;
7. The intermediate point Portland, Maine, and the terminal point Portland, Maine;
8. The intermediate point Honolulu, Hawaii.

The carrier herein authorized is subject to the following terms, conditions, and limitations, except as temporary provisions may require otherwise:

(1) The holder shall render service as authorized herein between any two points not consecutively named herein between which scheduled passenger service between any two points not consecutively named herein is authorized herein, without compliance with the provisions of Part 202 of the Federal Aviation Regulations.

(2) The holder may render service to and from each of the points named herein, except as temporary provisions may require otherwise.

(3) The holder shall not carry property shipped by Railway Express Agency, Inc. pursuant to the exemption authorization contained in Order Serial No. 911, dated March 11, 1941, as amended by Order Serial No. 3149, dated September 2, 1946.

(4) The holder may transport, as the representative of the shipper, one or more shipments with each shipment of live animals, live birds, and live reptiles when necessary for the protection of the shipment, other than the shipment, and may not be transported from the destination of the shipment to its origin or otherwise.

(5) The holder shall not carry property shipped by Railway Express Agency, Inc. pursuant to the exemption authorization contained in Order Serial No. 911, dated March 11, 1941, as amended by Order Serial No. 3149, dated September 2, 1946.

The carrier of the provisions granted by this certificate shall be subject to such other reasonable terms, conditions, and limitations required by the public interest as may from time to time be provided by the Board.

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

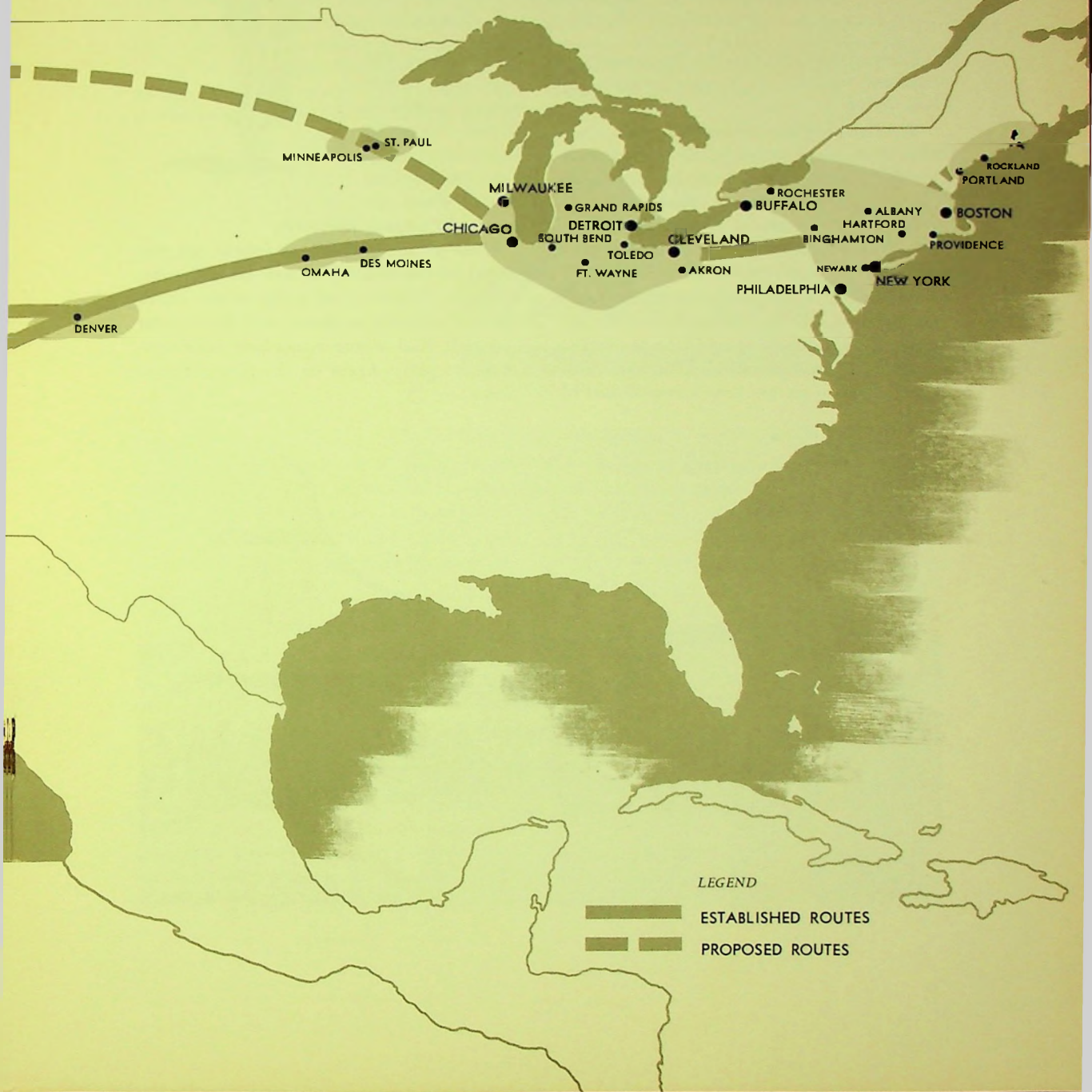
IN WITNESS WHEREOF, the Civil Aeronautics Board has caused this certificate to be executed by its Chairman and the seal of the Board to be affixed herein, attested by the Secretary of the Board, on the 29th day of July, 1949.

(SEAL)
ATTEST:
/s/ M. C. Holligan
Secretary

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

Flight Route 100

King Tiger Line Inc.



Overseas Operations

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

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

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

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

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



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

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

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

Military Lift

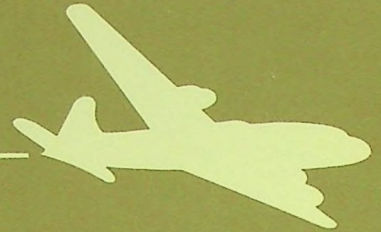
The Korean conflict broke out just at the end of the fiscal year. In response to a request from the Air Force for equipment and personnel available without destructive effect upon carriers, Tigers curtailed its European activities as quickly as possible, and put several of its DC-4s into the Air Force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

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

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

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





The Outlook

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

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

will be at the disposal of the defense authorities.

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

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

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

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

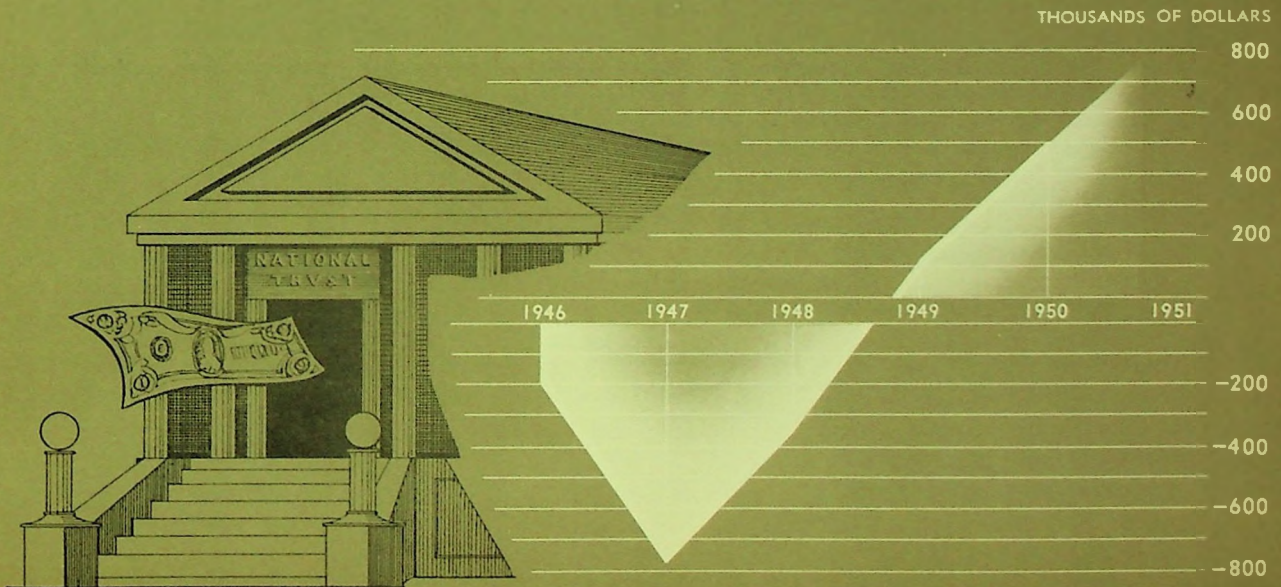
Legislation is now before the Congress to require a separation of subsidy from mail pay. The separation proposal has received the endorsement of President Truman, of the Hoover Commission and many other organizations interested in good government. The likely passage of this legislation will be the first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

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

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

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

THE UPWARD TREND - NET OPERATIONS



The Flying 7

BALANCE SHEETS

Assets

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

Ever Line Inc.

JUNE 30, 1950 & 1949

Liabilities

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

part of the above balance sheets.

The Flying Tiger Line Inc.

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

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

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

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

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

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

Notes to Financial Statements

1

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

2

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

3

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

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

ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS

818 SOUTH FLOWER STREET
LOS ANGELES 14

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

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1950, and the related statements of income and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we were unable to obtain confirmations of current and noncurrent receivables totaling approximately \$411,000 from four debtors, as to which amount we satisfied ourselves by other auditing procedures. We previously had made a similar examination for the year June 30, 1949.

In our opinion, the accompanying balance sheet and statements of income and deficit present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1950, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Los Angeles, California,
August 22, 1950.

*Auditor's
Report*

SALES OFFICES

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

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

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

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

CLEVELAND, Ohio
Municipal Airport
Telephone—Winton 5777

DENVER, Colo.
Stapleton Airfield
Telephone—East 1869

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

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

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

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

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

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

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

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

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

TOLEDO, Ohio
137 Hamilton Avenue
Telephone—Garfield 4276

SALES AGENCY OFFICES

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

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

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





The Flying Tiger Line Inc.

LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA