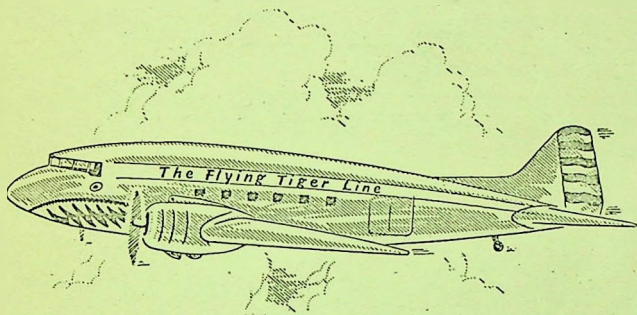


The Flying Tiger Line

NATIONAL SKYWAY FREIGHT CORP.

5911 West Imperial Highway

Los Angeles 45, California



ANNUAL REPORT

For the Year Ended

JUNE 30, 1946

to the Stockholders:

The Balance Sheet and related Statement of Income for the year ended June 30, 1946, together with the footnotes which form a part hereof, are presented herewith. The certificate of Arthur G. ... accountants and auditors, accompanies the report.

Since the public offering of the common stock of the company of this year we have expanded appreciably and are now operating sixteen DC-3s and two DC-4s. A list of the cities in which we operate appears elsewhere in this report. Additions will be made to our traffic potentials warrant further expansion.

Operating revenues for this, the first year of operation of the company, totaled \$480,724.36. Partly as a result of our being made public to an understanding of our services and the investment in equipment, over 40% of the year's revenue was earned in the quarter—the months of April, May and June. Revenues have exceeded previous records, based on the fact that we anticipate a continuance of this extremely high level of traffic and revenues.

We have filed application with the Civil Aeronautics Board for cargo line certification between most of the cities on the West Coast and the East. We welcome the development of an airfreight field, in which we are the primary competitor from Government subsidized airlines. We desire rates at a reasonable profit-making level.

While we await this certification, our airfreight field is warranted, we have been operating with KING TIGER TRANSPORT, INC., to which some of our DC-3s have been equipped. We are in the process of scheduling flights for government troupes, athletic teams and other groups. Public response has been most gratifying. We are confident of this service which provides a profitable figure which is well above the cost of operation.

We are also setting up a repair service for itinerant mechanics to require it at the Los Angeles office. We are employed by the ...

the year end-
an integral part
Andersen & Co.,

Company in May
operating with fif-
we are represented
made in areas where

operations for your Com-
previous education of the
also reflecting the increase
were earned in the final
Since that time monthly
on preliminary reports, and
favorable trend of operations

All Aeronautics Board for an all-
principal shipping centers of the
reasonable regulation of this new
matters, which will eliminate unfair
agencies and bring stabilization
figure.

and until further expansion in the air-
formed a wholly-owned subsidiary, FLY-
operate a charter passenger business. Two
with the finest interiors obtainable and
ing the airplanes for the use of entertain-
other organizations which move in a group.
heartening and we expect further expansion
convenient, comfortable and fast transporta-
is still below that of first-class rail travel.

UNIVERSAL AIRMOTIVE COMPANY to offer a
aircraft owners and other carriers who may
s Airport. By utilizing fixed equipment and per-
parent Company this repair service will lower the
our own fleet, thus providing an indirect as well as
to state at this time that your Company's
with the Civil Air Regulations which
lines.

We look forward to
ever-widening demand for our services.
ingly aware of the potentialities of airfreight. We
pioneered this field which in little over one year's time
part of the transportation system of the nation.

To the stockholders, among whom we number many personal friends,
we pledge continuance of our endeavor to maintain leadership in this field.
To all of you who have shown confidence in the Company by becoming
stockholders, we wish to express our gratitude.

The courage, loyalty and unswerving interest of our employees, many
of whom are stockholders as well, has been greatly appreciated during the
exciting year just ended. On behalf of the Management of the Company, I
wish to extend special thanks to them.

Respectfully,

ROBERT W. PRESCOTT

President

Los Angeles, California

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

601 WEST FIFTH STREET
LOS ANGELES 13

To the Board of Directors,
National Skyway Freight Corp.

We have examined the balance sheet of NATIONAL SKYWAY FREIGHT CORP.
(a Delaware corporation) as of June 30, 1946, and the statement of income for the
year then ended, have reviewed the system of internal control and the accounting
procedures of the company and, without making a detailed audit of the transactions,
have examined or tested accounting records of the company and other supporting
evidence, by methods and to the extent we deemed appropriate. Our examination
was made in accordance with generally accepted auditing standards applicable in the
circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of in-
come present fairly the position of National Skyway Freight Corp. at June 30, 1946,
and the results of its operations for the year then ended, and are in conformity with
generally accepted accounting principles.

Los Angeles, California,
August 22, 1946.

ARTHUR ANDERSEN & CO.

NATIONAL SKYWAY F

BALANCE SHEET—J

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....		\$1,413,808.87
Accounts receivable:		
Customers	\$ 78,336.95	
Officers and employees.....	10,142.47	
Others	13,310.41	
	\$101,789.83	
Less—Reserve for doubtful accounts.....	21,500.00	80,289.83
Notes receivable from employees, secured by company's capital stock—payable in monthly installments.....		12,395.00
Materials and supplies, at average cost, not in excess of market		28,890.71
Special deposits (Note 2).....		55,000.00
		\$1,590,384.41

PREPAID EXPENSES, ETC.:

Unexpired insurance premiums.....	\$ 33,027.08	
Advances to The Independent Airfreight Association, Inc.....	7,000.00	
Prepaid taxes	6,540.46	
Prepaid rent, etc.....	2,337.54	
Miscellaneous deposits	1,697.80	50,602.88

OPERATING PROPERTY AND EQUIPMENT (Note 1):

Classification	Cost	Reserve for Depreciation	Net	
Flight equipment	\$850,958.72	\$67,980.46	\$782,978.26	
Ground equipment	20,782.02	466.07	20,315.95	
Office furniture and equipment	8,076.25	242.85	7,833.40	
	\$879,816.99	\$68,689.38	\$811,127.61	811,127.61
				\$2,452,114.90

The notes on the following page are an int-

EIGHT CORP.

WE 30, 1946

LIABILITIES

CURRENT LIABILITIES:

5% note payable to bank (paid July 6, 1946).....		\$ 61,000.00
Accounts payable:		
Trade	\$ 166,522.91	
Employees	705.24	167,228.15
Accrued liabilities:		
Salaries and wages.....	\$ 24,437.26	
Transportation and payroll taxes.....	18,050.48	
Interest	982.78	43,470.52
Amounts withheld from employees for income tax.....		14,695.97
		<hr/>
Total current liabilities.....		\$ 286,394.64

CONTINGENT LIABILITIES:

The company is a defendant in a lawsuit involving damage to cargo amounting to \$12,000. The final result of this suit is not now determinable. (See Note 1 for purchase commitments.)

CAPITAL STOCK AND SURPLUS:

Capital stock, \$1.00 par value (Note 3):		
Authorized—1,000,000 shares		
Issued and outstanding—726,000 shares.....	\$ 726,000.00	
Capital surplus:		
Excess of proceeds from sale of 500,000 shares of capital stock over par value of such stock	\$1,687,500.00	
Less—Expenses incurred in connection with sale of capital stock	48,184.44	1,639,315.56
		<hr/>
		\$2,365,315.56
Less—Deficit, representing net loss for the year ended June 30, 1946 (per accompanying statement)	199,595.30	2,165,720.26
		<hr/>
		<u>\$2,452,114.90</u>

NATIONAL SKYWAY FREIGHT CORP.

NOTES TO THE BALANCE SHEET

(1) As of June 30, 1946, the company owned sixteen Douglas C-47 airplanes, five Budd RB-1 airplanes, two Consolidated-Vultee BT13A airplanes, and one Douglas C-54 airplane. Two of the Budd RB-1 airplanes are held in Mexico and are not at present available for operation outside that country. Subsequent to June 30, 1946, the company has acquired one Douglas C-54 airplane at a cost of \$90,000 and has sold one Douglas C-47 airplane for \$50,000, the company realizing a gain of approximately \$10,000 from this sale.

During July, 1946, the company placed a tentative order for twenty Martin 202 type aircraft at a price not to exceed \$250,000 each, but no formal contract covering this purchase has yet been made. At June 30, 1946, the company had commitments totaling approximately \$15,000 for modification and overhaul of aircraft.

(2) During June, 1946, the company deposited \$40,000 with War Assets Administration to apply on the purchase of four Douglas C-47 airplanes. The purchase was not consummated and the deposit is to be returned to the company. In addition, the company has \$15,000 on deposit with legal counsel. It is anticipated that \$13,000 of this amount will be advanced to The Independent Airfreight Association, Inc., for working capital and the balance of \$2,000 will be returned to the company.

(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 thirty cents per share per annum cumulatively from date of issue.

In February, 1946, the board of directors 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. No determination has yet been made as to the exact number of warrants or options, if any, which may be so granted, nor as to the officers and employees to whom such warrants or options, if any, will be granted. No warrant or option will be issued exercisable at a price less than \$5.00 per share.

NATIONAL SKYWAY FREIGHT CORP.
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 1946

OPERATING REVENUES:

Freight and express	\$358,428.38
Passenger	122,295.98
	<u>480,724.36</u>
TOTAL OPERATING REVENUES	\$480,724.36

OPERATING EXPENSES:

Flying and ground operations	\$310,369.70
Maintenance	158,133.63
Depreciation	92,439.96
Traffic, sales, advertising and publicity	79,057.66
General and administrative	90,880.26
Insurance	38,381.32
Interest on notes payable	6,247.95
	<u>575,510.48</u>
TOTAL OPERATING EXPENSES	\$575,510.48

NET LOSS FROM OPERATIONS \$294,786.12

GAIN ON THE SALE OR DISPOSAL OF AIRCRAFT 95,190.82

NET LOSS FOR THE YEAR, LESS GAIN
ON THE SALE OR DISPOSAL OF AIRCRAFT \$199,595.30

NOTE: The company was incorporated on June 25, 1945, but had no revenues from operations until August 1945.

OFFICERS

<i>President</i>	ROBERT W. PRESCOTT
<i>Vice President</i>	ROBERT P. HEDMAN
<i>Treasurer and Assistant Secretary</i>	L. G. LUZMOOR
<i>Secretary</i>	R. H. BINGENHEIMER
<i>Assistant Secretaries</i>	NORMAN L. MEYERS AND B. R. WARE

DIRECTORS

<i>Samuel B. Mosher, Chairman of the Board</i>	
ALLEN T. CHASE	
JAMES E. DAVIDSON	
FRED A. MILLER	
ROBERT W. PRESCOTT	
DUNCAN SHAW	
THOMAS J. SULLIVAN	

TRANSFER AGENT *Chase National Bank of New York*
18 Pine Street
New York 5, N. Y.

REGISTRAR *Bankers Trust Company*
16 Wall Street
New York 5, N. Y.

BRANCH OFFICES

SALES AND TRAFFIC

New York City, N. Y.

147 West 46th Street
Telephone—Chelsea 3-8206
Teletype—NY 1-2729

Chicago, Illinois

141 West Jackson Boulevard
Telephone—WABash 2508
Teletype—CG 127

San Francisco, California

703 Market Street
Telephone—Sutter 7835
Teletype—SF 416

Seattle, Washington

Boeing Field
Telephone—Lander 6200
Teletype—SE 235

OPERATIONS AND MAINTENANCE

Teterboro, New Jersey

Bendix Airport
Telephone—Hasbrouck Heights 8-1683
Teletype—Hasbrouck Heights 173

Chicago, Illinois

6013 South Cicero Avenue
Telephone—Portsmouth 3150
Teletype—CG 1339

San Francisco, California

Municipal Airport
Telephone—South San Francisco 1995
Teletype—SSF 990

Oklahoma City, Oklahoma

Municipal Airport
Telephone—Oklahoma City 6-3364
Teletype—OC 574

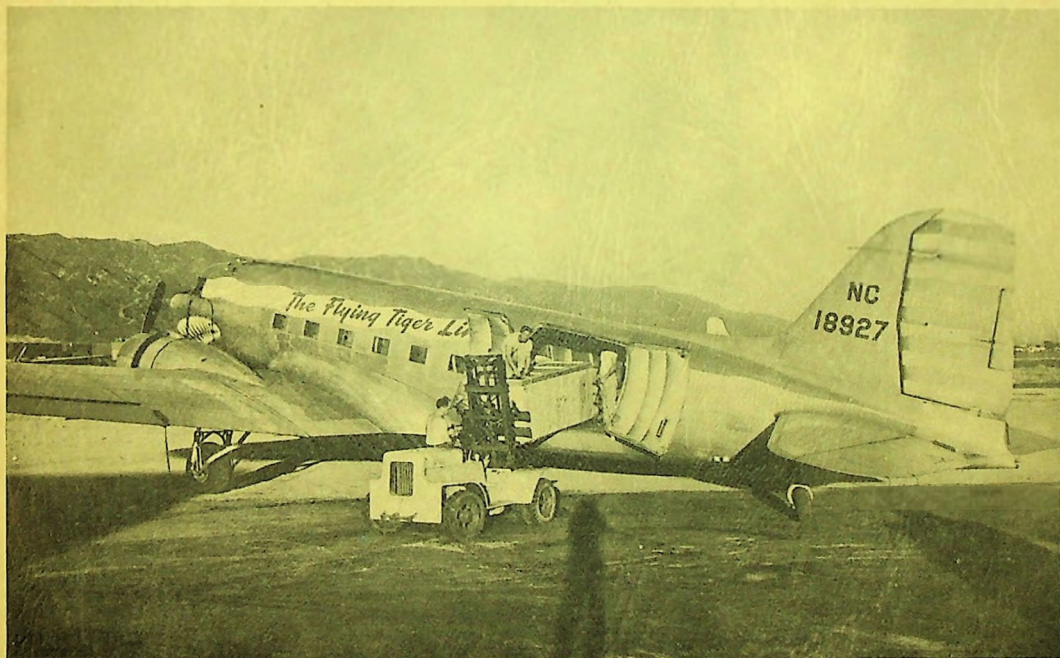
Omaha, Nebraska

Municipal Airport
Telephone—Atlantic 8909
Teletype—OM 172

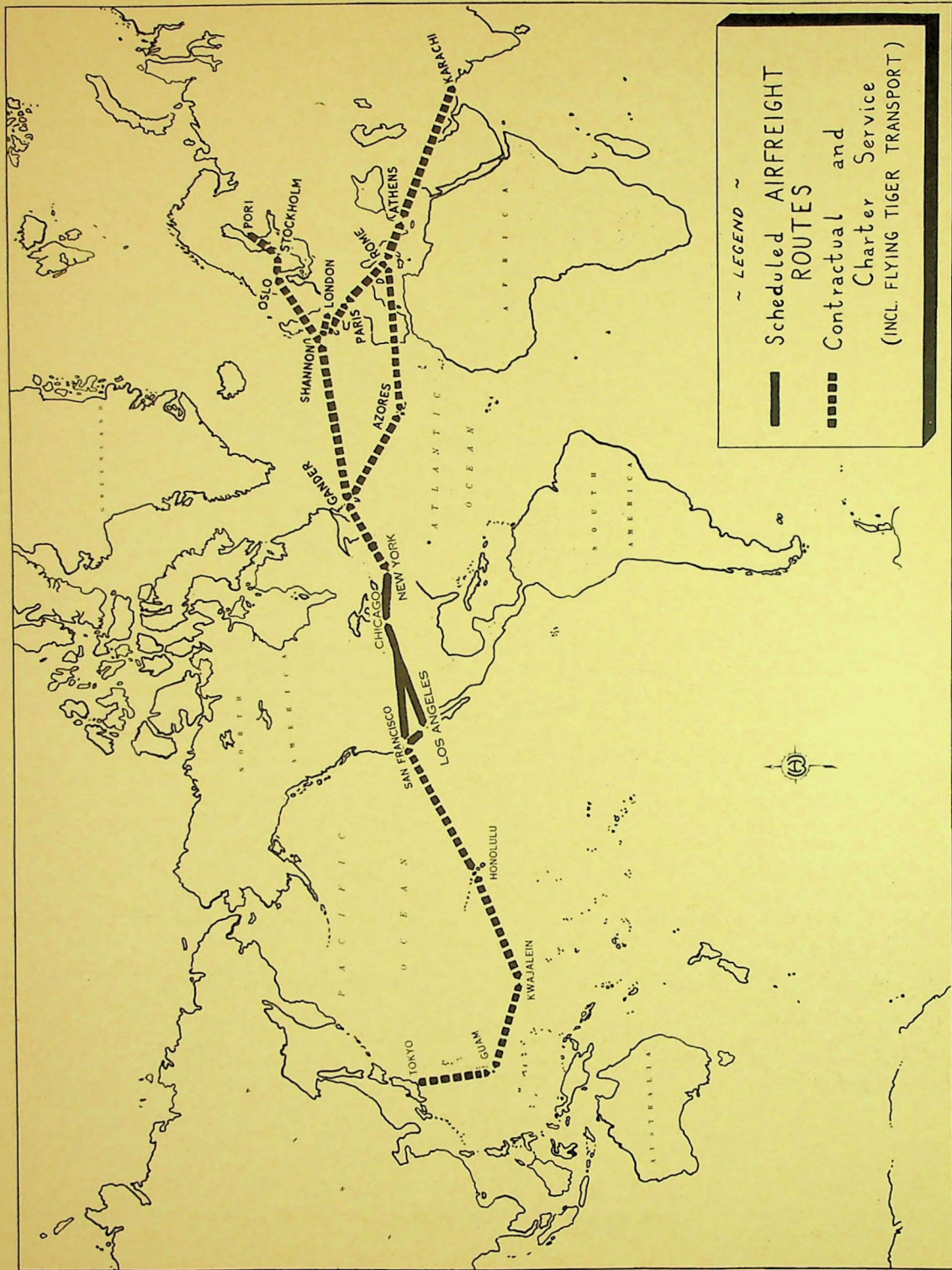
The Flying Tiger Line Inc.

ANNUAL REPORT

For The Year Ended June 30, 1947



**LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA**



President's Letter

Because your Company is a relatively young one and further because it is doing business in an industry about which little is widely known, Management feels that it is worthwhile to make a rather detailed description of activities. This, we feel, will accomplish two things:

- (a) It will enable stockholders better to evaluate the Company's present position as well as its future prospects.
- (b) We hope that it will encourage stockholders to be of material assistance by referring prospective customers to the Company.

Each phase of the Company's activities will be broken down for descriptive purposes. Later each phase will be reviewed for past accomplishments and future prospects.

DESCRIPTION

DOMESTIC FREIGHT

The Flying Tiger Line now operates daily freight schedules on routes shown on the map included with this Report. We are attempting to serve the country on an "area" basis, as shown on the map. In each area we name PRINCIPAL POINTS, the places where our planes stop daily. We also offer to serve any other point in any given area designated as DEMAND POINTS, service to which is limited to a minimum of a 1,000 pound shipment with a slight additional charge. A copy of our Tariff, now on file with the Civil Aeronautics Board, which contains explicit conditions for demand point service, will be mailed to anyone on request. Your Company is now a scheduled common carrier of property only in the United States, having all the duties and responsibilities and privileges of any common carrier. This has been made possible through a recent action of the Civil Aeronautics Board.

Early this year applications for Certificates of Convenience and Necessity for the carriage of property only were heard by the Civil Aeronautics Board in what was known as the Air Freight Case. Pending decisions on these applications which normally follow by one year from the date of the hearings, the Civil Aeronautics Board issued Exemption Order 292.5. This was issued in an effort to avoid financial disaster to the few remaining all-cargo companies who have so far developed the airfreight industry, and also to bring some semblance of order to the industry. The Exemption Order states in effect that all of the cargo companies who were in operation during the prior twelve months and who also had an application pending before the Civil Aeronautics Board as of May 5, 1947, would be allowed to proceed as scheduled common carriers until sixty days following decisions on their respective applications. This limits the number of airfreight carriers and, as a practical proposition, leaves only three all-cargo lines of any importance serving the transcontinental routes under this exemption.

This is the first definite progress of your Company in its attempt to gain permanent flying rights as a common carrier of goods. I must remind you that this exemption order is only of a temporary nature. However, I believe it is reasonable to say that if we are successful in giving public service during this interim period, our chances of being permanently certificated will be tremendously enhanced.

Your Company now offers service equal to and oftentimes much superior to Air Express service and at about one-half to one-third the price. "Superior service" is given in many instances on our planes because property gets first priority of shipment, while Air Express goes on the passenger lines and is shipped subject to the demands of passenger and mail requirements. For clarification of differences in service and price offered, take the case of a person who had a trunk weighing 150 pounds to ship from New York to Los Angeles:

<i>Mode of Transport</i>	<i>Time En Route</i>	<i>Price</i>
Air Express	One to three days	\$42.51
Rail Express	Seven to ten days	20.18
Airfreight	One day	24.90

I believe that the above tabulation will show you the relative quality and price of service more clearly than would a more lengthy discourse.

FLYING TIGER TRANSPORT INC.

This is a separate corporation, wholly owned by The Flying Tiger Line Inc. It has been created for the purpose of giving contract air service for either passengers or freight. It operates large, four-engine equipment and can serve any point in the world on a contractual basis. The planes carry up to fifty passengers and up to twenty thousand pounds of freight.

Many large companies with projects in other parts of the world such as Arabia, Guam, Okinawa, Greece or China, are discovering an immense saving in the use of air transportation for their personnel. The cost of transportation is approximately the same as surface transportation. The saving arises from the fact that since such employees are paid from the moment they leave the country, a surface voyage entails a costly payroll which is non-productive, whereas the use of air transportation will get the personnel to their destination with a minimum loss of time. Stockholders who know of such operations by companies can be of great assistance by informing us. We call your attention to the return post-card which may be used for this purpose.

AIR TRANSPORT COMMAND CONTRACT

In early January of this year, your Company contracted with the Air Transport Command of the United States Army for certain services. Under the contract the Government furnished thirty-two C-54 aircraft (four-engine equipment), all spare parts and gasoline. Your Company undertook to do the flying and maintaining of these planes. We flew two daily trips between California and Tokyo, Japan and two additional trips daily to Honolulu. Maintenance and flying crews were staged at Honolulu, Johnston Island, Kwajalein, Guam and Tokyo. It was necessary to employ and train eighty flight crews consisting of six men each. In addition we employed some seven hundred more maintenance and operations personnel at Lockheed Air Terminal.

MAINTENANCE ACTIVITIES

In addition to the flying and maintenance mentioned above, in the past few months the Company has performed basic maintenance for the Army, consisting of the overhaul and reconditioning of aircraft. While no great amount of work for commercial companies has yet been done, we are soliciting such business. We have one of the best equipped shops in the country for such work and can overhaul any type of airplane. Many companies who operate private aircraft will find it convenient and profitable to send their planes to the shops of the Flying Tiger Line for periodic checks and overhaul. The Company also expects to bid for more Government work of this nature in the future.

REVIEW AND OUTLOOK

DOMESTIC OPERATIONS

Since June 30, 1946, tremendous changes have occurred in both the size and scope of operations of the Company.

Beginning in July, 1946, the Company began assembling a larger fleet and a vigorous campaign was instituted to develop a high volume of airfreight. This campaign resulted in a volume in the months of November and December of over a million ton-miles each month, compared to about two hundred thousand for similar periods in 1945. The Company thus became the second largest airfreight operator in the world, certificated or otherwise. This proved to be an expensive operation, entailing considerable loss. Two factors contributed to this:

I. The chief contributing reasons for losses in the period July 1-December 31 were incessant rate wars participated in by independent airfreight operators who were trying to establish themselves in this field. Prices were brought down too low, all operators lost money and few survived. On January 1, 1947, your Management decided to withdraw the Company from a large part of its airfreight operations until better conditions existed which would warrant reactivating an aggressive program of freight development. Operations were held to a minimum to curtail losses.

The Exemption Order mentioned earlier was the signal for the Company to come back strongly in the field. The Exemption should have three beneficial effects on your Company's future in the airfreight field:

- (1) It broadens the scope of solicitation of cargo, since prior to that time we were limited solely to contract operations and could not publish schedules.

- (2) It will tend to prevent costly rate wars, since most of these wars have their beginning in subversive rate-cutting designed to gain a volume advantage over competitors before they can verify such low competing rates.
- (3) The recognition given the carriers by the Government does much to enhance the stability of the carrier in the eyes of the shipping public. More confidence in the carrier means a greater volume of freight accruing to that carrier.

II. The second contributing factor to the losses in this period was the type of aircraft employed. Considerably smaller losses would have accrued had four-engine aircraft, such as DC-4s, been operated rather than the smaller, twin-engine DC-3s which we used. The larger planes were unobtainable at that time. However, we now own two DC-4s and enough others are being acquired to enable us to give regular four-engine service. Most of the DC-3s will be disposed of.

Your Company flew 6,438,381 ton-miles in its domestic operations during the past year compared with 1,545,906 ton-miles for the year ending June 30, 1946.

FLYING TIGER TRANSPORT INC.

Among other places, this operation has flown several trips to Rome, Athens, Oslo and Paris. It has operated contracts for the Department of Justice, for several leading bands in the country and for some large horse-racing companies. Although small in comparison to the parent company, this operation has been profitable. It will continue as long as business is available, but its future is rather difficult to predict. It has flown 5,594,053 passenger miles in the past year.

AIR TRANSPORT COMMAND CONTRACT

During the period January 12-July 31, 1947, 7,833,122 plane-miles, 111,432,167 passenger miles and 30,354,471 ton-miles were flown. It was accomplished without any loss or injury of aircraft, passengers or cargo. This contract has proved profitable and we are indeed proud to report that our operation has won the commendation of high-ranking Army personnel throughout the Pacific area.

Although the original contract was written to expire June 30, 1947, it was extended in its entirety through August, 1947. We are happy to announce that a new contract has just been signed to extend to December 1, 1947. However, it calls for approximately one-third the amount of work performed under the first contract. It is hoped that operations will continue beyond December 1, but no definite information is available at this time concerning future plans of the Air Transport Command.

FINANCES

As discussed previously in this report, heavy losses were sustained in the domestic freight business during the last half of the year 1946. These losses were curtailed by reduced operations during the first six months of 1947. Further, the Air Transport Command contract operations have helped offset losses of the domestic line. At the time of the annual audit a write-down of valuation of fixed equipment of the Company was made to set a more realistic view toward the actual cash value of the Company's assets. As many of you know, the prices of aircraft equipment in War Surplus have had a tremendous variance in the past year. You may be assured that the net value of the Company as indicated by the Balance Sheet is a realistic and conservative figure.

Concentration on cutting costs and increasing revenue in the domestic freight operations and use of our four-engine aircraft in world-wide charter service, plus a concentrated attention to costs on the Air Transport Command contract operation, have improved the profit picture considerably. For example, the month of May, 1947, was just about a break-even month. June showed a net profit of \$80,000 and the month of July brought a net profit of \$77,000. These figures must not be taken as a criterion for the next few months, since our volume of business will be reduced by approximately one-half. However, there is every likelihood that the last six months of 1947 will be profitable.

In answer to many queries from stockholders, the Company has no immediate plans for further financing. Stock certificates under the name of National Skyway Freight Corp. are still valid and are only being replaced with new certificates when a transfer or a sale is made.

OUTLOOK

As stated above, the outlook for both the Company and the airfreight industry has improved considerably. Your company has ridden out what we believe to be the worst period of this new industry in its developmental stages. Among things that will make a brighter future both for your Company and the industry are:

(1) Certification of Airfreight Forwarders

At the present time no organization or person is legally certificated to do business as a freight forwarder for the air transport industry. Several large surface forwarders such as Railway Express Agency, Universal Carloading, Acme Fast Freight and National Carloading have expressed themselves as anxious to do business with the all-cargo lines and are of the opinion that a considerable volume of freight will be forthcoming if their certificates are granted by the Civil Aeronautics Board. It has been hoped that the Civil Aeronautics Board would grant some sort of exemption order to these freight forwarders similar to that granted to cargo carriers, so that they may demonstrate their ability to put freight in the air. At the present time there is no definite indication that this will be done. Meanwhile, formal hearings have been held on these certifications and a decision should be given by the Civil Aeronautics Board within one year.

(2) Air Mail and Parcel Post

Recently the President's AIR COORDINATING COMMITTEE published its report on United States aviation policy. As a result of this report an effort will be made to bolster the nation's aviation industry in the interest of national security. The President's Air Policy Commission will probably ask the Congress to enact legislation that will move all first class mail and parcel post by air. While your Company at this time is not eligible to carry airmail or parcel post under Government contract, there is a strong likelihood that if this legislation is enacted, we will be made eligible. Of course such action will be of tremendous value to the Company. You are therefore implored, as stockholders in this Company, to give every assistance possible when this issue is brought before your Congressmen.

CHANGES IN OFFICERS AND DIRECTORS

Officers

With the resignation of L. G. Luzmoor and R. H. Bingenheimer in the late summer of 1946, Mr. Fred Benninger, a Certified Public Accountant of wide experience, joined the Company in the capacity of Treasurer and Secretary.

Mr. Fred A. Miller, who has been with the Company since August, 1945, as Director of Sales and a member of the Board of Directors, was elected Vice President in Charge of Sales in August, 1946.

Mr. Ralph G. Lockwood joined the Company on January 1, 1947, as Manager of the Air Transport Command Operation and was elected Vice President in Charge of Maintenance and Engineering in April, 1947. Mr. Lockwood has been in the aviation field since World War I and served with the Air Transport Command during World War II.

Directors

Mr. Duncan Shaw and Mr. Allen T. Chase resigned from the Board of Directors in the spring of 1947 due to the pressure of other business activities.

Mr. Harlan B. Eldred, financier, and Mr. F. Stuart Roussel, Vice President of First California Company, were elected to fill the vacancies created by the resignations of Mr. Chase and Mr. Shaw. Both Mr. Eldred and Mr. Roussel are well known in financial and investment circles throughout the country and bring a rich background of experience to the Board.

CONCLUSION

The interest of all of the Company's stockholders during the past year has been greatly appreciated. It has been a pleasure to meet some of you and to correspond with others and I hope to meet more of you in person in the months to come.

The tremendous expansion witnessed during the past fiscal year has been made possible only by the whole-hearted cooperation and untiring effort of our employees, many of whom are stockholders. To the older employees who have seen us through this second year as well as to the newer members of our enlarged family, your Management wishes to extend its thanks.

For the Board of Directors

ROBERT W. PRESCOTT

President

Burbank, California

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

601 WEST FIFTH STREET
LOS ANGELES 13

To the Board of Directors,

The Flying Tiger Line Inc. :

We have examined the consolidated balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation formerly named National Skyway Freight Corp.) and its subsidiary, FLYING TIGER TRANSPORT INC., as of June 30, 1947, and the statement of consolidated revenues and expenses for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm the amount receivable from the U. S. Government as to which we satisfied ourselves by other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated revenues and expenses present fairly the position of The Flying Tiger Line Inc. and its subsidiary at June 30, 1947, and the results of their operations for the year, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Los Angeles, California,
August 5, 1947.

ARTHUR ANDERSEN & CO.

THE FLYING TH
(formerly named Nation
AND SUBSIDIA
CONSOLIDATED BALANCE

A S S E T S

CURRENT ASSETS:

Cash.....		\$ 281,886
Receivables from—		
U. S. Government (assigned to bank under a line of credit agree- ment under which no loans were outstanding at June 30).....	\$547,462	
Other customers (including notes of \$16,000).....	202,795	
Other (including \$9,607 from officers and employees).....	34,210	
	\$784,467	
Less—Reserve for bad debts.....	38,892	745,575
Materials and supplies at average cost, not in excess of market.....		68,457
Total current assets.....		\$1,095,918

PREPAID EXPENSES:

Unexpired insurance premiums.....	\$ 24,310	
Taxes.....	14,385	
Other.....	6,282	44,977

PROPERTY AND EQUIPMENT:

Classification	Cost	Reserve for Depreciation	Net
Aircraft, engines and other flight equipment \$	856,391	\$134,404	\$721,987
Hangar, shop and ramp equipment.....	110,587	33,844	76,743
Other equipment.....	82,262	13,392	68,870
Buildings and improvements on leased land..	163,895	105,977	57,918
	\$1,213,135	\$287,617	\$925,518
Surplus aircraft and certain engines stated at remaining service value plus residual value.....			116,134
			1,041,652
			\$2,182,547

NOTE: A total of 180,800 shares of the issued capital stock of the Company was transferred without the written consent of the Commission. These shares will be held in escrow until in the discretion of the Commission, they may be released. During the period that these shares are held in escrow, the directors agreed to (a) waive their right to participate in any distribution of dividends to shareholders who have paid cash or its equivalent for their shares have received and (b) waive all right to receive any dividends until all of the shares have received dividends in amount not less than the par value of the shares as of the date of issue.

In February, 1946, the board of directors of the Company authorized but unissued capital stock to meet stock purchase contracts entered into prior to July 1, 1951, to executive, administrative or other employees of the Company and upon terms determined by it. No determination of stock options, if any, which may be so granted, nor as to the exercise of such options will be granted. No warrant or option will be issued exercisable

ER LINE INC.

Skyway Freight Corp.)

Y COMPANY

HEET --: JUNE 30, 1947

LIABILITIES

CURRENT LIABILITIES:

Note payable (secured by mortgage on airplane carried at cost of \$197,004).....		\$ 65,017
Accounts payable.....		202,563
Accrued liabilities—		
Payroll.....	\$ 201,940	
Property, payroll and other taxes.....	88,340	
Insurance, etc.....	44,612	334,892
		<hr/>
Amount withheld from employees for income tax.....		144,160
		<hr/>
Total current liabilities.....		\$ 746,632

CONTINGENT LIABILITIES:

Under miscellaneous claims, etc.—estimated not to exceed \$6,000.

RESERVE FOR CONTRACT TERMINATION COSTS..... 50,000

CAPITAL STOCK AND SURPLUS:

Capital stock of \$1.00 par value (see footnote)—

 Authorized—1,000,000 shares

 Issued and outstanding—726,000 shares.....\$ 726,000

Capital surplus (excess of proceeds from sale of 500,000 shares of capital stock over par value thereof)—

 Balance June 30, 1946.....\$1,639,315

 Deduct—Additional capital stock selling expense.... 1,676 1,637,639

\$2,363,639

Deduct—Deficit—

 Balance June 30, 1946.....\$ 199,595

 Add—Net loss per accompanying statement..... 778,129 . 977,724

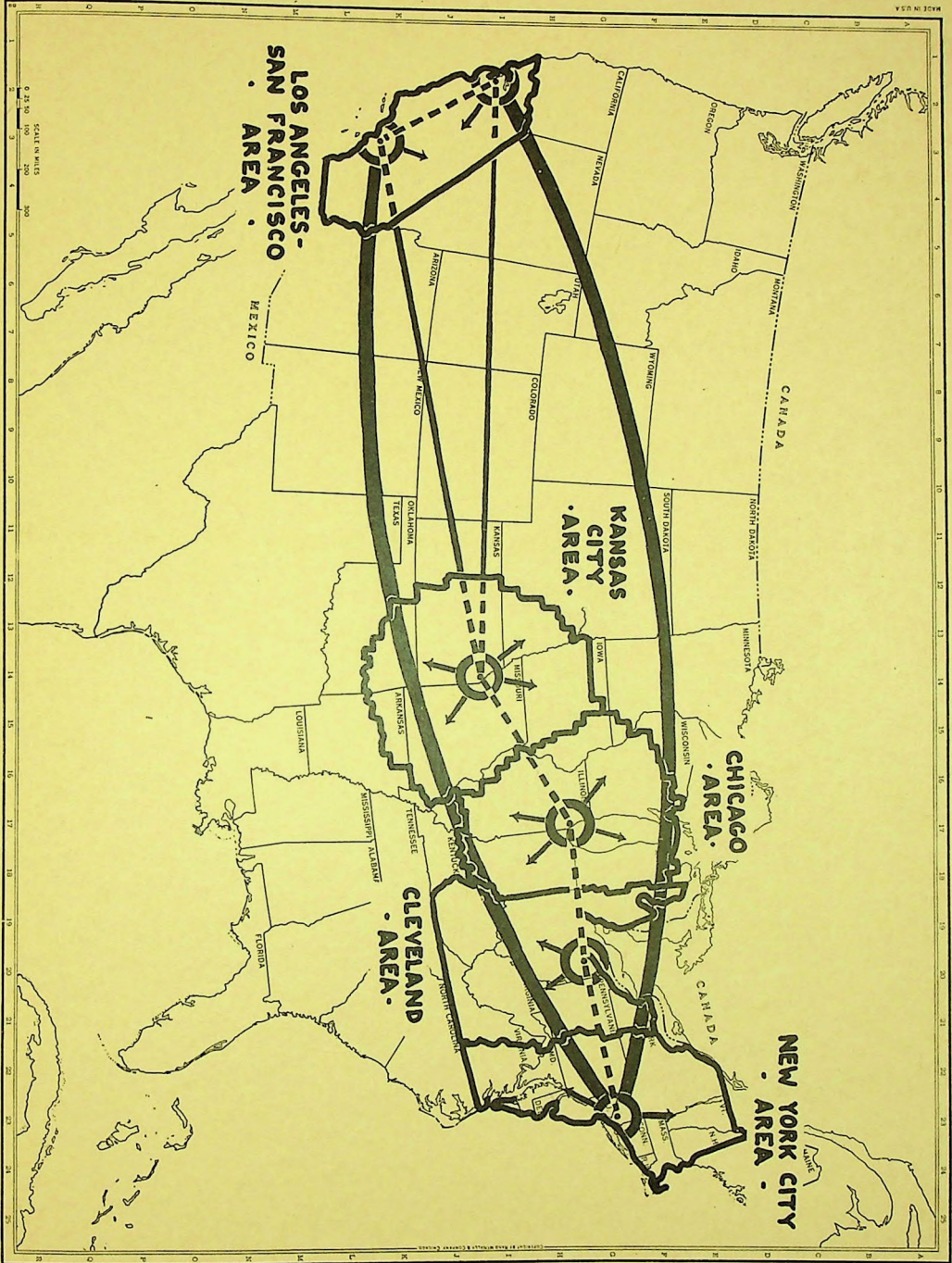
1,385,915

\$2,182,547

the parent company is held in escrow and cannot be sold or of Corporations of the State of California. These shares er, upon a satisfactory showing of earnings of the com- res are held in escrow the owners of such shares have ion of assets of the company until all other stockholders ceived the return of the full amount of the purchase price, r shareholders who have paid cash or its equivalent for than thirty cents per share per annum cumulatively from

company adopted a resolution reserving 50,000 shares of warrants or options which may be issued by the company ployees of the company in the discretion of the board of has yet been made as to the exact number of warrants or and employees to whom such warrants or options, if any, lle at a price less than \$5 per share.

The accompanying map of the United States shows the Company's scheduled airfreight routes and areas served.



THE FLYING TIGER LINE INC.

FINANCIAL STATEMENTS

October 31, 1947

November 15, 1947

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport Inc. and certain financial information and comments relating thereto for the month ending October 31, 1947 are presented herewith:

Consolidated Statement of Income

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
Net Income (Loss):		
The Flying Tiger Line Inc. -		
Domestic Division	\$ (74,704.21)	\$ (49,290.54)
Transpac Division	<u>24,591.38</u>	<u>(2,237.53)</u>
	\$ (50,112.83)	\$ (51,528.07)
Flying Tiger Transport Inc.	<u>4,805.60</u>	<u>11,232.54</u>
Total	<u>\$ (45,307.23)</u>	<u>\$ (40,295.53)</u>

Statement of Income - Domestic Division

The operations of the Domestic Division for the months of October and September, 1947 are compared as follows:

Revenues - Net	\$ 98,600.71	\$ 76,337.40
Operating Costs	<u>165,479.21</u>	<u>123,501.89</u>
Operating loss	\$ (66,878.50)	\$ (47,144.61)
Non-operating income (loss)	<u>(7,275.97)</u>	<u>(2,165.81)</u>
Net loss	<u>\$ (74,704.21)</u>	<u>\$ (49,290.54)</u>

The operational statistics for the months of October and September, 1947 are as follows:

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
<u>Hours Flown</u> - C-47	1217.8	1476.3
C-54	266.8	11.2
<u>Miles Flown</u> - C-47	197,283	238,277
C-54	51,225	1,887
Ton miles carried	856,323	755,735
<u>Average plane utilization -</u>		
C-47	3.2 hrs.	3.5 hrs.
C-54	7.2 hrs.	--
Load factor *	68.4% ✓	82.8%
<u>Per mile flown:</u>		
Revenue	\$.396	\$.3444
Costs	<u>.666</u>	<u>.5330</u>
Loss	<u>\$.270</u>	<u>\$.1886</u>
<u>Per hour flown:</u>		
Revenue	\$ 66.40	\$ 55.61
Costs	<u>111.51</u>	<u>86.06</u>
Loss	<u>\$ 45.11</u>	<u>\$ 30.45</u>
<u>Per ton mile carried -</u>		
Revenue	\$.1151	\$.1095
Costs	<u>.1930</u>	<u>.1694</u>
Loss	<u>\$.0779</u>	<u>\$.0599</u>

* Based upon a capacity of 7,500 lbs. per airplane for DC-3 and 20,000 lbs. for DC-4 airplanes.

A comparison of Domestic Payrolls between October and September, 1947 is as follows:

	<u>October</u> 1947	<u>September</u> 1947	Increase (Decrease)
Flying operations	\$ 26,966.32	\$ 30,367.26	\$ (3,400.94)
Ground operations	4,477.34	3,835.23	642.11
Flight equipment maintenance - Direct	15,129.54	9,931.82	5,197.72
Ground and indirect main- tenance	4,704.43	4,175.05	529.38
Traffic and sales	6,123.19	6,332.18	(208.99)
General and administrative	6,647.81	6,773.30	(125.49)
Modification	<u>16,626.34</u>	<u>12,663.57</u>	<u>3,962.77</u>
Total	<u>\$ 80,674.97</u>	<u>\$ 74,078.41</u>	<u>\$ 6,596.56</u>

Flight equipment maintenance - direct payroll increased \$ 5,197.72 during October due to the following reasons:

- (1) The company placed two C-54 airplanes in domestic freight service October 15, 1947.
- (2) Due to the urgency of placing the second C-54 airplane in service by October 15, quite a large number of hours of maintenance had to be worked on an overtime basis.

Modification payroll increased because of the licensing performed on the domestic C-54 and the resumption of the modification of the Army airplane #048.

The following schedules represent the revenue statistics for the month of October, 1947:

Non-Consolidators

<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
CG	LA ✓	17,177 ✓	\$ 2,063.72	\$.1201	20
CG	NY	9,311 ✓	1,658.72	.1781	157
CV	LA ✓	57,461 ✓	5,321.29	.0926	39
CV	NY	609	143.74	.2360	3
DO	NY	1,586	250.97	.1582	8
KC	NY ✓	1,916 ✓	327.84	.1711	3
KC	OA ✓	3,922 ✓	609.21	.1553	1
LA	CC	2,311	307.22	.1329	18
LA	CG	48,731	6,444.65	.1322	99
LA	CV	5,809	596.40	.1027	24
LA	DO	25,209	2,580.37	.1024	32
LA	DY	1,156	161.65	.1397	8
LA	KC	2,870	487.96	.1700	28
LA	NY	145,556	12,713.95	.0873	307
LA	OA	258	116.81	.4526	1
LA	FG	2,284	177.23	.0776	4
MK	DO ✓	860 ✓	241.20	.2802	1
NY	CG ✓	4,958 ✓	835.97	.1686	48
NY	CV ✓	980 ✓	229.80	.2344	14
NY	DO ✓	2,538 ✓	409.33	.1612	19
NY	KC ✓	600 ✓	151.92	.2531	13
NY	LA ✓	191,074 ✓	22,450.35	.1175	154
NY	SF ✓	1,641 ✓	220.93	.1346	6
SF	CG	5,719	952.38	.1665	24
SF	DO	1,143	217.67	.1904	8
SF	NY	967	126.31	.1305	2
Miscellaneous		3,341	556.78		28
		<u>539,987</u>	<u>\$ 60,354.37</u>	<u>\$.1118</u>	<u>1068</u>

316336
856323

63537
40498

6035437
404986
60215303

Consolidators

<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
CG	NY	18,514	\$ 2,538.15	\$.1371	39
CG	LA	5,987 ✓	730.29	.1220	5
CV	LA	11,153 ✓	1,224.07	.1098	12
DO	NY	21,994	3,160.46	.1437	46
LA	CG	1,831	452.10	.2469	5
LA	CG	2,909	415.39	.1428	5
LA	CV	23,164	2,619.23	.1131	85
LA	KC	4,640	849.10	.1830	36
LA	NY	12,544	1,641.32	.1308	13
NY	CG	10,498 ✓	1,244.16	.1185	17 ✓
NY	CG	83,633 ✓	9,963.27	.1191	45
NY	DO	16,670 ✓	2,290.64	.1374	14
NY	KC	1,186 ✓	209.57	.1766	6
NY	LA	79,946 ✓	9,654.63	.1208	72
NY	SF	1,193 ✓	166.37	.1393	8
PG	CG	977 ✓	149.63	.1530	6
PG	LA	1,085 ✓	149.71	.1379	6
PG	SF	5,272	666.49	.1264	2
SF	CG	4,957	798.33	.1610	3
SF	DO	2,614	482.69	.1846	1
SF	KC	3,489	612.49	.1755	30
SF	LA	616	173.88	.2819	4
Miscellaneous		1,464	306.69		21
		<u>316,336</u>	<u>\$ 40,498.66</u>	<u>\$.1261</u>	<u>481</u>

The following schedule represents a comparison of the origin of freight revenue between October and September, 1947 and the significant increases or decreases between such months:

	<u>October 1947</u>	<u>September 1947</u>	<u>Increase (Decrease)</u>
Chicago	\$ 7,156.26 ✓	\$ 2,647.36	\$ 4,508.90
Cleveland	6,778.32 ✓	3,665.63	3,112.69
Detroit	3,688.95 ✓	5,078.01	(1,389.06)
Kansas City	1,037.63 ✓	756.41	281.22
Los Angeles	29,621.26 ✓	30,513.71	(892.45)
New York	47,886.76 ✓	34,783.65	13,103.11
Indianapolis	--	1,496.74	(1,496.74)
Boston	--	324.80	(324.80)
San Francisco	3,773.88 ✓	3,391.66	382.22
Philadelphia	581.55 ✓	--	581.55
Miscellaneous	(1,944.40)	82.17	(2,026.57)
	<u>\$ 98,580.21</u>	<u>\$ 82,740.14</u>	<u>\$ 15,840.07</u>

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\$ -5-

1005246
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858021
1005246
194440
985802

It is significant to note that the largest increase occurred in New York, while the amount of freight out of Los Angeles decreased very slightly.

The rail express strike that was existing during part of the month was the cause of the increase in the New York freight.

In analyzing the net loss of the Domestic Division for the month of October the following facts will have to be taken into consideration:

- (1) The company placed two C-54 aircraft in commercial freight operation on October 15. This change-over from C-47 to C-54 operation entailed expenses such as hiring of pilots and transferring flight crews.
- (2) The load factor dropped from 82.8% in September to 68.4% in October due to the extra availability for freight created by the change-over to C-54 aircraft.
- (3) The flying of C-47 aircraft will result in a continuance of losses due to the fact that the average revenue per ton mile is inadequate to cover the direct flying expenses of the C-47 aircraft.

In comparing the cost statistics per ton mile between C-47 and C-54 aircraft the following analysis results:

C - 47

<u>Load Factor</u>	<u>Per Ton Mile</u>		
	<u>Revenue</u>	<u>Direct Costs</u>	<u>Profit/ (Loss)</u>
100%	\$.11	\$.10	\$.01
95%	.11	.1045	.0065
90%	.11	.111	(.001)
85%	.11	.118	(.008)
80%	.11	.125	(.015)
75%	.11	.133	(.023)
70%	.11	.143	(.033)
<u>65%</u>	<u>.11</u>	<u>.154</u>	<u>(.044)</u>

<u>Load Factor</u>	<u>Per Ton Mile</u>		
	<u>Revenue</u>	<u>Direct Costs</u>	<u>Profit/ (Loss)</u>
100%	\$.11	\$.07	\$.04
95%	.11	.073	.037
90%	.11	.077	.033
85%	.11	.081	.029
80%	.11	.087	.023
75%	.11	.093	.017
70%	.11	.100	.010
65%	<u>.11</u>	<u>.107</u>	<u>.003</u>

The following paragraphs comment on the significant increases or decreases in the operating expenses of the Domestic Division:

(a) Flying Operations - Increase - \$12,444.73:

Due to the fact that the company used the C-54 aircraft on the domestic freight operations rather than overseas as in September, the Flying Tiger Transport Inc. absorbed \$15,023.56 less expenses.

(b) Direct Maintenance - Flight Equipment. Increase - \$14,980.07:

As explained in previous paragraphs, the company placed two C-54 aircraft in the domestic freight business, one of the C-54 airplanes being just licensed October 15, 1947. This results in unusually high maintenance costs since the first few weeks of operation of an airplane result in a large number of "squawks" and deficiencies.

(c) Depreciation Flight Equipment - Increase - \$ 4,887.60:

Due to the fact that the C-54 aircraft was used in the domestic freight business during October except one trip to Europe, the company had to bear the greatest proportion of the depreciation expense.

Also, airplane No. 548 - C-54 was placed in operation October 15 and depreciation was started during the month on such aircraft.

(d) Ground Operations - Increase - \$ 3,955.90:

Due to the increase in the ton miles carried and establishment of C-54 service, the loading and unloading costs as well as ground personnel had to be increased.

(e) Ground and Indirect Maintenance - Increase - \$ 4,161.59:

Two factors caused these expenses to increase:

- (1) The number of hours on the modification of C-54 NC 69548 decreased during October, also decreasing a corresponding amount of overhead capitalized.

- (2) The decreased number of hours flown by the Flying Tiger Transport Inc. resulted in a smaller amount of expenses being charged to the Flying Tiger Transport Inc.

(f) General and Administrative Expenses - Increase - \$ 2,165.05:

The above paragraph explains the increase of such expenses.

The company sold a C-47 aircraft during October for \$16,000.00 sustaining a capital loss of approximately \$ 7,000.00.

Statement of Income - Transpac Division

The operations of the Transpac Division for the months of October and September, 1947 are summarized as follows:

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
Revenues	\$ 224,782.77	\$ 213,363.07
Operating costs	<u>200,191.39</u>	<u>215,600.60</u>
Operating profit (loss)	<u>\$ 24,591.38</u>	<u>\$ (2,237.53)</u>

The net profit of \$24,591.38 for the month of October, 1947 does not include the \$11,535.24 additional allowance made by the Army in compensation of the cutback in August, 1947. This additional allowance was classified as August income. The total allowance the Army has made for the cutback that occurred during August is now \$60,645.67.

The net cash profit for October was \$36,032.93 inasmuch as the profit and loss statement for the Transpac Division included depreciation amounting to \$11,441.55.

The operational statistics for the Transpac Division for the months of October and September, 1947 are as follows:

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
Miles scheduled	454,836	438,858
Miles flown	456,126	444,222
Percentage of scheduled miles flown	100.3%	101.2%
Revenue per mile flown	\$.478	\$.478

	<u>October 1947</u>		<u>September, 1947</u>	
Cost per mile flown	\$.439		\$.4853	
Flights Made:	<u>Trips</u>	<u>Miles</u>	<u>Trips</u>	<u>Miles</u>
Hickam	--	--	2	4,866
Tokyo	36	287,949	34	272,124
Guam	<u>26</u>	<u>168,177</u>	<u>26</u>	<u>167,232</u>

The following schedule represents the payrolls of the Transpac Division for the months of October and September, 1947:

	<u>October 1947</u>	<u>September 1947</u>	<u>Increase (Decrease)</u>
Flying operations	\$ 59,880.86	\$ 72,256.35	\$ (12,375.49)
Ground operations	8,514.56	8,464.20	50.36
Flight equipment maintenance - direct	55,582.87	51,753.28	3,829.59
Ground and indirect maintenance	26,635.49	28,007.82	(1,372.33)
General and administrative	<u>15,487.72</u>	<u>14,525.66</u>	<u>962.06</u>
	\$ 166,101.50	\$ 175,007.31	\$ (8,905.81)
Modification - Reimbursable	<u>11,436.30</u>	<u>12,174.58</u>	<u>(738.28)</u>
Total payroll	<u>\$ 177,537.80</u>	<u>\$ 187,181.89</u>	<u>\$ (9,644.09)</u>

Flight equipment maintenance-direct payroll increased \$3,829.59 during October due to the increased number of hours of overtime worked during October.

The following paragraphs comment upon the significant increases and decreases in the operating expenses of the Transpac Division during October, 1947:

(a) Flying Operations - Decrease \$ 9,293.98:

This increase is due principally to the reduction in flight payrolls during October. The salaries of ATC flight personnel were reduced approximately September 15, 1947.

(b) Flight Equipment Maintenance - Direct -
Increase - \$ 3,854.62:

This increase is attributed to the increased number of over-time hours spent on maintenance during October, 1947.

(c) Ground and Indirect Maintenance - Decrease \$11,399.13:

This decrease is due to the increased number of maintenance labor spent on modification and Army reimbursable work. This resulted in an increase of the overhead being absorbed, amounting to \$9,683.72.

(d) Depreciation - Increase \$2,414.77:

During October, 1947 the company constructed a washrack costing \$2,294.18. This amount was immediately written off during the month.

Statement of Income - Flying Tiger Transport Inc.

The operations of Flying Tiger Transport Inc. for the months of October and September, 1947 are summarized as follows:

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
Revenues	\$ 22,243.11	\$ 62,336.01
Operating costs	<u>17,437.51</u>	<u>51,103.47</u>
Net profit	<u>\$ 4,805.60</u>	<u>\$ 11,232.54</u>

The operational statistics for Flying Tiger Transport Inc. for the months of October and September, 1947 are as follows:

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>
<u>Hours Flown</u> - C-47	45.1	114.1
C-54	56.2	237.0
<u>Miles Flown</u> - C-47	7,667	14,222
C-54	9,648	41,108
Passenger Miles	<u>241,200</u>	<u>768,700</u>

The revenue of the Flying Tiger Transport Inc. for the month of October, 1947 consisted of the following:

Athens	\$ 14,734.50
Domestic charters	<u>7,505.61</u>
Total	<u>\$ 22,243.11</u>

Flying Tiger Transport Inc. absorbed \$3,172.12 of the indirect expenses of The Flying Tiger Line Inc. during October, 1947.

Balance Sheet

The net cash profit during October, 1947 was \$ 999.98. However, a considerable amount of cash was converted to fixed assets in licensing C-54 aircraft #548 and placing such aircraft in operation. Such expenses amounted to \$56,565.56. Further details are set forth in the Statement of Application of Funds.

The following schedule represents a reconciliation of the net operating loss sustained during October to the net cash profit of \$999.98.

Net loss, October, 1947		\$ 50,112.83
Less - Non-cash operating expenses -		
Loss on sale of C-47	\$ 6,228.19	
Depreciation on fixed assets	28,019.23	
Reserve for bad debts	1,947.47	
Reserve for engine overhaul	8,776.62	
Reserve for overhaul of spare parts	1,205.81	
Reserve for vacation and sick leave	4,935.49	
		<u>51,112.81</u>
Net cash profit		<u>\$ 999.98</u>

The working capital of the company as of October 31, 1947 is as follows:

Total current assets - October 31, 1947		\$ 803,577.03
Less: Total current liabilities as of October 31, 1947		<u>326,337.70</u>
	Net Balance	\$ 479,239.33
Less: Non-cash or liquid assets -		
Material and supplies	\$ 77,374.75	
Notes receivable	34,817.26	
Gas tax refunds	10,000.00	
Accounts receivable - Shippers	100,000.00	<u>232,192.01</u>
		\$ 245,047.32
Less: Estimated cost of contract termination		<u>65,000.00</u>
	Net working capital	<u>\$ 180,047.32</u>

Respectfully submitted,

Fred Benninger
 FRED BENNINGER
 Treasurer

THE FLYING TIGER LINE INC.

Balance Sheet - October 31, 1947

ASSETS

LIABILITIES

Current Assets:

Current Liabilities:

Cash on hand and in banks		\$ 155,468.02
Accounts receivable:		
U. S. Government - Billed	\$ 279,692.73	
Unbilled	87,027.96	
Shippers	170,894.81	
Gas Tax refunds	18,960.20	
Advances to employees	<u>10,128.87</u>	
		\$ 567,004.57

Accounts payable - Trade	\$ 135,415.27
Accounts payable - Miscellaneous	2,166.31
Notes payable	<u>23,017.03</u>

Less: Reserve for doubtful accounts	<u>21,087.57</u>	535,917.00
-------------------------------------	------------------	------------

<u>Accrued Liabilities:</u>	
Accrued payroll	\$ 87,411.18
Accrued interest	30.72
Transportation taxes	1,880.07
Payroll taxes	22,017.46
Other items	1,578.42
Accrued insurance	12,715.98
Income tax withheld from employees	<u>25,821.26</u>
	152,488.09

<u>Notes receivable:</u>		
Shippers	\$ 23,249.61	
Employees	<u>1,567.65</u>	24,817.26
Material and supplies	<u>77,374.75</u>	77,374.75
Total current assets		\$ 803,577.03

C.O.D. shipments	<u>13,251.00</u>
------------------	------------------

Total current liabilities	\$ 226,237.50
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Investment in and advances to affiliated companies	20,479.98
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Reserve for contract termination costs	69,040.47
--	-----------

Fixed assets - Net (Schedule I)	888,373.81
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Reserve for aircraft overhaul	10,000.00
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<u>Deferred charges:</u>		
Prepaid insurance	\$ 56,723.71	
Prepaid taxes	9,624.62	
Other items	<u>8,042.56</u>	
Total deferred charges		74,390.89

<u>Capital stock and surplus:</u>	
Capital stock \$1.00 per value, authorized 1,000,000 shares, issued and outstanding 726,000 shares	\$ 726,000.00
Capital surplus	<u>1,637,639.31</u>
	\$ 2,363,639.31

<u>Deficit:</u>	
Balance - September 30, 1947	\$ 932,062.94

Net Loss for month ending October 31, 1947	<u>50,112.83</u>	882,195.77
--	------------------	------------

Total capital stock and surplus	1,381,443.54
---------------------------------	--------------

\$ 1,786,821.71

\$ 1,786,821.71

Consolidated
Statement of Income

THE FLYING TIGER LINE INC.

CONSOLIDATED STATEMENT OF INCOME

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	Year to Date
Net Income (Loss):			
Domestic Division	\$ (74,704.21)	\$ (49,290.54)	\$ (193,159.29)
Transpac Division	<u>24,591.38</u>	<u>(2,237.53)</u>	<u>179,016.38</u>
Total	\$ (50,112.83)	\$ (51,528.07)	\$ (14,142.91)
 Flying Tiger Transport Inc.	 <u>4,805.60</u>	 <u>11,232.54</u>	 <u>14,773.19</u>
Total	<u>\$ 45,307.23</u>	<u>\$ (40,295.53)</u>	<u>\$ 630.28</u>

THE FLYING TIGER LINE INC.STATEMENT OF APPLICATION OF FUNDSFor the Month Ended October 31, 1947Funds were provided by:

Sale of C-47 airplane - #NC 88774	\$ 16,000.00
Payment of accounts receivable - U.S. Government	105,865.84
Decrease of accounts receivable - Miscellaneous	7,014.89
Payment of notes receivable - Employees	25.00
Decrease in investment - Affiliated company	23,291.85
Increase in accounts payable	63,749.15
From net cash profit for the month	999.98
Adjustment of August contract mileage price for ATC contract	<u>11,535.24</u>
Total funds provided	<u>\$233,481.95</u>

Funds were applied to:

Increase in cash	\$ 30,619.84
Increase in accounts receivable - Shippers	2,486.93
Increase in gasoline tax refunds receivable	4,750.19
Increase in accounts receivable - Employees	867.97
Increase in materials and supplies	56.61
Increase in deferred charges	2,247.58
Payment of accrued liabilities	96,347.67
Payment of notes payable	21,000.00

Increase in Fixed Assets

Aircraft C-47 - Increase	\$ 2,803.18	
Aircraft C-54 - Increase	56,565.56	
Engines - Increase	20,172.00	
Miscellaneous flight equipment - Increase	1,730.87	
Spare parts and assemblies - Decrease	(9,529.66)	
Motorized vehicles - Increase	132.17	
Furniture, fixtures and office equipment - Increase	1,282.72	
Miscellaneous equipment - Decrease	(525.86)	
Buildings and improvements- Increase	<u>2,474.18</u>	<u>75,105.16</u>
Total funds applied		<u>\$ 233,481.95</u>

Schedule I

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and ReservesOctober 31, 1947

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 368,068.86	\$ 131,835.11	\$ 236,233.75
Aircraft C-54	404,897.37	18,624.83	386,272.54
Aircraft BT-13A	1,742.02	762.14	979.88
Aircraft RB-1 Budd	6,000.00	--	6,000.00
Engines	121,049.49	38,171.48	82,878.01
Miscellaneous flight equipment	34,502.63	7,939.57	26,563.06
Misc. flight equipment - Prorated	1,068.82	180.29	888.53
Flight equipment spare parts and assemblies	68,198.03	32,230.99	35,967.04
Hangar, shop and ramp equipment - Prorated	28,962.70	3,522.32	25,440.38
Hangar, shop and ramp equipment - Transpac	82,870.21	58,320.18	24,550.03
Motorized vehicles	38,267.28	7,435.30	30,831.98
Furniture, fixtures and office equipment - Prorated	25,293.72	2,662.46	22,631.26
Furniture, fixtures and office equipment - Transpac	17,163.66	12,000.52	5,163.14
Medical equipment - Transpac	174.60	145.50	29.10
Engineering Equipment - Transpac	728.86	427.37	301.49
Miscellaneous equipment	914.52	--	914.52
Buildings and improvements on land not owned	3,409.74	680.64	2,729.10
Buildings and improvements on land not owned - Transpac	<u>163,091.91</u>	<u>163,091.91</u>	<u>--</u>
Total	<u>\$ 1,366,404.42</u>	<u>\$ 478,030.61</u>	<u>\$ 888,373.81</u>

THE FLYING TIGER LINE INC.

DOMESTIC DIVISION

FINANCIAL STATEMENT

THE FLYING TIGER LINE INC.

Statement of Income

Statement of Income - Domestic Division

October 31, 1947

September 30, 1947

Total Per Hour

Total Per Hour

Revenues:

Freight

Other

Total

\$ 98,551.41
40.26
\$ 98,591.67

\$ 82,724.26
(1,869.56)
\$ 80,854.70

Less:

Pick-up and delivery costs-Net

Cost of freight carried by others

\$ (30.76)
21.72
\$ (9.04)

\$ 273.38
4,243.92
\$ 4,517.30

Net revenues

\$ 98,600.71 \$ 68.28

\$ 76,337.40 \$ 51.32

Direct Flying Expenses:

Flying operations - Sched. II

Direct maintenance - Sched. III

Depreciation - Flight Equipment-

Sched. IV

\$ 62,792.62 \$ 43.49
45,962.76 31.83
14,331.53 9.92

\$ 50,347.89 \$ 33.85
30,982.69 20.82
9,443.93 6.35

Total direct flying expenses

\$ 123,086.91 \$ 85.24

\$ 90,774.51 \$ 61.02

Indirect Operating Expenses

Ground operations - Sched. V

Ground and indirect maintenance-

Sched. VI

Traffic and sales - Sched. VII

Advertising and publicity -

Sched. VIII

General and administrative -

Sched. IX

Depreciation - ground equipment-

Sched. X

\$ 12,600.02 \$ 8.73
5,266.02 3.65
10,748.84 7.44
288.68 .20
13,035.71 9.03
453.03 .31

\$ 8,644.12 \$ 5.81
1,104.43 .74
10,791.13 7.25
893.09 .60
10,870.66 7.31
423.95 .29

Total indirect expenses

\$ 42,392.30 \$ 29.36

\$ 32,727.38 \$ 22.00

Total operating expenses

\$ 165,479.21 \$ 114.60

\$123,501.89 \$ 83.02

Operating Profit (loss)

\$ (66,878.50) \$ (46.31)

\$ (47,164.49) \$ (31.70)

Other deductions from

income - Sched. XI

274.87 .19
\$ (67,153.37) \$ (46.50)

(19.88) (.01)
\$ (47,144.61) \$ (31.69)

Non-operating income -

Sched. XI

(7,550.84) (5.23)

(2,145.93) (1.44)

Net Profit (loss)

\$ (74,704.21) \$ (51.73)

\$ (49,290.54) \$ (33.13)

Hours flown

1444.0

1487.5

Cost AnalysisTHE FLYING TIGER LINE INC.Cost Analysis of Direct Flying Expensesfor the Month Ending October 31, 1947C - 47C - 54Flying Operations:

	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
Pilots and co-pilots	\$ 14,935.15	\$ 12.50	\$ 8,388.98	\$ 25.00
Other flight personnel	--	--	2,293.30	6.84
Vacation, sick leave and idle time	971.20	.81	377.69	1.13
Travel, incidentals and per diem	3,253.69	2.73	2,084.21	6.21
Aircraft engine fuels and oils	19,235.50	16.11	14,239.59	42.44
Other supplies	--	--	4.87	.01
Insurance-Public Liability, Property Damage and General	1,807.29	1.51	1,918.75	5.72
Insurance-Employees' Welfare and Compensation	947.66	.79	352.79	1.05
Other expenses	--	--	76.16	.23
Total flying operations	\$ 41,150.49	\$ 34.45	\$ 29,736.34	\$ 88.63

Direct Maintenance - Flight Equipment:

Direct labor - aircraft	\$ 9,533.17	\$ 7.98	\$ 1,222.75	\$ 3.64
Direct labor - engines	1,828.22	1.53	1,753.03	5.23
Direct labor - other	736.02	.62	56.35	.16
Materials and outside repairs - aircraft	6,220.58	5.21	7,019.59	20.92
Materials and outside repairs - engines	4,415.87	3.70	1,993.01	5.94
Materials and outside repairs - other	668.82	.56	115.83	.35
Reserve provision - spare parts	3,187.98	2.67	895.79	2.67
Reserve provision - engine overhaul	4,554.29	3.81	5,871.25	17.50
Total direct maintenance - flight equipment	\$ 31,144.95	\$ 26.08	\$ 18,927.60	\$ 56.41

Depreciation - Flight Equipment:

Depreciation - aircraft	\$ 7,807.39	\$ 6.54	\$ 5,578.02	\$ 16.63
Depreciation - other flying equipment	1,519.21	1.27	759.60	2.26
Total depreciation - flight equipment	\$ 9,326.60	\$ 7.81	\$ 6,337.62	\$ 18.89
Total Direct Flying Expenses	\$ 81,622.04	\$ 68.34	\$ 55,001.56	\$ 163.93

Hours flown

1194.0335.5

Schedule IITHE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
Pilots and co-pilots	\$ 23,324.13	\$ 21,446.93	\$ 1,877.20
Other flight personnel	2,293.30	2,233.33	59.97
Vacation, sick leave and idle time	1,348.89	1,105.79	243.10
Travel, incidentals and per diem	5,337.90	5,595.66	(257.76)
Special, professional and technical fees and expenses	--	--	--
Rentals	--	--	--
Aircraft engine fuels	33,475.09	38,811.87	(5,336.78)
Other supplies	4.87	--	4.87
Insurance - Public liability, property damage and general	3,726.04	2,590.77	1,135.27
Insurance - Employee welfare and compensation	1,300.45	1,049.03	251.42
Injuries, loss and damage	--	--	--
Other expenses	76.16	632.28	(556.12)
Expenses transferred and joint facilities - Credit	<u>(8,094.21)</u>	<u>(23,117.77)</u>	<u>15,023.56</u>
Total	<u>\$ 62,792.62</u>	<u>\$ 50,347.89</u>	<u>\$ 12,444.73</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule III - Direct Maintenance Flight Equipment

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
Direct maintenance labor - Aircraft	\$ 10,755.92	\$ 7,555.33	\$ 3,200.59
Direct maintenance labor - Engines	3,581.25	1,079.88	2,501.37
Direct maintenance labor - Other	792.37	1,259.45	(467.08)
Direct maintenance materials and outside repairs - Aircraft	13,240.17	10,884.10	2,356.07
Direct maintenance, materials and outside repairs - Engines	6,408.88	2,763.82	3,645.06
Direct maintenance, materials and outside repairs - Other	784.65	905.88	(121.23)
Reserve provision - Spare parts	4,083.77	4,931.49	(847.72)
Reserve provision, aircraft engine overhaul	10,425.54	12,863.97	(2,438.43)
Expenses transferred and joint facilities - Credit	<u>(4,109.79)</u>	<u>(11,261.23)</u>	<u>7,151.44</u>
Total	<u>\$ 45,962.76</u>	<u>\$ 30,982.69</u>	<u>\$ 14,980.07</u>

Schedule IV

THE FLYING TIGER LINE INC.

Domestic Division

Schedule IV - Depreciation Flight Equipment

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$ 13,385.41	\$ 12,213.73	\$ 1,171.68
Depreciation - Engines	--	--	--
Depreciation - Other flying equipment	2,278.81	2,215.52	63.29
Expenses transferred and joint facilities - Credit	<u>(1,332.69)</u>	<u>(4,985.32)</u>	<u>3,652.63</u>
Total	<u>\$ 14,331.53</u>	<u>\$ 9,443.93</u>	<u>\$ 4,887.60</u>

Schedule VTHE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 970.30	\$ 1,100.00	\$ (129.70)
Local managers and superintendents	991.69	920.97	70.72
Vacation, sick leave and idle time	196.87	127.84	69.03
Ground service employees	3,279.47	1,991.97	1,287.50
Communications operators and dis- patchers	1,418.87	725.00	693.87
Other employees	947.07	452.86	494.21
Travel, incidentals and per diem	30.56	382.74	(352.18)
Telephone and telegraph services	1,127.86	877.00	250.86
Light, heat, power and water	42.52	2.25	40.27
Other services	13.28	--	13.28
Rentals	2,892.93	3,102.62	(209.69)
Shop and servicing supplies	374.38	64.89	309.49
Stationery, printing and office supplies	--	--	--
Other supplies	--	75.29	(75.29)
Insurance - Public liability, property damage and general	671.19	403.76	267.43
Insurance - Passenger and cargo liability	296.87	308.88	(12.01)
Insurance - Employee welfare & compensation	40.87	31.02	9.85
Other expenses	212.99	76.67	136.32
Expenses transferred and joint facilities - Credit	<u>(907.70)</u>	<u>(1,999.64)</u>	<u>1,091.94</u>
Total	<u>\$ 12,600.02</u>	<u>\$ 8,644.12</u>	<u>\$ 3,955.90</u>

Schedule VI

THE FLYING TIGER LINE INC.

Domestic Division

Schedule VI - Ground and Indirect Maintenance

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
General officers and superintendents \$	--	\$ 450.00	\$ (450.00)
Local managers and superintendents	1,512.32	1,612.55	(100.23)
Direct maintenance labor - Other	151.37	580.75	(429.38)
Vacation, sick leave and idle time	778.57	666.25	112.32
Stock and stores employees	2,011.51	1,238.58	772.93
Engineers and assistants	--	--	--
Other employees	250.66	188.20	62.46
Travel, incidentals and per diem	180.90	61.20	119.70
Telephone and telegraph services	134.69	84.62	50.07
Light, heat, power and water	88.27	27.93	60.34
Special, professional and technical fees and expenses	--	--	--
Other services	--	--	--
Rentals	505.99	909.29	(403.30)
Direct maintenance materials and out- side repairs - Other	79.57	64.71	14.86
Shop and servicing supplies	974.79	480.05	494.74
Stationery, printing and office supplies	15.85	157.31	(141.46)
Other supplies	444.25	82.55	361.70
Insurance - Public liability property damage and general	--	9.70	(9.70)
Insurance - Employee welfare and com- pensation	258.75	219.16	39.59
Injuries, loss and damage	--	362.36	(362.36)
Retroactive wages	--	--	--
Other expenses	16.58	163.81	(147.23)
Expenses transferred and joint facilities - Credit	<u>2,138.05</u>	<u>(6,254.59)</u>	<u>4,116.54</u>
Total	<u>\$ 5,266.02</u>	<u>\$ 1,104.43</u>	<u>\$ 4,161.59</u>

Schedule VII

THE FLYING TIGER LINE INC.

Domestic Division

Schedule VII - Traffic and Sales

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 1,050.00	\$ 1,283.33	\$ (233.33)
Local managers and superintendents	1,150.00	1,150.00	—
Vacation, sick leave and idle time	197.52	211.07	(13.55)
Traffic solicitors	<u>2,374.84</u>	2,421.94	(47.10)
Other employees	1,350.83	1,486.91	(136.03)
Travel, incidentals and per diem	950.15	786.06	164.09
Telephone and telegraph services	1,221.14	1,551.39	(330.25)
Light, heat, power and water	9.04	9.26	(.22)
Commissions	1,616.08	2,300.50	(684.42)
Entertainment	392.07	208.22	183.85
Other services	32.80	1.80	31.00
Rentals	363.35	411.34	(47.99)
Stationery, printing and office supplies	710.54	1,216.90	(476.36)
Other supplies	15.75	39.13	(23.38)
Insurance - Employee welfare and compensation	8.83	11.13	(2.30)
Other expenses	50.25	187.50	(137.25)
Expenses transferred and joint facilities - Credit	<u>(774.35)</u>	<u>(2,485.35)</u>	<u>1,711.00</u>
Total	<u>\$ 10,748.84</u>	<u>\$ 10,791.13</u>	<u>\$ (42.29)</u>

10%

98500 / 107000

28500

85000

477236

1350

613236

Schedule VIIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VIII - Advertising and Publicity

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
Vacation, sick leave and idle time	\$ --	\$ --	\$ --
Travel, Incidentals and per diem	10.75	--	10.75
Stationery, printing and office supplies	.96	8.71	(7.75)
Insurance - Employee welfare and compensation	--	--	--
Advertising - Space	--	568.40	(568.40)
Advertising - Other	177.75	247.66	(69.91)
Other promotional and publicity expenses	120.00	274.00	(154.00)
Expenses transferred and joint facilities - Credit	<u>(20.78)</u>	<u>(205.68)</u>	<u>184.90</u>
Total	<u>\$ 288.68</u>	<u>\$ 893.09</u>	<u>\$ (604.41)</u>

Schedule IX

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 1,722.92	\$ 1,619.19	\$ 103.73
Local managers and superintendents	1,060.33	954.52	105.81
Vacation, sick leave and idle time	208.26	523.17	(314.91)
Communications operators and dis- patchers	334.26	225.53	108.73
Other employees	3,322.04	3,450.89	(128.85)
Travel, incidentals and per diem	511.79	399.52	112.27
Telephone and telegraph services	319.17	323.71	(4.54)
Light, heat, power and water	15.75	21.19	(5.44)
Special, professional and technical fees and expenses	207.80	306.84	(99.04)
Entertainment	5.00	83.09	(78.09)
Other services	5.10	40.00	(34.90)
Rentals	312.75	364.59	(51.84)
Stationery, printing and office supplies	1,135.44	951.96	183.48
Other supplies	--	2.06	(2.06)
Insurance - Public liability, property damage and general	23.17	24.75	(1.58)
Insurance - Employee welfare and com- pensation	6.06	12.71	(6.65)
Memberships	349.50	362.48	(12.98)
Corporate and fiscal expenses	489.42	256.68	232.74
Bad debts	1,973.97	1,656.85	317.12
Taxes - Payroll	1,413.61	2,304.96	(891.35)
Taxes - Other	440.51	487.77	(47.26)
Amortization of deferred charges	--	--	--
Other expenses	117.97	197.23	(79.26)
Expenses transferred and joint facilities - Credit	<u>(939.11)</u>	<u>(3,699.03)</u>	<u>2,759.92</u>
Total	<u>\$ 13,035.71</u>	<u>\$ 10,870.66</u>	<u>\$ 2,165.05</u>

Schedule X

THE FLYING TIGER LINE INC.

Domestic Division

Schedule X - Depreciation Ground Equipment

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
Ground property and equipment depreciation	\$ 485.67	\$ 521.59	\$ (35.92)
Expenses transferred and joint facilities - Credit	<u>(32.64)</u>	<u>(97.64)</u>	<u>65.00</u>
Total	<u>\$ 453.03</u>	<u>\$ 423.95</u>	<u>\$ 29.08</u>

Schedule XITHE FLYING TIGER LINE INC.Domestic DivisionSchedule XI - Non-Operating Income and
Other Deductions from Income

	<u>October 1947</u>	<u>September 1947</u>	<u>Increase (Decrease)</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 95.45	\$ 71.88	\$ 23.57
Interest income	26.50	--	26.50
Other income	7.43	3.27	4.16
Gain on sale of equipment (loss)	<u>(7,680.22)</u>	<u>(2,221.08)</u>	<u>(5,459.14)</u>
Total	<u>\$ (7,550.84)</u>	<u>\$ (2,145.93)</u>	<u>\$ 5,404.91)</u>
<u>Other Deductions from Income:</u>			
Interest expense	\$ 274.87	\$ (19.88)	\$ 294.75
Other deductions	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 274.87</u>	<u>\$ (19.88)</u>	<u>\$ 294.75</u>

THE FLYING TIGER LINE INC.

TRANSPAC DIVISION

FINANCIAL STATEMENT

Statement of IncomeTHE FLYING TIGER LINE INC.STATEMENT OF INCOME - TRANSPAC DIVISION

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Revenues:			
Mileage	\$ 218,028.24	\$ 204,411.23	\$ 13,617.01
Maintenance Work Orders	36,256.68	61,018.32	(24,761.64)
Miscellaneous	1,183.73	1,728.55	(544.82)
Total	\$ 255,468.65	\$ 267,158.10	\$ (11,689.45)
Less: Cost of Work Orders	<u>30,685.88</u>	<u>53,795.03</u>	<u>(23,109.15)</u>
Net revenues	<u>\$ 224,782.77</u>	<u>\$ 213,363.07</u>	<u>\$ 11,419.70</u>
Operating Expenses:			
Flying operations - Sched. I	\$ 80,742.52	\$ 90,036.50	\$ (9,293.98)
Ground operations - Sched. II	13,313.36	13,580.73	(267.37)
Flight equipment maintenance - direct - Sched. III	55,595.91	51,741.29	(3,854.62)
Ground and indirect mainten- ance - Sched. IV	12,548.95	23,948.08	(11,399.13)
General and administrative - Sched. VI	26,549.10	27,267.22	(718.12)
Depreciation - Sched. VII	<u>11,441.55</u>	<u>9,026.78</u>	<u>2,414.77</u>
Total operating expenses	<u>\$ 200,191.39</u>	<u>\$ 215,600.60</u>	<u>\$ (15,409.21)</u>
Operating profit (loss)	\$ 24,591.38	\$ (2,237.53)	\$ 26,828.91
Provision for contract termination costs	—	—	—
Net profit (loss)	<u>\$ 24,591.38</u>	<u>\$ (2,237.53)</u>	<u>\$ 26,828.91</u>

Schedule ITHE FLYING TIGER LINE INC.Transpac DivisionSchedule I - Flying Operations

	October <u>1947</u>	September <u>1947</u>	Increase (Decrease)
Pilots and co-pilots	\$ 24,861.41	\$ 32,707.36	\$ (7,845.95)
Other flight personnel	31,399.38	35,418.80	(4,019.42)
Vacation, sick leave and idle time	3,620.07	4,130.19	(510.12)
Travel, incidentals and per diem	16,134.40	14,251.95	1,882.45
Special, professional and technical fees and expenses	1,234.80	--	1,234.80
Aircraft engine fuels	319.12	288.40	30.72
Other supplies	--	8.71	(8.71)
Insurance - Public liability, property damage and general	96.75	96.75	--
Insurance - Employee welfare and compensation	<u>3,076.59</u>	<u>3,134.34</u>	<u>(57.75)</u>
Total	<u>\$ 80,742.52</u>	<u>\$ 90,036.50</u>	<u>\$ (9,293.98)</u>

Schedule IITHE FLYING TIGER LINE INC.Transpac DivisionSchedule II - Ground Operations

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 741.67	\$ 650.00	\$ 91.67
Local managers and superintendents	1,683.06	1,937.40	(254.34)
Vacation, sick leave and idle time	265.37	277.04	(11.67)
Ground service employees	830.86	428.23	402.63
Communications operators and dis- patchers	207.90	197.20	10.70
Overseas labor	3,765.50	4,148.62	(383.12)
Other employees	1,020.20	825.71	194.49
Travel, incidentals and per diem	--	--	--
Telephone and telegraph services	643.32	1,364.45	(721.13)
Light, heat, power and water	12.00	11.29	.71
Rentals	414.62	1,439.22	(1,024.60)
Shop and servicing supplies	65.68	--	65.68
Stationery, printing and office supplies	59.78	58.21	1.57
Other supplies	--	--	--
Insurance - Public liability, property damage and general	131.54	303.03	(171.49)
Insurance - Passenger and cargo liability	3,442.04	1,893.81	1,548.23
Insurance - Employee welfare and compensation	29.82	32.67	(2.85)
Other expenses	<u>—</u>	<u>13.85</u>	<u>(13.85)</u>
Total	<u>\$ 13,313.36</u>	<u>\$ 13,580.73</u>	<u>\$ (267.37)</u>

THE FLYING TIGER LINE INC.Transpac DivisionSchedule III - Direct Maintenance Flight Equipment

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Direct maintenance labor - Aircraft	\$ 25,189.98	\$ 21,131.16	\$ 4,058.82
Direct maintenance labor - Engines	4,654.07	3,666.37	987.70
Direct maintenance labor - Other	4,000.14	3,800.65	199.49
Overseas labor	21,738.68	23,155.10	(1,416.42)
Direct maintenance materials and out- side repairs - Aircraft	.06	(11.99)	12.05
Direct maintenance, materials and out- side repairs - Other	<u>12.98</u>	<u>--</u>	<u>12.98</u>
Total	<u>\$ 55,595.91</u>	<u>\$ 51,741.29</u>	<u>\$ 3,854.62</u>

Schedule IVTHE FLYING TIGER LINE INC.Transpac DivisionSchedule IV - Ground and Indirect Maintenance

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 300.00	\$ 600.00	\$ (300.00)
Local managers and superintendents	9,593.42	11,485.40	(1,891.98)
Direct maintenance labor - Other	2,388.80	2,361.99	26.81
Vacation, sick leave and idle time	1,736.65	2,263.06	(526.41)
Stock and stores employees	6,688.18	6,671.07	17.11
Engineers and assistants	2,291.15	1,796.45	494.70
Overseas labor	--	--	--
Other employees	3,637.29	2,329.85	807.44
Travel, incidentals and per diem	141.75	240.30	(98.55)
Telephone and telegraph services	480.54	423.08	57.46
Light, heat, power and water	504.61	512.16	(7.55)
Other services	--	--	--
Rentals	1,372.98	2,864.98	(1,492.00)
Direct maintenance materials and out- side repairs - Other	839.47	381.87	457.60
Shop and servicing supplies	1,121.46	926.34	195.12
Stationery, printing and office supplies	261.79	234.78	27.21
Other supplies	650.63	160.82	489.81
Insurance - Employee welfare and com- pensation	396.44	394.12	2.32
Retroactive wages	--	--	--
Other expenses	25.75	.25	25.50
Expenses transferred and joint facilities - Credit	<u>(19,882.16)</u>	<u>(10,198.44)</u>	<u>(9,683.72)</u>
Total	<u>\$ 12,548.95</u>	<u>\$ 23,948.08</u>	<u>\$ (11,399.13)</u>

Schedule VI

THE FLYING TIGER LINE INC.

Transpac Division

Schedule VI - General and Administrative

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 2,667.35	\$ 3,264.14	\$ (596.79)
Local managers and superintendents	2,553.84	2,157.98	395.86
Vacation, sick leave and idle time	505.78	172.34	333.44
Communications operators and dis- patchers	576.54	338.57	237.97
Other employees	9,184.21	8,592.63	591.58
Travel, incidentals and per diem	1,067.31	1,765.42	(698.11)
Telephone and telegraph services	816.81	766.82	49.99
Light, heat, power and water	27.17	31.82	(4.65)
Special, professional and technical fees and expenses	1,501.64	1,455.58	46.06
Entertainment	15.00	1,012.41	(997.41)
Other services	--	7.50	(7.50)
Rentals	583.51	614.55	(31.04)
Stationery, printing and office supplies	1,609.98	1,638.34	(28.36)
Other supplies	9.13	56.83	(47.70)
Insurance - Public liability, property damage and general	39.94	37.16	2.78
Insurance - Employee welfare and com- pensation	13.11	6.12	6.99
Memberships	42.24	56.27	(14.02)
Corporate and fiscal expenses	844.14	385.33	458.81
Taxes - Payroll	3,344.87	3,955.64	(610.77)
Taxes - Other	758.83	732.27	26.56
Other expenses	387.69	219.50	168.19
Total	<u>\$ 26,549.10</u>	<u>\$ 27,267.22</u>	<u>\$ (718.12)</u>

Schedule VIITHE FLYING TIGER LINE INC.Transpac DivisionSchedule VII - Depreciation

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation Expenses:			
Engineering equipment	\$ 60.72	\$ 60.72	\$ —
Miscellaneous flight equip- ment	48.59	48.84	(.25)
Medical equipment	14.55	14.55	—
Hangar, shop and ramp equipment	7,064.14	6,968.35	95.79
Furniture, fixtures and office equipment	1,556.56	1,552.38	4.18
Buildings and improvements on land not owned	2,294.18	--	2,294.18
Motorized vehicles and equip- ment	<u>402.81</u>	<u>381.94</u>	<u>20.87</u>
Total	<u>\$ 11,441.55</u>	<u>\$ 9,026.78</u>	<u>\$ 2,414.77</u>

FLYING TIGER TRANSPORT INC.

FINANCIAL STATEMENTS

October 31, 1947

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - OCTOBER 31, 1947

ASSETS

Current assets:

Cash on hand and in banks	\$ 14,162.92	
Accounts receivable	<u>22,622.64</u>	
Total current assets		<u>\$ 36,785.56</u>

LIABILITIES

Accrued liabilities:

Insurance		\$ 927.09
Advances: The Flying Tiger Line Inc.		20,479.98
Capital Stock and Surplus:		
Capital stock, par value \$1.00 per share, issued and outstanding 200 shares	\$ 200.00	
Capital surplus	<u>1,800.00</u>	\$2,000.00
Earned surplus, September 30, 1947	\$ 8,572.89	
Net profit for the month ending October 31, 1947	<u>4,805.60</u>	<u>13,378.49</u>
Total capital stock and surplus		<u>15,378.49</u>
Total		<u>\$ 36,785.56</u>

Statement of Income

THE FLYING TIGER TRANSPORT INC.

Statement of Income

	<u>October</u> <u>1947</u>	<u>September</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Revenue:			
Passengers/cargo	\$ <u>22,243.11</u>	\$ <u>62,336.01</u>	\$ <u>(40,092.90)</u>
Direct Flying Expenses:			
Flying operations	\$ 8,100.71	\$ 22,817.80	\$ (14,717.09)
Direct maintenance - Flight equipment	4,109.79	11,261.23	(7,151.44)
Depreciation - Flight equipment	<u>1,332.69</u>	<u>4,985.32</u>	<u>(3,652.63)</u>
Total direct flying expenses	\$ <u>13,543.19</u>	\$ <u>39,064.35</u>	\$ <u>(25,521.16)</u>
Indirect Operating Expenses:			
Ground operations	\$ 1,112.31	\$ 2,409.77	\$ (1,297.46)
Ground and indirect maintenance	397.54	1,377.02	879.48
Passenger service	474.13	1,743.38	(1,269.25)
Traffic and sales	774.35	2,485.35	(1,711.00)
Advertising and publicity	20.78	205.68	(184.90)
General and administrative	982.57	3,720.28	(2,737.71)
Depreciation - Ground equipment	<u>32.64</u>	<u>97.64</u>	<u>(65.00)</u>
Total indirect operating expenses	\$ <u>3,894.32</u>	\$ <u>12,039.12</u>	\$ <u>(8,144.80)</u>
Total operating expenses	\$ <u>17,437.51</u>	\$ <u>51,103.47</u>	\$ <u>(33,665.96)</u>
Net operating profit (loss)	\$ <u>4,805.60</u>	\$ <u>11,232.54</u>	\$ <u>(6,426.94)</u>

THE FLYING TIGER LINE INC.

FINANCIAL STATEMENTS

November 30, 1947

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. and certain financial information and comments relating thereto for the month ending November 30, 1947 are presented herewith:

Consolidated Statement of Income

	November <u>1947</u>	October <u>1947</u>
Net Income (Loss):		
The Flying Tiger Line Inc. -		
Domestic Division	\$ (30,889.26)	\$ (74,704.21)
Transpac Division	<u>15,190.73</u>	<u>24,591.38</u>
	\$ (15,698.53)	\$ (50,112.83)
Flying Tiger Transport Inc.	<u>(5,132.26)</u>	<u>4,805.60</u>
Total	<u>\$ (20,830.79)</u>	<u>\$ (45,307.23)</u>

Statement of Income - Domestic Division

The operations of the Domestic Division for the months of November and October, 1947 are compared as follows:

	November <u>1947</u>	October <u>1947</u>
Revenues - Net	\$ 37,815.24	\$ 98,600.71
Operating Costs	<u>118,315.99</u>	<u>165,479.21</u>
Operating loss	\$ (30,500.75)	\$ (66,878.50)
Non-operating income (loss)	<u>(388.51)</u>	<u>(7,275.97)</u>
Net loss	<u>\$ (30,889.26)</u>	<u>\$ (74,704.21)</u>

The operational statistics for the months of November and October, 1947 are as follows:

	<u>November</u> 1947	<u>October</u> 1947
<u>Hours Flown -</u>		
C - 47	252.0	1,217.8
C - 54	<u>464.3</u>	<u>266.8</u>
Total	<u>716.3</u>	<u>1,484.6</u>
<u>Miles Flown -</u>		
C - 47	39,006	197,283
C - 54	<u>90,214</u>	<u>51,225</u>
Total	<u>129,220</u>	<u>248,508</u>
<u>Ton Miles Carried -</u>		
C - 47	91,552	856,323
C - 54	<u>690,239</u>	<u>856,323</u>
Total	<u>782,491</u>	<u>856,323</u>
<u>Average Plane Utilization -</u>		
C - 47	1.3 hrs.	3.2 hrs.
C - 54	3.4 hrs.	7.2 hrs.
Total		
<u>Load factor -</u>		
C - 47	62.6%	68.4%
C - 54	<u>76.6%</u>	<u>68.4%</u>
Total	<u>74.6%</u>	<u>68.4%</u>
Revenue Per Ton Mile Carried	<u>\$.1136</u>	<u>\$.1151</u>

In comparing the operational statistics of the Domestic Division between November and October 1947 it can easily be seen that the company has changed the operation picture completely.

During the month a third C-54 leased from the Army was placed in the freight service and most of the Coast-to-Coast flights were flown with C-54 equipment. The miles and hours flown during November, 1947 decreased over 60% from the hours and miles flown during October. However, the load factor increased to 74.6% and the ton miles carried decreased only 74,000 during November.

It was the plan of the corporation to use C-54 equipment to Coast-to-Coast and use C-47 equipment for shuttles between Burbank-San Francisco and Chicago-Cleveland-Detroit-Cleveland and Teterboro.

However, this plan was changed about November 15th to a

new operational plan in which it was attempted to keep the C-47 flying to a minimum.

The following schedule reflects the hours flown during November, 1947 for the various points of the company's schedule:

Coast-to-Coast	540.7 hrs.
Burbank-San Francisco	14.0
Teterboro-Philadelphia	14.0
Chicago-Detroit, Cleveland, etc.	<u>147.6</u>
Total	<u>716.3</u> hrs.

It is to be noted that the load factor for November 1947 for the C-47 equipment was only 62.6%. This is due to the fact that freight destined from Burbank to Detroit, Cleveland and Cincinnati was flown from Burbank to Chicago with C-54 equipment and trans-loaded to C-47 equipment at Chicago for flying such cargo to its ultimate destination. This operational procedure had the following results.

- (1) Increased the handling cost due to double loading and unloading costs at Chicago.
- (2) Necessitated the flying of C-47 equipment from Chicago and/or Teterboro with loads such as 1,000 to 2,000 lbs. resulting in load factors of 20% to 50% for such flights.

To eliminate the C-47 shuttle flights would result in the following:

- (1) The general load factors on the C-54 flights would drop, especially on West-to-East movements.
- (2) It would require that the C-54 equipment serve such points as Detroit, Cleveland, Philadelphia, etc. causing ground delays and additional expenses of landing.

The following recommendations are made to overcome the necessity of flying C-47 equipment and still serve the important freight centers such as Detroit, Cleveland, etc.:

- (1) Make interline agreements with other freight carriers. This was done with Eagle Air Freight Co. serving San Francisco and Burbank.
- (2) It may be advisable to have the C-54 equipment stop at one freight center such as Cleveland or Detroit depending upon which city has the greatest traffic potential.
- (3) Special sales emphasis should be placed on those points that will have to be continue to be served with C-47 equipment.

costs and revenues between C-47 and C-54 equipment:

	<u>C-47</u>	<u>C-54</u>
Revenues	\$ 10,400.30	\$ 78,490.67
Direct flying expenses	<u>20,518.07</u>	<u>60,770.00</u>
Gross income (loss)	<u>\$ (10,117.77)</u>	<u>\$ 17,720.67</u>

The same information expressed in the form of a per ton mile basis is as follows:

	<u>C-47</u>	<u>C-54</u>
Revenue per Ton Mile carried	\$.1136	\$.1136
Direct flying cost per Ton Mile carried	<u>.2241</u>	<u>.0880</u>
Gross income (loss) per Ton Mile carried	<u>\$ (.1105)</u>	<u>\$.0256</u>

The direct flying cost per mile for the C-47 equipment has increased considerably during November, 1947. This is due mainly to the following reasons:

- (1) The company had 12 C-47 airplanes on hand that were used intermittently during the month and therefore had to be maintained.
- (2) The low number of hours flown with C-47 equipment during November caused an increase in the hourly cost for fixed flying expenses such as insurance.

Pilots' and Co-Pilots' salaries decreased from \$23,324.13 in October to \$12,946.92 in November. These payrolls should decrease additionally during December inasmuch as the company had 20 crews on the domestic payroll as of November 15, 1947 and finally decreased to 10 crews as of November 20, 1947.

The pilot utilization during November was low due to the excess crews that were available during the early part of the month. The average utilization of Captains was 61.8 hours and 48.3 hours for the Co-Pilots. In addition, the company was using 2 Co-Pilots on all C-54 flights for a good part of November.

Depreciation charges on most of the C-47 airplanes were discontinued as of November 1, 1947 because of the following reasons:

- (1) The C-47 equipment is being held for sale.
- (2) The net depreciated value of most of the C-47 equipment is below the current market value.

(3) Approximately 4 C-47 airplanes are being used constantly.

The following schedule represents a comparison of domestic payrolls between November and October, 1947.

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Flying Operations	\$ 13,766.34	\$ 26,966.32	\$ (13,199.98)
Ground Operations	5,381.70	4,477.34	904.36
Flight equipment maintenance - Direct	9,358.72	15,129.54	(5,770.82)
Ground and indirect maintenance -	3,634.85	4,704.43	(1,069.58)
Traffic and sales	6,261.31	6,123.12	138.12
General and administrative	4,074.65	6,647.81	(2,573.16)
Modification	5,343.28	16,626.34	(11,277.06)
Total	\$ 47,826.85	\$ 80,674.97	\$ (32,848.12)

The following schedules represent the revenue statistics for the month of November, 1947:

		<u>Non-Consolidators</u>		Revenue per	Number of
<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Ton Mile</u>	<u>Shipments</u>
CG	LA	65,768	\$ 7,692.50	.1171	26
CG	SF	9,323	1,282.36	.1296	6
CV	LA	36,316	4,066.07	.1125	27
DY	LA	47,301	5,476.31	.1158	4
DY	NY	17,101	1,813.07	.1160	8
LA	CG	47,152	6,300.20	.1336	111
LA	CV	5,737	733.56	.1289	25
LA	DO	3,569	1,036.72	.1217	29
LA	NY	151,894	14,521.52	.0956	318
NY	CG	7,227	1,001.52	.1382	23
NY	LA	112,812	13,421.91	.1190	89
PG	LA	22,482	2,893.35	.1290	12
SF	CV	6,597	767.27	.1163	3
SF	NY	8,047	854.41	.1058	2
Misc.		24,334	3,521.04		84
		<u>571,275</u>	<u>\$ 65,605.87</u>	<u>\$.1148</u>	<u>767</u>

<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Revenue per Ton Mile</u>	<u>Number of Shipments</u>
CV	LA	10,036	\$ 1,219.75	\$.1215	21
KC	OA	6,398	986.50	.1542	1
LA	CV	15,515	1,717.55	.1107	41
LA	NY	22,816	1,937.32	.0849	30
NY	CG	45,023	5,925.30	.1316	48
NY	LA	57,807	7,256.13	.1255	52
SF	NY	22,514	1,548.09	.0688	1
SF	Spartenburg	8,544	1,171.80	.1371	1
Miscel.		<u>27,846</u>	<u>4,017.16</u>		<u>79</u>
		<u>216,499</u>	<u>\$ 25,779.60</u>	<u>\$.1191</u>	<u>274</u>

The following schedule represents a comparison of the origin of freight revenue between November and October, 1947 and the significant increases or decreases between such months:

	<u>November 1947</u>	<u>October 1947</u>	<u>Increase (Decrease)</u>
Chicago	\$ 11,202.81	\$ 7,156.26	\$ 4,046.55
Cleveland	5,474.79	6,778.32	(1,303.53)
Detroit	1,044.18	3,688.95	(2,644.77)
Kansas City	986.50	1,037.63	(51.13)
Los Angeles	26,623.90	29,621.26	(2,997.36)
New York	28,774.64	47,886.76	(19,112.12)
San Francisco	2,448.01	3,773.88	(1,325.87)
Philadelphia	3,928.05	581.55	3,346.50
Miscellaneous	(1,220.76)	(1,044.40)	723.64
D yton	<u>7,539.11</u>	<u>-0-</u>	<u>7,539.11</u>
	<u>\$ 86,801.23</u>	<u>\$ 92,580.21</u>	<u>\$ (11,778.98)</u>

The largest decrease occurred in New York while the largest increase occurred in Chicago and Philadelphia.

The company sold a C-47 airplane, NC 64703, during November, 1947 for \$32,000.00. However, a delux interior had to be installed in the airplane. The contract contained a penalty clause for delay in completing the interior and after paying such penalty the company realized \$31,300.00 for the converted airplane. The following schedule sets forth the financial result of such sale. It is significant to note that there is a large percentage of profit in the amount of \$3,749.10 charged against the conversion work as "overhead absorbed".

Analysis of Sales Price of NC 64703

Net sales price of NC 64703		\$ 31,300.00
Cost of Sales -		
Net depreciated value of		
NC 64703 hull	\$ 16,594.69	
Cost of 2 R1830-65 engines	512.50	
Conversation cost -		
Labor (2,999.3 hrs.)	4,996.62	
Material cost (Including de-		
preciated value of Hardman		
seats - \$1,319.31)	6,281.51	28,385.32
Cash profit from sale		\$ 2,914.68
Less: Overhead absorbed		3,749.10
Net Book Loss		\$ 834.42

Statement of Income - Transpac Division

The operations of the Transpac Division for the months of November and October, 1947 are summarized as follows:

	November <u>1947</u>	October <u>1947</u>
Revenues	\$ 197,326.11	\$ 224,782.77
Operating costs	182,135.38	200,191.39
	\$ 15,190.73	\$ 24,591.38
Operating profit		

The net profit of \$15,190.73 for the month of November, 1947 includes approximately \$ 12,000.00 miscellaneous income representing the amount allowed by the Army as reimbursement to the company for the cost of procuring parts and supplies during the last 8 months. This amount had been in dispute for 4 months and was finally paid during November.

To reflect the actual November profit and loss, the following schedule is prepared:

Net profit as above	\$ 15,190.73
Less: Prior amounts earned but paid in November	<u>12,000.00</u>
Net profit - November	\$ 3,190.73
Add - Depreciation	9,289.55
	<u> </u>
Net cash profit	<u>\$ 12,480.28</u>

The ATC contract was terminated as of November 30, 1947. However, the final phase-out of the contract was started as of November 23, 1947 in order that the last flight be completed by November 30. This resulted in a decrease of \$31,975.33 in mileage revenue during November, 1947. Due to the fact that the company was able to terminate all of the flight personnel as well as overseas personnel as rapidly as the flights were completed, the loss in mileage revenue was offset to a certain extent by the decrease in operating expenses.

The company is still required to perform extensive maintenance on the Army airplanes before such airplanes can be returned to the Army. Also, the spare parts and supplies will have to be coated and shipped. It is estimated that the above operations will be completed during the early part of January. A reserve of approximately \$65,000.00 is set up on the books to offset such costs.

The operational statistics for the Transpac Division for the months of November and October, 1947 are as follows:

	<u>November</u>		<u>October</u>	
	<u>1947</u>		<u>1947</u>	
Miles scheduled	344,343		454,836	
Miles flown	389,232		456,126	
Percentage of scheduled miles flown	113.0%		100.3%	
Cost per mile flown	\$.468		\$.439	
Flights Made -	<u>Trips</u>	<u>Miles</u>	<u>Trips</u>	<u>Miles</u>
Tokyo	31	249,189	36	287,949
Guam	21	135,177	26	168,177
Hickam	<u>2</u>	<u>4,866</u>	<u>--</u>	<u>--</u>

The following schedule represents the payrolls of the Transpac Division for the months of November and October, 1947:

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Flying operations	\$ 50,681.09	\$ 59,880.86	\$ (9,199.77)
Ground operations	7,109.60	8,514.56	(1,404.96)
Flight equipment maintenance- direct	43,554.61	55,582.87	(12,028.26)
Ground and indirect maintenance	23,613.24	26,635.49	(3,022.25)
General and administrative	<u>14,468.52</u>	<u>15,487.72</u>	(1,019.20)
Total expense	\$ 133,427.06	\$ 163,101.50	\$ (26,674.44)
Modification - Reimbursable	<u>9,304.18</u>	<u>11,436.30</u>	<u>(2,132.12)</u>
Total payroll	<u>\$ 148,731.24</u>	<u>\$ 177,537.80</u>	<u>\$ (28,806.56)</u>

It is significant to note that the maintenance labor cost for the Transpac Division decreased by approximately \$12,000.00 during November, 1947.

The decrease in the number of direct maintenance labor spent on reimbursable work during November, 1947 caused a decrease in the overhead absorbed amounting to \$12,317.13, thereby causing the Ground and Indirect Maintenance to increase from \$12,548.95 in October to \$21,735.47 in November.

Statement of Income - Flying Tiger Transport Inc.

The operations of Flying Tiger Transport Inc. for the months of November and October, 1947 are summarized as follows:

	November <u>1947</u>	October <u>1947</u>
Revenues	\$ 6,532.70	\$ 22,243.11
Operating costs	<u>11,664.96</u>	<u>17,437.51</u>
Net profit (loss)	<u>\$ (5,132.26)</u>	<u>\$ 4,805.60</u>

The operational statistics for Flying Tiger Transport Inc. for the months of November and October, 1947 are as follows:

	November <u>1947</u>	October <u>1947</u>
Hours flown -		
C-47	83.6	45.1
C-54	--	56.2
Miles flown -		
C-47	12,916	7,667
C-54	<u> </u>	<u>9,648</u>

The reason that Flying Tiger Transport Inc. is showing a loss for the month of November is that the direct flying cost per hour of the C-47 equipment has increased appreciably during November due to the low number of hours of utilization for such equipment during the month. If the above charter business of Flying Tiger Transport Inc. had not been secured during November, the loss of the Domestic Division for November would have been larger than shown in the accompanying statement.

Flying Tiger Transport Inc. absorbed \$4,099.52 of the indirect expenses of The Flying Tiger Line Inc. during November, 1947.

CONSOLIDATED BALANCE SHEET

Accounts receivables - Shippers, decreased considerably during November, 1947:

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>
Accounts receivable - Shippers	\$ 184,452.94	\$ 193,517.45
Less: C.O.D. shipments	29,426.32	13,251.00
	<u>\$ 155,026.62</u>	<u>\$ 180,266.45</u>
Net receivables		

Accounts receivables - U.S. Government decreased as of November 30, 1947 because the ATC contract started to phase out as of November 23, 1947.

The net cash profit for November was \$4,486.75 which is reconciled to the net loss of \$20,830.79 as follows:

Net loss as per accompanying statement	\$ 20,830.79
Less: Non cash expenses - Depreciation	\$ 23,691.65
Loss on sale of plane	834.42
Reserve for vacation	791.47
	<u>25,317.54</u>
Net cash profit	<u>\$ 4,486.75</u>

The quick ratio as of November 30, 1947
is as follows:

Total current assets - Per accompanying balance sheet -		\$843,763.15
Less:		
Material and supplies	\$78,119.98	
Gas tax refunds	15,000.00	
Accts. Receivable shippers	50,000.00	
Notes Receivables	30,000.00	
Miscellaneous	<u>16,000.00</u>	189,119.98
Net quick assets		<u>\$654,643.17</u>
Current Liabilities		<u>303,754.32</u>
Excess		<u>\$350,888.85</u>
Quick Ratio		<u>137%</u>

Respectfully submitted,

Fred Benninger

Fred Benninger
Treasurer

Consolidated
Statement of Income

THE FLYING TIGER LINE INC.
Consolidated Statement of Income

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>	<u>Year to</u> <u>Date</u>
Net Income (loss):			
Domestic Division	\$ (30,889.26)	\$ (74,704.21)	\$ (224,048.55)
Transpac Division	<u>15,190.73</u>	<u>24,591.38</u>	<u>194,207.11</u>
Total	\$ (15,698.53)	\$ (50,112.38)	\$ (29,841.44)
Flying Tiger Transport, Inc.	<u>(5,132.26)</u>	<u>4,805.60</u>	<u>9,640.93</u>
Total	<u>\$ (20,830.79)</u>	<u>\$ (45,307.23)</u>	<u>\$ (19,200.51)</u>

THE FLYING TIGER LINE INC.
STATEMENT OF APPLICATION OF FUNDS
FOR THE MONTH ENDED NOVEMBER 30, 1947

Funds were provided by:

Sale of C-47 airplane - NC #64703	\$ 31,300.00
Payment of Account Receivable-U.S. Government	92,059.41
Payment of Accounts Receivable - Shippers	25,239.83
Payment of Accounts Receivable - Employees	461.97
Payment of Notes Receivable - Shippers	1,000.00
Decrease in Deferred Charges	5,862.31
From Net Cash profit for the Month	<u>4,486.75</u>

Total Funds provided \$ 160,410.27

Funds were Applied to:

Increase in Cash	\$ 94,867.94
Increase in Gasoline Tax Refunds Receivable	2,974.75
Increase in Accounts Receivable-Miscellaneous	11,552.46
Increase in Materials and Supplies	745.23
Write Off of Bad Debts	12.38
Payment of Accounts Payable	34,241.21
Payment of Accrued Liabilities	3,278.27

Increase in Fixed Assets:

Aircraft C-47 - Increase	\$ 9,597.49	
(Modification on NC 64703-Sold)		
Aircraft C-54 - Increase	928.38	
Miscellaneous Flight Equipment-		
Decrease	(173.96)	
Spare Parts and Assemblies-	1,613.79	
Increase		
Hangar, Shop and Ramp Equipment-		
Increase	18.94	
Furniture, Fixtures and Office		
Equipment - Increase	915.99	
Miscellaneous Equipment -		
Decrease	<u>(202.60)</u>	<u>12,738.03</u>

Total Funds applied \$ 160,410.27

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and ReservesNovember 30, 1947

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 337,931.56	\$ 124,841.64	\$ 213,089.92
Aircraft C-54	405,825.75	27,060.19	378,765.56
Aircraft BT-13A	1,742.02	798.43	943.59
Aircraft RB-1 Budd	6,000.00	--	6,000.00
Engines	120,536.99	43,395.78	77,141.21
Miscellaneous Flight Equipment	34,372.37	8,557.44	25,814.93
Misc. flight equipment - Prorated	1,025.12	416.97	608.15
Flight equipment spare parts and assemblies	69,811.82	30,689.31	39,122.51
Hangar, shop and ramp equipment - Prorated	29,020.61	3,763.65	25,256.96
Hangar, shop and ramp equipment - Transpac	82,871.24	65,232.76	17,638.48
Motorized Vehicles	38,267.28	8,074.24	30,193.04
Furniture, fixtures and office equipment - Prorated	26,209.71	2,871.05	23,338.66
Furniture, fixtures and Office equipment - Transpac	17,163.66	13,430.41	3,733.25
Medical equipment - Transpac	174.60	160.05	14.55
Engineering Equipment - Transpac	728.86	488.09	240.77
Miscellaneous Equipment	711.92	--	711.92
Buildings and improvements on land not owned	3,409.74	737.47	2,672.27
Buildings and improvements on land not owned - Transpac	<u>163,091.91</u>	<u>163,091.91</u>	<u>--</u>
TOTAL	<u>\$ 1,338,895.16</u>	<u>\$ 493,609.39</u>	<u>\$ 845,285.77</u>

THE FLYING TIGER LINE INC.

Statement of Income

Statement of Income - Domestic Division

	<u>November 30, 1947</u>		<u>October 31, 1947</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Revenues:				
Freight	\$ 89,521.12		\$ 98,551.41	
Other	284.34		40.26	
Total	\$ <u>89,805.46</u>		\$ <u>98,591.67</u>	
Less:				
Pick-up and delivery costs-				
Net	\$ 1,061.84		\$ (30.76)	
Cost of freight carried by				
others	928.38		21.72	
	\$ <u>1,990.22</u>		\$ <u>(9.04)</u>	
Net revenues	\$ <u>87,815.24</u>	<u>100.0</u>	\$ <u>98,600.71</u>	<u>100.0</u>
Direct Flying Expenses:				
Flying operations - Sched. II	\$ 45,805.46	52.2	\$ 62,792.62	63.7
Direct maintenance - Sched. III	24,189.53	27.5	45,962.76	46.6
Depreciation-Flight equipment-				
Schedule IV	<u>11,293.08</u>	<u>12.9</u>	<u>14,331.53</u>	<u>14.5</u>
Total direct flying expenses	\$81,288.07		\$123,086.91	
Percentage to Net Revenues		92.6		124.8
Indirect Operating Expenses:				
Ground operations - Sched. V	\$ 12,457.35	14.3	\$ 12,600.02	12.8
Ground and indirect main-				
tenance-Sched. VI	1,183.88	1.3	5,266.02	5.3
Traffic and sales - Sched. VII	12,956.27	14.7	10,748.84	10.9
Advertising and publicity -				
Schedule VIII	997.15	1.1	288.68	.3
General and administrative-				
Schedule IX	9,105.23	10.4	13,035.71	13.2
Depreciation - Ground equip-				
ment Sched. X	<u>328.04</u>	<u>.4</u>	<u>453.03</u>	<u>.5</u>
Total indirect expenses	\$ <u>37,027.92</u>	<u>42.2</u>	\$ <u>42,392.30</u>	<u>43.0</u>
Total operating expenses	\$118,315.99		\$165,479.21	
Percentage to Net Revenues		134.8		167.8
Operating Profit (loss)	\$ (30,500.75)		\$ (66,878.50)	
Other deductions from income-				
Schedule XI	<u>125.70</u>		<u>274.87</u>	
			\$ (67,153.37)	
Non-operating income-Sched. XI	<u>(262.81)</u>		<u>(7,550.84)</u>	
Net Profit (loss)	\$ <u>(30,889.26)</u>		\$ <u>(74,704.21)</u>	
Percentage to Net Revenues		35.2		75.8

THE FLYING TIGER LINE INC.
Cost Analysis of Direct Flying Expenses
for the month ending November 30, 1947

	<u>C - 47</u>		<u>C - 54</u>	
	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
<u>Flying Operations:</u>				
Pilots and co-pilots	\$ 2,671.72	\$ 10.60	\$ 10,275.20	\$ 22.14
Other flight personnel	--		--	
Vacation, sick leave and idle time	293.36	1.16	526.06	1.13
Travel, incidentals and per diem	1,266.28	5.02	750.89	1.62
Rentals	--		2,533.27	5.46
Aircraft engine fuels and oils	4,124.27	16.38	18,910.81	40.73
Other supplies	--		--	
Insurance-Public Liability, Property Damage and General	1,357.64	5.38	2,297.29	4.95
Insurance-Employees' Welfare and Compensation	293.89	1.17	492.42	1.06
Other expenses	--		12.36	.03
Total flying operations	<u>\$10,007.16</u>	<u>\$ 39.71</u>	<u>\$ 35,798.30</u>	<u>\$ 77.12</u>
<u>Direct Maintenance - Flight Equipment:</u>				
Direct labor - aircraft	\$ 1,467.87	\$ 7.42	\$ 3,843.99	\$ 8.28
Direct labor - engines	536.76	2.13	991.82	2.14
Direct labor - other	628.79	2.50	193.43	.42
Materials and outside repairs- aircraft	\$24.84	3.27	1,150.63	2.48
Materials and outside repairs - engines	2,470.61	9.81	2,483.41	5.35
Materials and outside repairs - other	353.74	1.40	257.24	.55
Reserve provision - spare parts	673.91	2.67	1,239.41	2.67
Reserve provision - engine overhaul	1,102.43	4.37	5,570.40	12.00
Total direct maintenance- flight equipment	<u>\$ 8,459.15</u>	<u>\$ 33.57</u>	<u>\$ 15,730.38</u>	<u>\$ 33.89</u>
<u>Depreciation - Flight Equipment:</u>				
Depreciation - aircraft	\$ 840.89	\$ 3.34	\$ 8,435.36	\$ 18.17
Depreciation - other flying equipment	1,210.87	4.80	805.76	1.74
Total Depreciation - flight equipment	<u>\$2,051.76</u>	<u>\$ 8.14</u>	<u>\$ 9,241.32</u>	<u>\$ 19.91</u>
Total Direct Flying Expenses	<u>\$ 20,518.07</u>	<u>\$ 81.42</u>	<u>\$ 60,770.00</u>	<u>\$ 130.92</u>
Hours flown	<u>252.0</u>		<u>464.2</u>	
Miles flown - Cost per mile flown *	<u>39,006</u>	<u>* \$.526</u>	<u>90,214</u>	<u>* \$.673</u>

Schedule IITHE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Pilots and co-pilots	\$12,946.92	\$ 23,324.13	\$(10,377.21)
Other flight personnel	-	2,293.30	(2,293.30)
Vacation, sick leave and idle time	819.42	1,348.89	(529.47)
Travel, incidentals and per diem	2,017.17	5,337.90	(3,320.73)
Special, professional and technical fees and expenses	--	--	--
Rentals	2,533.27	--	2,533.27
Aircraft engine fuels	23,035.08	33,475.09	(10,440.01)
Other supplies	--	4.87	(4.87)
Insurance - Public liability, property damage and general	3,654.93	3,726.04	(71.11)
Insurance - Employee welfare and compensation	786.31	1,300.45	(514.14)
Injuries, loss and damage	--	--	--
Other expenses	12.36	76.16	(63.80)
Expenses transferred and joint facilities - Credit	--	(8,094.21)	8,094.21
Total	<u>\$45,805.46</u>	<u>\$62,792.62</u>	<u>\$(16,987.16)</u>

Schedule III

THE FLYING TIGER LINE INC.

Domestic Division

Schedule III - Direct Maintenance Flight Equipment

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Direct maintenance labor - Aircraft	\$ 5,711.86	\$ 10,755.92	\$ (5,044.06)
Direct maintenance labor - Engines	1,528.58	3,581.25	(2,052.67)
Direct maintenance labor - Other	822.27	792.37	29.90
Direct maintenance materials and outside repairs - Aircraft	1,975.47	13,240.17	(11,264.70)
Direct maintenance, materials and outside repairs - Engines	4,954.02	6,408.88	(1,454.86)
Direct maintenance, materials and outside repairs - Other	611.18	784.65	(173.47)
Reserve provision - Spare parts	1,913.32	4,083.77	(2,170.45)
Reserve provision, aircraft engine overhaul	6,672.83	10,425.54	(3,752.71)
Expenses transferred and joint facilities - Credit	<u> </u>	<u>(4,109.79)</u>	<u>4,109.79</u>
	<u>\$ 24,189.53</u>	<u>\$ 45,962.76</u>	<u>\$ 21,773.23</u>

Schedule IV

THE FLYING TIGER LINE INC.

Domestic Division

Schedule IV - Depreciation Flight Equipment

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$9,276.25	\$ 13,385.41	\$(4,109.16)
Depreciation - Engines	--	--	--
Depreciation - Other flying equipment	2,016.83	2,278.81	(261.98)
Expenses transferred and joint facilities - Credit	--	(1,332.69)	1,332.69
Total	<u>\$11,293.08</u>	<u>\$14,331.53</u>	<u>\$3,038.45</u>

Schedule VTHE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 409.09	\$ 970.30	\$ (561.21)
Local managers and superintendents	1,213.65	991.69	221.96
Vacation, sick leave and idle time	163.08	196.87	(33.79)
Ground service employees	3,981.09	3,279.47	701.62
Communications operators and dis- patchers	1,482.56	1,418.87	63.69
Other employees	957.29	947.07	10.22
Travel, incidentals and per diem	20.25	30.56	(10.31)
Telephone and telegraph services	1,479.12	1,127.86	351.26
Light, heat, power and water	--	42.52	(42.52)
Other services	--	13.28	(13.28)
Rentals	1,976.05	2,892.93	(916.88)
Shop and servicing supplies	--	374.38	(374.38)
Stationery, printing and office supplies	--	--	--
Other Supplies	69.16	--	69.16
Insurance - Public liability, property damage and general	204.58	671.19	(466.61)
Insurance - Passenger and cargo liability	461.40	296.87	164.53
Insurance - Employee welfare & compensation	35.14	40.87	(5.73)
Other expenses	4.89	212.99	(208.10)
Expenses transferred and joint facilities - Credit	--	(907.70)	907.70
Total	<u>\$ 12,457.35</u>	<u>\$ 12,600.02</u>	<u>\$ (142.67)</u>

Schedule VI

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ —	\$ —	\$ —
Local managers and superintendents	1,302.41	1,512.32	(209.91)
Direct maintenance labor - Other	42.94	151.37	(108.43)
Vacation, sick leave and idle time	735.00	778.57	(43.57)
Stock and stores employees	1,478.00	2,011.51	(533.51)
Engineers and assistants	—	—	—
Other employees	97.37	250.66	(153.29)
Travel, incidentals and per diem	321.76	180.90	140.86
Telephone and telegraph services	69.59	134.69	(65.10)
Light, heat, power and water	97.45	88.27	9.18
Special, professional and technical fees and expenses	—	—	—
Other services	15.67	—	15.67
Rentals	267.95	505.99	(238.04)
Direct maintenance materials and out- side repairs - Other	51.81	79.57	(27.76)
Shop and servicing supplies	108.15	974.79	(866.64)
Stationery, printing and office supplies	11.32	15.85	(4.53)
Other supplies	816.64	444.25	372.39
Insurance - Public liability property damage and general	—	—	—
Insurance - Employee welfare and compensation	90.00	258.75	(168.75)
Injuries, loss and damage	—	—	—
Retroactive wages	—	—	—
Other expenses	1.82	16.58	(14.76)
Expenses transferred and joint facilities - Credit	<u>(4,324.00)</u>	<u>(2,138.05)</u>	<u>(2,185.95)</u>
Total	<u>\$ 1,183.88</u>	<u>\$ 5,266.02</u>	<u>\$ (4,082.14)</u>

Schedule VIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 727.28	\$ 1,050.00	\$ (322.72)
Local managers and superintendents	1,268.19	1,150.00	118.19
Vacation, sick leave and idle time	189.74	197.52	(7.78)
Traffic solicitors	2,763.66	2,374.84	388.82
Other employees	933.02	1,350.83	(417.81)
Travel, incidentals and per diem	1,445.06	950.15	494.91
Telephone and telegraph services	1,965.10	1,221.14	743.96
Light, heat, power and water	39.82	9.04	30.78
Commissions	1,799.08	1,616.08	183.00
Entertainment	729.33	392.07	337.26
Other services	--	32.80	(32.80)
Rentals	571.69	363.35	208.34
Stationery, printing and office supplies	450.20	740.54	(290.34)
Other supplies	13.92	15.75	(1.83)
Insurance - Employee welfare and compensation	11.84	8.83	3.01
Other expenses	21.07	50.25	(29.18)
Expenses transferred and joint facilities - Credit	--	(774.35)	774.35
Memberships	<u>27.27</u>	<u>--</u>	<u>27.27</u>
Total	<u>\$ 12,956.27</u>	<u>\$ 10,748.84</u>	<u>\$ 2,207.43</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VIII - Advertising and Publicity

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Vacation, sick leave and idle time	\$ - -	\$ - -	\$ - -
Travel, Incidentals and per diem	31.27	10.75	20.52
Stationery, printing and office supplies	2.23	.96	1.27
Insurance - Employee welfare and compensation	-	-	-
Advertising - Space	271.57	-	271.57
Advertising - Other	395.74	177.75	217.99
Other promotional and publicity expenses	296.34	120.00	176.34
Expenses transferred and joint facilities - Credit	- -	(20.78)	20.78
	<u>\$997.15</u>	<u>\$288.68</u>	<u>\$708.47</u>
Total			

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 1,126.76	\$ 1,722.92	\$ (596.16)
Local managers and superintendents	705.53	1,060.33	(354.80)
Vacation, sick leave and idle time	138.58	208.26	(69.68)
Communications operators and dis- patchers	165.55	334.26	(168.71)
Other employees	1,775.76	3,322.04	(1,546.28)
Travel, incidentals and per diem	784.29	511.79	272.50
Telephone and telegraph services	406.57	319.17	87.40
Light, heat, power and water	19.35	15.75	3.60
Special, professional and technical fees and expenses	1,264.47	207.80	1,056.67
Entertainment	81.99	5.00	76.99
Other services	10.07	5.10	4.97
Rentals	191.46	312.75	(121.29)
Stationery, printing and office supplies	252.88	1,135.44	(882.56)
Other supplies	—	—	—
Insurance - Public liability, property damage and general	21.66	23.17	(1.51)
Insurance - Employee welfare and com- pensation	7.02	6.06	.96
Memberships	28.11	349.50	(321.39)
Corporate and fiscal expenses	24.64	489.42	(464.78)
Bad debts	738.92	1,973.97	(1,235.05)
Taxes - Payroll	900.33	1,413.61	(513.28)
Taxes - Other	427.45	440.51	(13.06)
Amortization of deferred charges	—	—	—
Other expenses	33.84	117.97	(84.13)
Expenses transferred and joint facilities - Credit	—	(939.11)	939.11
Total	<u>\$ 9,105.23</u>	<u>\$ 13,035.71</u>	<u>\$ (3,930.48)</u>

Schedule X

THE FLYING TIGER LINE INC.

Domestic Division

Schedule X - Depreciation Ground Equipment

	<u>November 1947</u>	<u>October 1947</u>	<u>Increase (Decrease)</u>
Ground property and equipment depreciation	\$328.04	\$ 485.67	\$(157.63)
Expenses transferred and joint facilities - Credit	- -	(32.64)	32.64
Total	<u>\$328.04</u>	<u>\$453.03</u>	<u>\$(124.99)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule XI - Non-Operating Income and
Other Deductions from Income

	<u>November 1947</u>	<u>October 1947</u>	<u>Increase (Decrease)</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 91.86	\$ 95.45	\$ (3.59)
Interest income	21.62	26.50	(4.88)
Other income	1.00	7.43	(6.43)
Gain on sale of equipment (loss)	<u>(377.29)</u>	<u>(7,680.22)</u>	<u>7,302.93</u>
Total	<u>\$ 262.81</u>	<u>\$ (7,550.84)</u>	<u>\$ 7,288.03</u>
<u>Other Deductions from Income:</u>			
Interest expense	\$ 125.70	\$ 274.87	\$ (149.17)
Other deductions	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 125.70</u>	<u>\$ 274.87</u>	<u>\$ (149.17)</u>

THE FLYING TIGER LINE INC.

TRANSPAC DIVISION

FINANCIAL STATEMENT

Statement of IncomeTHE FLYING TIGER LINE INC.STATEMENT OF INCOME - TRANSPAC DIVISION

	<u>November 1947</u>	<u>October 1947</u>	<u>Increase (Decrease)</u>
Revenues:			
Mileage	\$186,052.91	\$ 218,028.24	\$ (31,975.33)
Maintenance Work Orders	(687.12)	36,256.62	(39,943.80)
Miscellaneous	<u>11,852.99</u>	<u>1,183.73</u>	<u>10,669.26</u>
Total	\$197,218.78	\$ 255,468.65	\$ (58,249.87)
Less: Cost of Work Orders	(107.33)	30,685.88	30,793.21
Net Revenues	<u>\$197,326.11</u>	<u>\$ 224,782.77</u>	<u>\$ (27,456.66)</u>
Operating Expenses:			
Flying operations - Sched. I	\$ 72,328.43	\$ 80,742.52	\$ (8,414.09)
Ground operations - Sched. II	12,316.64	13,313.36	(996.72)
Flight equipment maintenance - direct - Sched. III	42,942.32	55,595.91	(12,653.59)
Ground and indirect mainten- ance - Sched. IV	21,735.47	12,548.95	9,186.52
General and administrative - Sched. VI	23,522.97	26,549.10	(3,026.13)
Depreciation - Sched. VII	<u>9,289.55</u>	<u>11,441.55</u>	<u>(2,152.00)</u>
Total operating expenses	<u>\$182,135.38</u>	<u>\$ 200,191.39</u>	<u>\$ (18,056.01)</u>
Operating profit (Loss)	\$ 15,190.73	\$ 24,591.38	\$ (9,400.65)
Provision for contract termination costs	---	---	---
Net profit (loss)	<u>\$ 15,190.73</u>	<u>\$ 24,591.38</u>	<u>\$ (9,400.65)</u>

Schedule ITHE FLYING TIGER LINE INC.Transpac DivisionSchedule I - Flying Operations

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Pilots and co-pilots	\$ 23,882.40	\$ 24,861.41	\$ (979.01)
Other flight personnel	29,657.25	31,399.38	(1,742.13)
Vacation, sick leave and idle time	3,203.12	3,620.07	(416.95)
Travel, incidentals and per diem	12,335.89	16,134.40	(3,798.51)
Special, professional and technical fees and expenses	696.00	1,234.80	(538.80)
Aircraft engine fuels	185.24	319.12	(133.88)
Other supplies	(21.00)	--	(21.00)
Insurance - Public liability, property damage and general	96.75	96.75	--
Insurance - Employee welfare and compensation	<u>2,292.78</u>	<u>3,076.59</u>	<u>(783.81)</u>
Total	<u>\$ 72,328.43</u>	<u>\$80,742.52</u>	<u>\$ (8,414.09)</u>

Schedule IITHE FLYING TIGER LINE INC.,Transpac DivisionSchedule II - Ground Operations

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 833.33	\$ 741.67	\$ 91.66
Local managers and superintendents	1,450.00	1,683.06	(233.06)
Vacation, sick leave and idle time	236.98	265.37	(28.39)
Ground service employees	422.40	830.86	(408.46)
Communications operators and dis- patchers	201.24	207.90	(6.66)
Overseas labor	3,324.37	3,765.50	(441.13)
Other employees	878.26	1,020.20	(141.94)
Travel, incidentals and per diem	--	--	--
Telephone and telegraph services	636.35	643.32	(6.97)
Light, heat, power and water	15.61	12.00	3.61
Rentals	2,414.62	414.62	2,000.00
Shop and servicing supplies	(110.26)	65.68	(175.94)
Stationery, printing and office supplies	47.17	59.78	(12.61)
Other supplies	--	--	--
Insurance - Public liability, property damage and general	255.84	131.54	124.30
Insurance - Passenger and cargo liability	1,685.35	3,442.04	(1,756.69)
Insurance - Employee welfare and compensation	25.38	29.82	(4.44)
Other expenses	--	--	--
	<u>\$12,316.64</u>	<u>\$13,313.36</u>	<u>\$ (996.72)</u>

Schedule III

THE FLYING TIGER LINE INC.

Transpac Division

Schedule III - Direct Maintenance Flight Equipment

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Direct maintenance labor - Aircraft	\$18,725.11	\$ 25,189.98	\$ (6,464.87)
Direct maintenance labor - Engines	4,606.39	4,654.07	(47.68)
Direct maintenance labor - Other	2,226.70	4,000.14	(1,773.44)
Overseas labor	20,206.02	21,738.68	(1,532.66)
Direct maintenance materials and out- side repairs - Aircraft	(2,821.90)	.06	(2,821.96)
Direct maintenance , materials and out- side repairs - Other	<u> --</u>	<u>12.98</u>	<u>(12.98)</u>
Total	<u>\$42,942.32</u>	<u>\$ 55,595.91</u>	<u>\$ (12,653.59)</u>

Schedule IV

THE FLYING TIGER LINE INC.Transpac DivisionSchedule IV - Ground and Indirect Maintenance

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 500.00	\$ 300.00	\$ 200.00
Local managers and superintendents	8,650.05	9,593.42	(943.37)
Direct maintenance labor - Other	1,858.03	2,388.80	(530.77)
Vacation, sick leave and idle time	3,188.89	1,736.65	1,452.24
Stock and stores employees	5,788.09	6,688.18	(900.09)
Engineers and assistants	1,637.85	2,291.15	(653.30)
Overseas labor	--	--	--
Other employees	3,285.05	3,637.29	(352.24)
Travel, incidentals and per diem	102.72	141.75	(39.03)
Telephone and telegraph services	400.69	480.54	(79.85)
Light, heat, power and water	607.49	504.61	102.88
Other services	--	--	--
Rentals	1,143.49	1,372.98	(229.49)
Direct maintenance materials and out- side repairs - Other	430.90	839.47	(408.57)
Shop and servicing supplies	1,033.17	1,121.46	(88.29)
Stationery, printing and office supplies	174.69	261.99	(87.30)
Other supplies	195.38	650.63	(455.25)
Insurance - Employee welfare and com- pensation	304.01	396.44	(92.43)
Retroactive wages	--	--	--
Other expenses	--	25.75	(25.75)
Expenses transferred and joint facilities - Credit	(7,565.03)	(19,882.16)	12,317.13
Total	<u>\$21,735.47</u>	<u>\$12,548.95</u>	<u>\$ 9,186.52</u>

THE FLYING TIGER LINE INC.Transpac DivisionSchedule VI - General and Administrative

	<u>November</u> <u>1947</u>	<u>October</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 1,735.58	\$ 2,667.35	\$ (931.77)
Local managers and superintendents	3,111.42	2,553.84	557.58
Vacation, sick leave and idle time	467.24	505.78	(38.54)
Communications operators and dis- patchers	559.97	576.54	(16.57)
Other employees	8,985.28	9,184.21	(198.93)
Travel, incidentals and per diem	562.90	1,067.31	(504.41)
Telephone and telegraph services	465.85	816.81	(350.96)
Light, heat, power and water	67.63	27.17	40.46
Special, professional and technical fees and expenses	1,355.77	1,501.64	(145.87)
Entertainment	399.77	15.00	384.77
Other services	18.16	--	18.16
Rentals	656.30	583.51	72.79
Stationery, printing and office supplies	1,297.60	1,609.98	(312.38)
Other supplies	6.88	9.13	(2.25)
Insurance - Public liability, property damage and general	73.26	39.94	33.32
Insurance - Employee welfare and com- pensation	9.43	13.11	(3.68)
Memberships	95.07	42.24	52.82
Corporate and fiscal expenses	118.49	844.14	(725.65)
Taxes - Payroll	2,342.63	3,344.87	(1,002.24)
Taxes - Other	904.61	758.83	145.78
Other expenses	<u>289.13</u>	<u>387.69</u>	<u>(98.56)</u>
Total	<u>\$23,522.97</u>	<u>\$ 26,549.10</u>	<u>\$ (3,026.13)</u>

Schedule VIITHE FLYING TIGER LINE INC.Transport DivisionSchedule VII - Depreciation

	November <u>1947</u>	October <u>1947</u>	Increase (Decrease)
Depreciation Expenses:			
Engineering equipment	\$ 60.72	\$ 60.72	\$ —
Miscellaneous flight equip- ment	48.59	48.59	—
Medical equipment	14.55	14.55	—
Hangar, shop and ramp equipment	7,094.69	7,064.14	30.55
Furniture, fixtures and office equipment	1,588.86	1,556.56	32.30
Buildings and improvements on land not owned	—	2,294.18	(2,294.18)
Motorized vehicles and equip- ment	<u>482.14</u>	<u>402.81</u>	<u>79.33</u>
Total	<u>\$9,289.55</u>	<u>\$ 11,441.55</u>	<u>\$(2,152.00)</u>

FLYING TIGER TRANSPORT INC.

FINANCIAL STATEMENTS

November 30, 1947

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - NOVEMBER 30, 1947

ASSETS

Current assets:

Cash on hand and in banks	\$ 22,434.05	
Accounts receivable	<u>19,222.48</u>	
Total current assets		<u>\$ 41,656.53</u>

LIABILITIES

Accrued liabilities:

Accounts payable		\$ 205.00
Insurance		1,301.82
Advances: The Flying Tiger Line Inc.		29,903.48

Capital Stock and Surplus:

Capital stock, par value \$1.00 per share, issued and out- standing 200 shares	\$ 200.00	
Capital surplus	<u>1,800.00</u>	\$ 2,000.00
Earned surplus, October 31, 1947	\$13,378.49	
Net profit for the month ending November 30, 1947 (loss)	<u>(5,132.26)</u>	<u>8,246.23</u>
Total capital stock and surplus		<u>10,246.23</u>
Total		<u>\$ 41,656.53</u>

Statement of IncomeTHE FLYING TIGER TRANSPORT INC.Statement of Income

	November <u>1947</u>	October <u>1947</u>	Increase <u>(Decrease)</u>
Revenue:			
Passengers/cargo	<u>\$ 6,532.70</u>	<u>\$ 22,243.11</u>	<u>\$ (15,710.41)</u>
Direct Flying Expenses:			
Flying operations	\$ 3,415.94	\$ 8,100.71	\$ (4,684.77)
Direct maintenance - Flight equipment	3,130.20	4,109.79	(979.59)
Depreciation - Flight equipment	<u>679.56</u>	<u>1,332.69</u>	<u>(653.13)</u>
Total direct flying expenses	<u>7,225.70</u>	<u>\$ 13,543.19</u>	<u>(6,317.49)</u>
Indirect Operating Expenses:			
Ground operations	\$ 1,245.59	\$ 1,112.31	\$ 133.28
Ground and indirect maintenance	550.72	397.54	53.18
Passenger service	298.44	474.13	(175.69)
Traffic and sales	1,301.60	774.35	527.25
Advertising and publicity	99.70	20.78	78.92
General and administrative	910.41	982.57	(72.16)
Depreciation - Ground equipment	<u>32.80</u>	<u>32.64</u>	<u>.16</u>
Total indirect operating expenses	<u>\$ 4,439.26</u>	<u>\$ 3,894.32</u>	<u>\$ 539.74</u>
Total operating expenses	<u>\$ 11,664.96</u>	<u>\$ 17,437.51</u>	<u>\$ (5,777.75)</u>
Net operating profit (loss)	<u>\$ (5,132.26)</u>	<u>\$ 4,805.60</u>	<u>\$ (9,932.66)</u>

THE FLYING TIGER LINE INC

FINANGIAL STATEMENT

DECEMBER 31, 1947.

January 19, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. and certain financial information and comments relating thereto for the month ending December 31, 1947 are presented herewith:

Consolidated Statement of Income

	<u>December</u> 1947	<u>November</u> 1947
Net Income (Loss):		
The Flying Tiger Line Inc. -		
Domestic Division	\$ (51,697.18)	\$ (30,889.26)
Transpac Division	--	15,190.73
	\$ (51,697.18)	\$ (15,698.53)
Flying Tiger Transport Inc.	<u>(159.18)</u>	<u>(5,132.26)</u>
	\$ <u>(51,856.86)</u>	\$ <u>(20,830.79)</u>

Statement of Income - Domestic Division

The operations of the Domestic Division for the months of December and November, 1947 are compared as follows:

	<u>December</u> 1947	<u>November</u> 1947
Revenues - Net	\$ 74,868.19	\$ 87,815.24
Operating costs	<u>125,168.31</u>	<u>118,315.99</u>
Operating loss	\$ (50,300.12)	\$ (30,500.75)
Non-operating loss	<u>1,343.40</u>	<u>388.51</u>
Net loss	\$ <u>(51,697.18)</u>	\$ <u>(30,889.26)</u>

The operational statistics for the months of December and November, 1947 are as follows:

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>
<u>Hours Flown -</u>		
C - 47	254.6	252.0
C - 54	<u>446.5</u>	<u>464.3</u>
Total	<u>701.1</u>	<u>716.3</u>
 <u>Miles Flown -</u>		
C - 47	40,226	39,006
C - 54	<u>88,877</u>	<u>90,214</u>
Total	<u>129,103</u>	<u>129,220</u>
 <u>Ton Miles Carried -</u>		
C - 47	89,500	91,552
C - 54	<u>573,462</u>	<u>690,939</u>
Total	<u>662,962</u>	<u>782,491</u>

	December <u>1947</u>	November <u>1947</u>
<u>Average Plane Utilization -</u>		
C - 47	1.2 hrs.	1.3 hrs.
C - 54	5.1 hrs.	8.4 hrs.
<u>Load Factor -</u>		
C - 47	59.3 %	62.6 %
C - 54	<u>64.5 %</u>	<u>76.6 %</u>
Total	<u>63.8 %</u>	<u>74.6 %</u>
Revenue Per Ton Mile Carried	<u>\$.1155</u>	<u>\$.1136</u>

The following schedule reflects the hours flown during December, 1947 for the various points of the company's schedule:

Coast-to-Coast	567.3 hrs.
Teterboro - Philadelphia and other shuttles	<u>133.8 hrs.</u>
Total	<u>701.1 hrs.</u>

The load factors from East to West and West to East during December and November, 1947 were as follows:

	December <u>1947</u>	November <u>1947</u>
West to East	47 %	66 %
East to West	82 %	90 %
Shuttles	41 %	46 %

A comparison of operating revenues and expenses during December, 1947 between C-47 and C-54 equipment is as follows:

	C - 47	C - 54
Revenues	\$ 10,337.25	\$ 66,234.86
Direct flying expenses	<u>23,093.83</u>	<u>63,530.88</u>
Gross income (loss)	<u>\$(12,655.58)</u>	<u>\$ 2,703.98</u>

The same information expressed in the form of a per ton mile basis is as follows:

	C - 47	C - 54
<u>Per Ton-Mile Carried -</u>		
Revenue	\$.1155	\$.1155
Direct flying expenses	<u>.2580</u>	<u>.1108</u>
Gross income (loss) per ton-mile	<u>\$.1425</u>	<u>\$.0047</u>

The following schedule represents a comparison of domestic pay-rolls between December and November, 1947.

	December <u>1947</u>	November <u>1947</u>
Flying operations	\$ 11,590.24	\$ 13,766.34
Ground operations	5,945.47	5,381.70
Flight equipment maintenance - Direct	12,407.25	9,358.72
Ground and indirect maintenance	5,356.68	3,634.85
Traffic and sales	5,386.43	6,261.31
General and administrative	3,864.98	4,074.65
Modifications	<u>5,108.44</u>	<u>5,249.28</u>
Total	<u>\$ 49,659.49</u>	<u>\$ 47,826.85</u>

An analysis of the increase in the operating loss of approximately \$20,000.00 during December, 1947 reveals that the following factors caused such increase:

(1) Even though the same number of hours were flown during December as in November, 1947 the revenue dropped \$13,000.00 during December. (Load factor in November 74.6% and 64.5% in December.)

(2) Increased maintenance labor cost on flying equipment amounted to approximately \$5,000.00. Most of this increase is due to maintenance spent on C-47 equipment and the additional C-54 used during December, 1947.

(3) Ground and indirect maintenance expenses increased \$3,500.00 during December, 1947 due to the holiday labor costs (\$1,100.00) and the decrease in the overhead absorbed by army work orders.

The company has not been using C-54 equipment exclusively on the transcontinental flights during December, 1947. Approximately 12 C-47 airplanes were used intermittently during the month but the average utilization on such aircraft was extremely low (1.2 hrs.). As a result, the C-47 aircraft had to be maintained in addition to the C-54 aircraft, causing the maintenance costs to increase considerably both in total as well as on the per mile basis.

The pilot utilization during December, 1947 was .53 hours per pilot.

The following schedule represents the revenue statistics for the month of December, 1947.

Consolidators

<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Revenue Per Ton-Mile</u>	<u>Number of Shipments</u>
CG	LA	32,555	\$ 3,947.20	.1212	27
CG	NY	2,493	357.34	.1433	10
CV	LA	3,203	419.75	.1310	9
DO	CG	600	102.84	.1713	1
DO	LA	1,391	180.18	.1295	3
KC	LA	5,226	783.86	.1500	5
LA	CV	6,092	916.86	.1505	30
LA	NY	12,658	1,179.52	.0932	27
NY	CG	43,608	5,648.35	.1295	41
NY	DO	934	142.90	.1529	2
NY	LA	21,705	1,772.32	.0816	22
NY	SF	2,616	377.43	.1442	15
PG	CV	1,023	234.95	.2295	5
PG	LA	11,172	1,467.92	.1314	10
SF	CG	9,340	1,345.99	.1441	7
SF	NY	1,869	257.32	.1377	2
Miscellaneous		<u>3,220</u>	<u>606.31</u>	<u>---</u>	<u>40</u>
		<u>159,705</u>	<u>\$ 19,741.04</u>	<u>.1236</u>	<u>256</u>

Non-Consolidators

<u>From</u>	<u>To</u>	<u>Ton Miles</u>	<u>Revenue</u>	<u>Revenue Per Ton-Mile</u>	<u>Number of Shipments</u>
CG	LA	44,939	\$ 5,239.79	.1166	45
CG	NY	9,633	1,344.03	.1395	22
CG	OL	1,516	356.59	.2351	1
CV	CG	303	215.83	.7114	5
CV	LA	89,701	9,317.35	.1039	40
CV	SF	604	123.97	.2050	1
DO	LA	5,364	715.65	.1334	16
DY	NY	1,896	228.10	.1203	1
LA	CG	1,800	232.76	.1293	4
LA	CG	42,719	5,784.49	.1354	121
LA	CV	6,956	899.66	.1293	27
LA	DO	15,991	1,970.68	.1232	27
LA	NY	116,893	11,144.87	.0953	281
NY	CG	10,747	1,510.14	.1405	41
NY	DO	778	158.16	.2031	13
NY	LA	102,752	11,001.52	.1071	131
NF	SF	20,495	3,037.91	.1482	14
PG	CG	2,045	280.80	.1373	3
PG	LA	11,135	1,467.13	.1317	11
PG	SF	8,320	1,161.68	.1396	8
SF	CG	14,728	2,016.77	.1369	61
SF	CV	976	161.22	.1651	8
SF	NY	6,107	766.39	.1255	13
SF	PG	2,005	297.58	.1484	12
Miscellaneous		<u>3,047</u>	<u>458.08</u>	<u>---</u>	<u>35</u>
		<u>521,450</u>	<u>\$ 59,891.15</u>	<u>.1149</u>	<u>941</u>

During December, 1947 the following freight revenue was originated:

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Chicago	\$ 11,458.13	\$ 11,202.81	\$ 255.32
Cleveland	10,134.71	5,474.79	4,659.92
Detroit	1,012.97	1,044.18	(31.21)
Kansas City	879.67	986.50	(106.83)
Los Angeles	19,236.82	26,623.90	(7,387.08)
New York	26,793.85	28,774.64	(1,980.79)
San Francisco	5,095.63	2,448.01	2,647.62
Philadelphia	4,797.31	3,928.05	869.26
Dayton	228.10	7,539.11	(7,311.01)
Miscellaneous	<u>-0-</u>	<u>(1,220.76)</u>	<u>1,220.76</u>
	<u>\$ 79,637.19</u>	<u>\$ 6,801.23</u>	<u>\$ (7,164.04)</u>

The freight was destined to the following points during December, 1947:

	<u>Destination of Freight - December</u>		
	<u>Revenue</u>	<u>Tons</u>	<u>Number of Shipments</u>
Chicago	\$ 16,992.72	117.0	292
Cleveland	2,400.97	11.1	83
Detroit	2,428.79	14.7	63
Kansas City	75.28	.8	7
Los Angeles	39,442.59	152.7	319
New York	15,291.87	73.1	359
San Francisco	4,810.78	12.8	44
Philadelphia	359.43	1.0	15
Dayton	10.00	.1	2
Miscellaneous	<u>(2,175.24)</u>	<u>2.7</u>	<u>142</u>
	<u>79,637.19</u>	<u>380.6</u>	<u>1,326</u>

The following schedule represents an analysis of the origin of freight and the revenue per ton mile:

<u>Origin</u>	<u>Revenue</u>	<u>Ton</u> <u>Miles</u>	<u>Revenue Per</u> <u>Ton-Mile</u>
Chicago	\$ 11,458.13	92,220	\$.1242
Cleveland	10,134.71	94,070	.1077
Detroit	1,012.97	7,397	.1369
Dayton	228.10	1,896	.1202
Kansas City	879.67	5,567	.1580
Los Angeles	22,266.27	204,384	.1089
New York	23,759.40	204,118	.1164
Philadelphia	4,797.31	34,791	.1379
San Francisco	<u>5,095.63</u>	<u>36,708</u>	<u>.1388</u>
	<u>\$ 79,632.19</u>	<u>681,155</u>	<u>\$.1169</u>

The company sold a C-47 airplane, NC 64747 during December for \$32,000.00. However, a deluxe interior had to be installed in the plane. The following schedule sets forth an analysis of the financial result of such sale:

Net sales price of NC 64747	\$ 32,000.00
Cost of Sale -	
Depreciated value of NC 64747	-\$17,805.59
2 R-1830-65 engines	522.50
Direct Labor (2,956.6 hrs.)	4,771.20
Material cost	6,868.13
	<u>29,967.42</u>
Cash profit from sale	\$ 2,032.58
Less: Overhead absorbed	<u>3,695.75</u>
Net Book Loss	<u>\$ 1,663.17</u>

It is significant to note that there is a certain amount of profit included in the "overhead absorbed".

Statement of Income - Transpac Division

The operations of the Transpac Division for the month of December, 1947 consisted of terminating the contract and turning the airplanes back to the army.

There was income consisting of \$5,628.79 from Army work orders, etc. The gross termination expenses during December amounted to \$63,556.63, less income from work orders, or a net of \$57,927.84. This amount was charged to the Reserve for Termination set up in previous months.

Statement of Income - Flying Tiger Transport Inc.

The operations of Flying Tiger Transport Inc. for the months of December and November, 1947 are summarized as follows:

	December <u>1947</u>	November <u>1947</u>
Revenues	\$ 20,416.66	\$ 6,532.70
Operating costs	<u>20,576.34</u>	<u>11,664.96</u>
Net profit (loss)	<u>\$ (159.68)</u>	<u>\$ (5,132.26)</u>

The operational statistics for Flying Tiger Transport Inc. for the months of December and November, 1947 are as follows:

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>
Hours Flown -		
C-47	121.7	83.6
C-54	<u>11.6</u>	<u>---</u>
Total	<u><u>133.3</u></u>	<u><u>83.6</u></u>
Miles Flown -		
C-47	19,612	12,916
C-54	<u>3,251</u>	<u>---</u>
Total	<u><u>21,863</u></u>	<u><u>12,916</u></u>

The Flying Tiger Transport, Inc. actually had a cash profit during December, computed as follows:

Net loss as per accompanying statement		\$ 159.68
Less: Depreciation -		
Flight equipment	\$ 1,393.19	
Ground equipment	<u>53.25</u>	<u>1,446.44</u>
Net cash profit		<u><u>\$1,286.76</u></u>

Flying Tiger Transport Inc. also absorbed approximately \$7,000.00 of the indirect expenses of The Flying Tiger Line Inc.

CONSOLIDATED BALANCE SHEET

The current position of the company can be compared between December 31, 1947 and November 30, 1947 as follows:

	<u>December 31,</u> <u>1947</u>	<u>November 30,</u> <u>1947</u>
Current Assets	\$ 686,992.55	\$ 843,763.15
Current Liabilities	<u>216,268.73</u>	<u>303,754.32</u>
Excess	<u><u>\$ 470,723.82</u></u>	<u><u>\$ 540,008.83</u></u>

The decrease of approximately \$70,000.00 in the current position of the company can be attributed to the cash drain that occurred during December, 1947 for ATC contract termination costs and the cash loss experienced during the month. Further details are set forth in the Statement of Application of Funds.

The net cash loss during December 1947 was \$87,790.36 which can be reconciled to the book loss as follows:

Net loss as per statement	\$ 51,856.86
Less: Non-cash expenses - Depreciation and Reserve for Engine Overhaul	<u>22,456.45</u>
Net cash loss - Domestic Division	\$ 29,400.41
Add: Cost of contract termination - Transpac Divion	<u>58,389.95</u>
Total Net Cash Loss	<u>\$ 87,790.36</u>

Respectfully submitted,

Fred Benninger
FRED BENNINGER
Treasurer

Consolidated
Statement of Income

THE FLYING TIGER LINE INC.

Consolidated Statement of Income

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Year to</u> <u>Date</u>
Net Income (loss):			
Domestic Division	\$ (51,697.18)	\$ (30,889.26)	\$ (275,745.73)
Transpac Division	<u>-0-</u>	<u>15,190.73</u>	<u>194,207.11</u>
Total	\$ (51,697.18)	\$ (15,698.53)	\$ (81,538.62)
Flying Tiger Transport, Inc.	<u>(159.68)</u>	<u>(5,132.26)</u>	<u>9,481.25</u>
Total	<u>\$ (51,856.86)</u>	<u>\$ (20,830.79)</u>	<u>\$ (72,057.37)</u>

Application of Funds

THE FLYING TIGER LINE INC.
STATEMENT OF APPLICATION OF FUNDS
FOR THE MONTH ENDED DECEMBER 31, 1947

Funds were provided by:

Sale of C-47 airplane - NC 64747	\$ 32,000.00
Payment of Accounts Receivable - U.S. Government	147,597.92
Payment of gasoline tax refunds receivable	1,424.23
Payment of accounts receivable - Employees	740.48
Payment of notes receivable - Shippers	2,249.61
Payment of notes receivable - Employees	25.00
Write-off of deferred charges	<u>4,348.83</u>
Total Funds Provided	<u>\$ 188,386.07</u>

Funds were applied to:

Increase in cash	\$ 1,265.80
Increase in accounts receivable - Shippers	2,541.64
Increase in accounts receivable - Miscellaneous	2,039.67
Write-off of bad debts	2,121.23
Increase in raw materials and supplies	758.13
Reduction of accounts payable	12,246.74
Reduction of accrued liabilities	38,761.99
Payment of notes payable	23,017.03
Net cash loss for the month	87,790.36

Increase in fixed assets:

Miscellaneous equipment - Decrease	\$ (202.55)	
Aircraft C-47 - Increase (Modification of NC 64747)	14,191.82	
Aircraft C-54 - Increase	1,291.13	
Aircraft engines - Increase	10,250.00	
Miscellaneous flight equipment - Increase	851.72	
Spare parts and assemblies - Decrease	(8,746.32)	
Hangar, shop and ramp equipment - Increase	324.71	
Furniture, fixtures and office equipment - Increase	(14.88)	
Building and improvements - Decrease	<u>(131.91)</u>	\$ 17,843.48
Total Funds Applied		<u>\$ 188,386.07</u>

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and ReservesDecember 31, 1947

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 312,257.75	\$ 118,897.45	\$ 193,360.30
Aircraft C-54	407,116.88	35,669.57	371,447.31
Aircraft BT-13A	1,742.02	834.72	907.30
Aircraft RB-1 Budd	6,000.00	--	6,000.00
Engines	130,264.49	50,098.21	80,166.28
Miscellaneous Flight Equipment	33,651.04	9,282.98	24,368.06
Miscellaneous Flight Equipment - Pro- rated	1,017.57	407.39	610.18
Flight equipment spare parts and assemblies	61,065.50	31,935.27	29,130.23
Hangar, shop and ramp equipment - Pro- rated	29,345.32	4,153.85	25,191.47
Hangar, shop and ramp equipment - Transpac	82,871.24	65,232.76	17,638.48
Motorized vehicles	38,267.28	8,713.18	29,554.10
Furniture, fixtures and office equip- ment - Prorated	26,292.92	3,089.48	23,203.44
Furniture, fixtures and office equip- ment - Transpac	17,095.33	13,379.81	3,715.52
Medical equipment - Transpac	174.60	160.05	14.55
Engineering equipment - Transpac	728.86	488.09	240.77
Miscellaneous Equipment	509.37	--	509.37
Buildings and improvements on land not owned	3,409.74	794.30	2,615.44
Buildings and improvements on land not owned - Transpac	<u>162,960.00</u>	<u>162,960.00</u>	<u>--</u>
Total	<u>\$ 1,314,769.91</u>	<u>\$ 506,097.11</u>	<u>\$ 808,672.80</u>

THE FLYING TIGER LINE INC.

Statement of Income

Statement of Income

	<u>December 31, 1947</u>		<u>November 30, 1947</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Revenues:				
Freight	\$ 79,966.29		\$ 89,521.12	
Other	<u>244.09</u>		<u>284.34</u>	
Total	\$ <u>80,210.38</u>		\$ <u>89,805.46</u>	
Less:				
Pick-up and delivery costs-Net	\$ 1,919.84		\$ 1,061.84	
Cost of freight carried by others	<u>3,422.35</u>		<u>928.38</u>	
	\$ <u>5,342.19</u>		\$ <u>1,990.22</u>	
Net revenues	\$ 74,868.19	<u>100.00</u>	\$ <u>87,815.24</u>	<u>100.0</u>
Direct Flying Expenses:				
Flying operations - Sched. II	\$ 45,672.83	61.0	\$ 45,805.46	52.2
Direct maintenance - Sched. III	29,385.29	39.3	24,189.53	27.5
Depreciation-Flight equipment- Schedule IV	<u>11,566.59</u>	<u>15.4</u>	<u>11,293.08</u>	<u>12.9</u>
Total direct flying expenses	\$ 86,624.71		\$ 81,288.07	
Percentage to Net Revenues		115.7		92.6
Indirect Operating Expenses:				
Ground operations - Sched. V	\$ 13,061.37	17.5	\$ 12,457.35	14.3
Ground and indirect maintenance- Sched. VI	4,714.53	6.3	1,183.88	1.3
Traffic and sales - Sched. VII	10,134.76	13.5	12,956.27	14.7
Advertising and publicity - Schedule VIII	1,260.51	1.7	997.15	1.1
General and administrative Schedule IX	9,057.88	12.1	9,105.23	10.4
Depreciation - Ground equipment- Sched. X	<u>314.55</u>	<u>.4</u>	<u>328.04</u>	<u>.4</u>
Total indirect expenses	\$ <u>38,543.60</u>	<u>51.5</u>	\$ <u>37,027.92</u>	<u>42.2</u>
Total operating expenses	\$ <u>125,168.31</u>		\$ 118,315.99	
Percentage to Net Revenues		167.2		134.8
Operating Profit (loss)	\$ (50,300.12)		\$ (30,500.75)	
Other deductions from income- Schedule XI	<u>26.83</u>		<u>125.70</u>	
Non-operating income-Sched. XI	\$ (50,326.95)		\$ 30,626.45	
	<u>(1,370.23)</u>		<u>(262.81)</u>	
Net Profit (loss)	\$ (51,697.18)		\$ (30,889.26)	
Percentage to Net Revenues		69.1		35.2

Cost Analysis of Direct Flying Expenses
for the month ending December 31, 1947

	<u>C-47</u>		<u>C-54</u>	
	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
<u>Flying Operations:</u>				
Pilots and co-pilots	\$ 4,032.00	\$ 15.84	\$ 6,814.89	\$ 15.26
Other flight personnel	--	--	--	--
Vacation, sick leave and idle time	268.73	1.06	474.62	1.06
Travel, incidentals and per diem	419.04	1.65	874.81	1.96
Aircraft engine fuels and oils	5,007.39	19.67	18,596.11	41.65
Other supplies	12.58	.04	22.54	.05
Insurance-Public Liability, Property Damage and General	1,214.86	4.77	2,240.55	5.02
Insurance-Employees' Welfare and Compensation	466.10	1.83	516.35	1.16
Other expenses	--	--	4,712.26	10.55
 Total flying operations	 <u>\$ 11,420.70</u>	 <u>\$ 44.86</u>	 <u>\$ 34,252.13</u>	 <u>\$ 76.71</u>

Direct Maintenance - Flight Equipment:

Direct labor - aircraft	\$ 2,751.27	\$ 10.81	\$ 4,964.42	\$ 11.12
Direct labor - engines	600.24	2.36	2,231.86	5.00
Direct labor - other	1,160.01	4.56	699.45	1.57
Materials and outside repairs- aircraft	2,540.43	9.98	2,837.90	6.36
Materials and outside repairs- engines	300.48	1.18	751.50	1.68
Materials and outside repairs- other	341.61	1.33	2,052.52	4.60
Reserve provision - spare parts	675.37	2.65	1,192.92	2.67
Reserve provision - engine overhaul	923.89	3.63	5,361.42	12.01
 Total direct maintenance- flight equipment	 <u>\$ 9,293.30</u>	 <u>\$ 36.50</u>	 <u>\$ 20,091.99</u>	 <u>\$ 45.01</u>

Depreciation - Flight Equipment:

Depreciation - aircraft	\$ 1,290.81	\$ 5.07	\$ 8,396.73	\$ 18.81
Depreciation - other flying equipment	1,089.02	4.28	790.03	1.77
Total Depreciation - flight equipment	<u>\$ 2,379.83</u>	<u>\$ 9.35</u>	<u>\$ 9,186.76</u>	<u>\$ 20.58</u>
 Total Direct Flying Expenses	 <u>\$ 23,093.83</u>	 <u>\$ 90.71</u>	 <u>\$ 63,530.88</u>	 <u>\$ 142.30</u>

Hours flown	<u>254.6</u>		<u>446.5</u>	
Miles flown - Cost per mile flown *	<u>40,226</u>	* <u>\$.574</u>	<u>88,887</u>	* <u>\$.715</u>

THE FLYING TIGER LINE INC.
Domestic Division
Schedule II - Flying Operation Expenses

	December <u>1947</u>	November <u>1947</u>	Increase (Decrease)
Pilots and Co-Pilots	\$ 10,846.89	\$ 12,946.92	\$ (2,100.03)
Other Flight Personnel	--	--	
Vacation, Sick Leave and Idle Time	743.35	819.42	(76.07)
Travel, Incidentals and Per Diem	1,293.85	2,017.17	(723.32)
Rentals	4,701.92	2,533.27	2,168.65
Aircraft Engine Fuels	23,603.50	23,035.08	568.42
Other Supplies	35.12	--	35.12
Insurance - Public Liability, Property Damage and General	3,455.41	3,654.93	(199.52)
Insurance - Employee Welfare & Compensation	982.45	786.31	196.14
Injuries, Loss and Damage	--	--	--
Other Expenses	10.34	12.36	(2.02)
Expenses Transferred and Joint Facilities - Credit	--	--	--
Total	<u>\$ 45,672.83</u>	<u>\$ 45,805.46</u>	<u>\$ (132.63)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule III - Direct Maintenance Flight Equipment

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Direct maintenance labor - Aircraft	\$ 7,715.69	\$ 5,711.86	\$ 2,003.83
Direct maintenance labor - Engines	2,832.10	1,528.58	1,303.52
Direct maintenance labor - Other	1,859.46	822.27	1,037.19
Direct maintenance materials and outside repairs - Aircraft	5,378.33	1,975.47	3,402.86
Direct maintenance, materials and outside repairs - Engines	1,051.98	4,954.02	(3,902.04)
Direct maintenance, materials and outside repairs - Other	2,394.13	611.18	1,782.95
Reserve provision - Spare parts	1,868.29	1,913.32	(45.03)
Reserve provision, aircraft engine overhaul	6,285.31	6,672.83	(387.52)
Expenses transferred and joint facilities - Credit	-----	-----	-----
Total	<u>\$ 29,385.29</u>	<u>\$ 24,189.53</u>	<u>\$ 5,195.76</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IV - Depreciation on Flight Equipment

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$ 9,687.54	\$ 9,276.25	\$ 411.29
Depreciation - Engines	---	---	---
Depreciation - Other flying equipment	1,879.05	2,016.83	(137.78)
Expenses transferred and joint facilities-- Credit	---	---	---
Total	<u>\$11,566.59</u>	<u>\$11,293.08</u>	<u>\$ 273.51</u>

Schedule VTHE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 62.09	\$ 409.09	\$ (347.00)
Local managers and superintendents	1,169.83	1,213.65	(43.82)
Vacation, sick leave and idle time	185.06	163.08	21.98
Ground service employees	4,498.25	3,981.09	517.16
Communications operators and dispatchers	2,197.72	1,482.56	715.16
Other employees	889.58	957.29	(67.71)
Travel, incidentals and per diem	31.90	20.25	11.65
Telephone and telegraph services .	1,582.89	1,479.12	103.77
Light, heat, power and water	--	--	--
Other services	12.83	--	12.83
Rentals	1,393.58	1,976.05	(582.47)
Shop and servicing supplies	23.60	--	23.60
Stationery, printing and office supplies	47.84	--	47.84
Other supplies	--	69.16	(69.16)
Insurance - Public liability, property damage and general	331.51	204.58	126.93
Insurance - Passenger and cargo liability	325.69	461.40	(135.71)
Insurance - Employee welfare and compensation	49.26	35.14	14.12
Other expenses	259.74	4.89	254.85
Expenses transferred and joint facilities -- Credit	--	--	--
Total	<u>\$ 12,061.37</u>	<u>\$ 12,457.35</u>	<u>\$ 604.02</u>

Schedule VITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ --	\$ --	\$ --
Local managers and superintendents	1,560.35	1,302.41	257.94
Direct maintenance labor - Other	316.78	42.94	273.84
Vacation, sick leave and idle time	1,869.59	735.00	1,134.59
Stock and stores employees	1,519.63	1,478.00	41.63
Engineers and assistants	--	--	--
Other employees	90.33	97.37	(7.04)
Travel, incidentals and per diem	132.98	321.76	(188.78)
Telephone and telegraph services	72.19	69.59	2.60
Light, heat, power and water	46.11	97.45	(51.34)
Special, professional and technical fees and expenses	--	--	--
Other services	8.98	15.67	(6.69)
Rentals	777.20	267.95	509.25
Direct maintenance materials and outside repairs - Other	280.09	51.81	228.28
Shop and servicing supplies	403.55	108.15	295.40
Stationery, printing and office supplies	154.42	11.32	143.10
Other supplies	370.76	816.64	(445.88)
Insurance - Public liability property damage and general	--	--	--
Insurance - Employee welfare and compensation	154.20	90.00	64.20
Injuries, loss and damage	--	--	--
Retroactive wages	--	--	--
Other expenses	213.80	1.82	211.98
Expenses transferred and joint facilities - Credit	<u>(3,256.43)</u>	<u>(4,324.00)</u>	<u>1,067.57</u>
Total	<u>\$ 4,714.53</u>	<u>\$ 1,183.88</u>	<u>\$ 3,530.65</u>

Schedule VIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	December <u>1947</u>	November <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 684.16	\$ 727.28	\$ (43.12)
Local managers and superintendents	1,411.08	1,268.19	142.89
Vacation, sick leave and idle time	173.76	189.74	(15.98)
Traffic solicitors	2,180.76	2,763.66	(582.90)
Other employees	936.67	933.02	3.65
Travel, incidentals and per diem	792.14	1,445.06	(652.92)
Telephone and telegraph services	1,699.36	1,965.10	(265.74)
Light, heat, power and water	10.15	39.82	(29.67)
Commissions	1,173.52	1,799.08	(625.56)
Entertainment	277.74	729.33	(451.59)
Other services	13.98	--	13.98
Rentals	491.18	571.69	(80.51)
Stationery, printing and office supplies	230.10	450.20	(220.10)
Other supplies	3.39	13.92	(10.53)
Insurance - Employee welfare and compensation	11.87	11.84	.03
Other expenses	19.24	21.07	(1.83)
Expenses transferred and joint facilities - Credit	--	--	--
Memberships	<u>25.66</u>	<u>27.27</u>	<u>(1.61)</u>
Total	<u>\$ 10,134.76</u>	<u>\$ 12,956.27</u>	<u>\$ (2,821.51)</u>

Schedule VIIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VIII - Advertising and Publicity

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Vacation, sick leave and idle time	\$ --	\$ --	\$ --
Travel, incidentals and per diem	--	31.27	(31.27)
Stationery, printing and office supplies	28.38	2.23	26.15
Insurance - Employee welfare and compensation	--	--	--
Advertising - Space	4.23	271.57	(267.34)
Advertising - Other	1,164.26	395.74	768.52
Other promotional and publicity expenses	63.64	296.34	(232.70)
Expenses transferred and joint facilities- Credit	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 1,260.51</u>	<u>\$ 997.15</u>	<u>\$ 263.36</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	December <u>1947</u>	November <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 1,008.89	\$ 1,126.76	\$ (117.87)
Local managers and superintendents	589.04	705.53	(116.49)
Vacation, sick leave and idle time	217.23	138.58	78.65
Communications operators and dispatchers	372.35	165.55	206.80
Other employees	1,677.47	1,775.76	(98.29)
Travel, incidentals and per diem	533.67	784.29	(250.62)
Telephone and telegraph services	362.08	406.57	(44.49)
Light, heat, power and water	22.43	19.35	3.08
Special, professional and technical fees and expenses	863.74	1,264.47	(400.73)
Entertainment	54.46	81.99	(27.53)
Other services	.29	10.07	(9.78)
Rentals	186.31	191.46	(5.15)
Stationery, printing and office supplies	911.45	252.88	658.57
Other supplies	31.41	--	31.41
Insurance - Public liability, property damage and general	18.69	21.66	(2.97)
Insurance - Employee welfare and com pensation	7.41	7.02	.39
Memberships	25.46	28.11	(2.65)
Corporate and fiscal expenses	224.76	24.64	200.12
Bad debts	669.10	738.92	(69.82)
Taxes - Payroll	963.38	900.33	63.05
Taxes - Other	252.40	427.45	(175.05)
Other expenses	65.86	33.84	32.02
Expenses transferred and joint facilities - Credit	---	---	---
Total	<u>\$ 9,057.88</u>	<u>\$ 9,105.23</u>	<u>\$ (47.35)</u>

Schedule X

THE FLYING TIGER LINE INC.

Domestic Division

Schedule X - Depreciation Ground Equipment

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Ground property and equipment depreciation	\$ 314.55	\$ 328.04	\$ (13.49)
Expenses transferred and joint facilities - Credit	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 314.55</u>	<u>\$ 328.04</u>	<u>\$ (13.49)</u>

Schedule XI

THE FLYING TIGER LINE INC.

Domestic Division

Schedule XI - Non-Operating Income and Other Deductions from Income

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 74.49	\$ 91.86	\$ (17.37)
Interest income	—	21.62	(21.62)
Other income	169.55	1.00	168.55
Gain on sale of equipment (loss)	<u>(1,614.27)</u>	<u>(377.29)</u>	<u>(1,236.98)</u>
Total	<u>\$ (1,370.23)</u>	<u>\$ (262.81)</u>	<u>\$ (1,107.42)</u>
<u>Other Deductions from Income:</u>			
Interest expense	\$ 26.83	\$ 125.70	\$ (98.87)
Other deductions	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 26.83</u>	<u>\$ 125.70</u>	<u>\$ 98.87</u>

FLYING TIGER TRANSPORT INC.

FINANCIAL STATEMENTS

December 31, 1947

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - DECEMBER 31, 1947

ASSETS

Current assets:

Cash on hand and in banks	\$ 33,525.01
Accounts receivable	<u>16,904.45</u>
Total current assets	<u>\$ 50,429.46</u>

LIABILITIES

Accrued liabilities:

Accounts payable	\$ 405.00
Insurance and taxes	1,979.25
Advances: The Flying Tiger Line Inc.	37,958.66

Capital Stock and Surplus:

Capital stock, par value \$1.00 per share, issued and outstanding 200 shares	200.00
Capital surplus	<u>1,800.00</u> \$ 2,000.00
Earned surplus, November 30, 1947	\$ 8,246.23
Net profit for the month ending December 31, 1947 (Loss)	<u>(159.69)</u> <u>8,086.55</u>
Total capital stock and surplus	<u>10,086.55</u>
Total	<u>\$ 50,429.46</u>

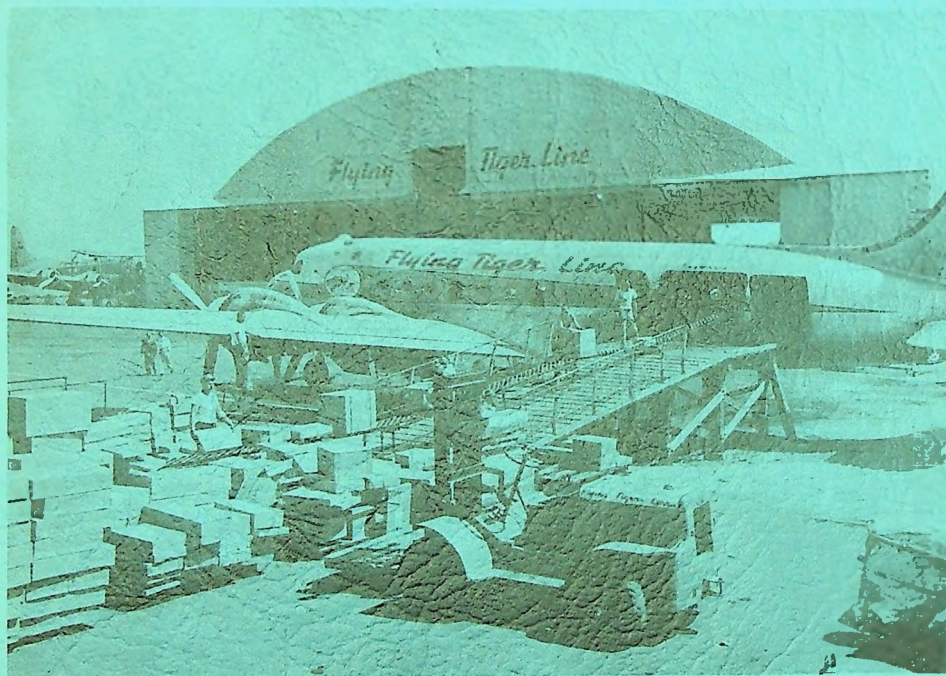
Statement of IncomeTHE FLYING TIGER TRANSPORT INC.Statement of Income

	<u>December</u> <u>1947</u>	<u>November</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Revenue:			
Passengers/cargo	\$ 20,416.66	\$ 6,532.70	\$ 13,883.96
Direct Flying Expenses:			
Flying operations	\$ 6,377.76	\$ 3,415.94	\$ 2,961.82
Direct Maintenance - Flight Equipment	5,040.73	3,130.20	1,910.53
Depreciation - Flight equipment	<u>1,393.19</u>	<u>679.56</u>	<u>713.63</u>
Total direct flying expenses	<u>\$ 12,811.68</u>	<u>\$ 7,225.70</u>	<u>\$ 5,585.98</u>
Indirect Operating Expenses:			
Ground operations	\$ 2,316.26	\$ 1,245.59	\$ 1,070.67
Ground and indirect maintenance	1,349.61	550.72	798.89
Passenger service	137.10	298.44	(161.34)
Traffic and sales	2,159.00	1,301.60	857.40
Advertising and publicity	213.43	99.70	113.73
General and administrative	1,536.01	910.41	625.60
Depreciation - Ground equipment	<u>53.25</u>	<u>32.80</u>	<u>20.45</u>
Total indirect operating expenses	<u>\$ 7,764.66</u>	<u>\$ 4,439.26</u>	<u>\$ 3,325.40</u>
Total operating expenses	<u>\$ 20,576.34</u>	<u>\$ 11,664.96</u>	<u>\$ 8,911.38</u>
Net operating profit (loss)	<u>\$ (159.68)</u>	<u>\$ (5,132.26)</u>	<u>\$ 4,972.58</u>

The Flying Tiger Line Inc.

ANNUAL REPORT

For The Year Ended June 30, 1948



LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA

September 10, 1948

CIVIL AERONAUTICS BOARD DECISION IN AIRFREIGHT FORWARDER CASE

The Civil Aeronautics Board today issued its decision in the Airfreight Forwarder Case. By its decision all freight forwarders except those controlled by railroads are entitled to engage in airfreight forwarding for a developmental period of five years.

However, under this decision, the Railway Express Agency is restricted to its present business of Air Express. It must negotiate new contracts with the certificated carriers and cannot for the present do business with non-certificated cargo carriers such as The Flying Tiger Line Inc. The decision points out that the case for certification of the Flying Tiger Line and other non-certificated cargo carriers is to be argued before the Board in this coming week. Upon certification of these applicants in the airfreight case the Railway Express Agency will automatically be able to do business with them.

The grant of permission to the freight forwarders to engage in business is another recognition by the Civil Aeronautics Board of the program for development in the air cargo industry advocated by your Company. This decision tremendously enhances the possibility of your Company's achieving the volume of traffic regarded as necessary for a profitable operation.

ROBERT W. PRESCOTT

President's Letter

INTRODUCTION

The close of the fiscal year 1947-1948 shows many of the major problems of your Company still unresolved. Since June of last year we have completed the conversion of our operations to the DC-4, four-engine equipment. This was one of our original goals but was deferred for many months by the inaccessibility of the equipment. We now give daily DC-4 service between Los Angeles, San Francisco and New York. A map of our scheduled routes appears elsewhere in the Report.

This change in our operation has decreased our unit costs considerably and we feel now that if reasonable expectations are realized, both in our certification proceedings outlined below and in the volume of business we know to be obtainable, the future prospects for your Company are good.

We believe it important to summarize for you as compactly as possible some of the factors affecting this future. There follows a description of the following salient features:

- (1) Common Carrier Status
- (2) The Rate War
- (3) The Airfreight Forwarder Case and Application of Railway Express Agency, Inc.
and
- (4) Certification of All-Cargo Carriers.

STATUS AS COMMON CARRIER OF "PROPERTY ONLY"

From the outset we have maintained that movement of goods and the movement of passengers by air have no more common denominator than do the same movements on the highways. The highway trucking companies have created for themselves a vast industry entirely divorced from their passenger bus cousins—likewise we are convinced that those airlines whose only interest is in the movement of goods can do a more efficient, economical job than those who attempt the dual role of both passenger and freight operators.

The Civil Aeronautics Board recognized our ideas, as we informed you in the 1947 Annual Report, by issuance of Exemption Order Regulation No. 292.5 which stated that there was indicated a public need for services of the type we offer. Your Company, along with certain other established all-cargo companies, was given the right to operate as common carriers of freight only by air in interstate commerce. The same order imposed certain obligations, including the requirement to file and publish tariffs, to make specified, regular operational reports to the Board and to comply with certain other provisions of the Civil Aeronautics Act of 1938.

Your Company has received a Letter of Registration from the Civil Aeronautics Board pursuant to Regulation 292.5. Under its Letter, your Company is engaged in the transcontinental common carriage of airfreight between cities designated by the Civil Aeronautics Board.

RATE WAR IN THE AIRFREIGHT INDUSTRY

Your Company filed its first tariff to be effective August 10, 1947. It was based on a careful analysis of our costs and considered adequate to produce a reasonable profit on a volume of business that we knew by our past experiences would be readily available. These rates were slightly higher than the charges we had been making as contract carriers.

Twenty-five days after we filed this tariff, three of the larger passenger-mail airlines who had bitterly opposed our authorization took it upon themselves to force us out of the field by economic pressure by filing specific tariffs that undercut the heart of the cargo carriers' business. It is significant that, although they purport to serve the public and boast that they have the responsibility to serve the "little" towns of the country as well as the large ones, their cut-throat tariffs were filed *only between the points served by the all-cargo carriers and only upon those commodities which had been developed by them and which made up the heaviest part of their traffic.*

The passenger-mail carriers have the right, under the Civil Aeronautics Act of 1938, to ask for and receive subsidies any time they find themselves in financial straits. The cargo carriers, working without subsidies, protested these rate-war tactics in numerous complaints to the Civil Aeronautics Board, charging that the subsidized passenger carriers could and would use their mail subsidies to put the cargo carriers out of business. These same carriers have received twenty-five to fifty per cent mail pay increases this year and are at present receiving mail rates of more than 60 cents per ton-mile, although their filed airfreight tariff was 12½ cents per ton-mile! Their 60 cent mail rate was raised from 45 cents on June 23, 1948, at the very time the rate-war case was being heard by the Board.

Although the Board failed to suspend these first tariffs, the passenger-mail lines tried even more vicious rate-cutting which brought suspension by the Board of their later tariffs and an investigation of all air cargo tariffs. During the six months of investigation and hearings, the passenger-mail lines had various answers for their actions—the largest one claiming it *did not know* its costs for carrying freight although it has been in the airline business for twenty years, drawing mail subsidies most of the time. Another of the major rate-cutters readily admitted that its costs were greater than the tariff it had filed.

Throughout the hearings it became more and more apparent that the passenger-mail lines' philosophy was that the air over this country belonged only to them, that no intruders were ever to encroach on their sublimely-appointed property. The Tigers are stubborn—when we were in China and Burma with General Chennault in 1941-'42, we were able to convince some Japanese with similar arrogant thoughts that they were wrong, and we again challenge the "right to the skies," once more against seeming overwhelming odds.

On April 21 of this year the Board issued a decision in the Airfreight Rate Case giving us legal protection against these rate-war tactics. Minimum rates were set, coinciding with those which the cargo carriers had contended in the hearings to be adequate to cover costs in the airfreight business. The order set July 1, 1948 as the effective date of the new rates with the following comments:

"The foregoing discussion indicates that during a period of relatively few months, there have been many reductions in the rates for air freight, and that these reductions were very substantial in amount. Not only were such reductions contrary to the general trends of prices, but also they took place during a period when airline costs were admittedly increasing and when the rates for other types of traffic were being raised. . . . The rates of the certificated carriers are lower than those of the non-certificated carriers for shipments of weight categories constituting a large proportion of the total freight traffic. This condition, together with a general level of rates below costs, would eventually lead to the financial inability of the non-certificated carriers to remain in operation."

PP.4 and 5, CAB Decision on the Air Freight Rate
Investigation Case, Docket 1705, April 21, 1948.

Despite this indictment by the Board, the passenger-mail lines still insist in their current paid advertising that the rate-war was a phantom illusion in the cargo carriers' minds and quote an opinion from the Board made in October, 1947—some six months prior to the above statement!

Thus it took nine of the twelve months of this past fiscal year for your Company to break the strangle-hold of the passenger-mail lines. With their low rates, they raided our traffic and we were unable to build to the volume necessary to meet our overhead. We had rising gasoline and labor costs. Gasoline is twenty-five per cent of our total company expense, including all overhead and taxes, and the price of gasoline has risen OVER 100% in the last year. Yet in the face of the suicidal rates filed by the passenger lines we were unable to raise our rates.

IN THE VERY FIRST MONTH OF OPERATION UNDER THE PROTECTION OF THE MINIMUM RATE ORDER WE CUT OUR LOSSES FROM \$41,000 IN JUNE TO \$12,000 IN JULY. IN THE FOLLOWING MONTHS WE EXPECT TO GET OUR VOLUME BACK BECAUSE WE HAVE RATE PARITY AND WE CONFIDENTLY EXPECT A SUCCESSFUL YEAR. OF INTEREST TO YOU AS STOCKHOLDERS IS THE FACT THAT THE JULY RESULTS EFFECTIVELY CURBED OUR CASH LOSSES AND THE AUGUST RESULTS ARE EQUALLY ENCOURAGING.

NO DECISION YET IN AIRFREIGHT FORWARDER CASE

SEVENTY-NINE FORWARDERS are applicants in the "Airfreight Forwarder Case" which has been in process for more than two years. A good many of these forwarders have been in the transportation business for a score of years and have daily contact with hundreds of thousands of shippers. The all-cargo lines have been unanimous in support of the applications of these forwarders solely because we know that they can bring a huge new volume of traffic to the air cargo industry. The passenger-mail carriers have vigorously opposed the certification of these applicants.

Our concept of airfreight is still so new that now, and for a good time to come, we must consider ourselves in the promotional period of this three-year-old industry. Literally thousands of shippers know little or nothing of the economic advantages that are offered in time-saving airfreight, and we as carriers cannot possibly reach and educate all of them. For this reason we would like to utilize the sales forces and nation-wide coverage of the seventy-nine applicant companies. We want to see them given the green light in this business. But the forwarders would not be interested in the minute tonnage available in the baggage compartments of passenger planes, nor, apparently, is the passenger operator interested in the huge tonnage that could be offered which would force him to fly cargo planes. We suspect, also, that the passenger-mail operator realizes, as we do, *that the certificated forwarders would insure the success of the all-cargo industry.*

The application of the Railway Express Agency for authorization to do business with the all-cargo carriers is pending in this same action. For the fifteen years prior to the end of World War II, Railway Express Agency, under the trade name of Air Express, was the primary developing agent for the movement of any goods by air. Theirs was the job of advertising, soliciting, tariff filing, billing and collection handling, pick-up and delivery, and even bringing the goods to the airport to meet the passenger carriers' schedules. The passenger lines shrugged away from any responsibility toward mining the potential gold of an airfreight industry, and at the same time turned a deaf ear to the pleas of Railway Express Agency that the rates were too high, the available space too small, and the combination passenger and package-behind-the-seat arrangement grossly inadequate.

In the hearings Railway Express Agency told the Civil Aeronautics Board of hundreds of thousands of tons of new business that can be put into the air by a working arrangement with the cargo carriers at rates comparable to those we are now charging. They testified that they were being hampered in their traffic development by lack of space on the passenger lines after passengers and mail had been handled—and, consequently, of having to divert thousands of tons back to rail for lack of airlift. Under the present arrangement they have with the passenger lines, the airlines set the tariffs, at a 60 cents per ton-mile level, to be charged to the public.

It is our proposal to reduce this to a figure comparable to the fifteen cents per ton-mile level we charge for airfreight, so that a greater portion of the public can take advantage of the fine air-ground-rail coordinated service that could be offered. *The passenger lines oppose the Railway Express Agency application also, contending that theirs is the exclusive right to do business with this service organization.*

The report of the Board's Examiner was a strong recommendation for both the forwarders and Railway Express Agency to be allowed to do business with the cargo carriers. To quote from the Report:

(Page 55)

"The public interest in and need for the services of the airfreight forwarders is established by the public witnesses who appeared in this case—witnesses representing outstanding business organizations and associations of commerce. The need for the freight forwarders is confirmed by the testimony of the all-cargo direct carriers. The amount of cargo now moving by air and the untouched potential is sufficient to justify their existence. *The certificated carriers alone express a contrary view.*" (Italics added)

and (Page 85)

"On the basis of the foregoing findings and conclusions and all the facts of record it is recommended:

- (1) That the Board adopt a regulation permitting freight forwarders to engage in air transportation upon compliance with those provisions of the Civil Aeronautics Act set forth in the attached proposed regulation.
- (2) That the exemption order under which Railway Express Agency, Inc., now operates be continued in effect and expanded to permit REA to utilize the services of the non-certificated air cargo carriers also and that the Railway Express Agency, Inc., and the direct carriers undertake a revision of the contracts now in effect so as to provide for the payment by Railway Express Agency, Inc., to the air carriers a fixed amount per ton-mile of air express carried and so as to permit Railway Express Agency, Inc., to fix and determine the rates for air express which will be stated in the tariffs of Railway Express Agency."

Air Freight Forwarder Case, Docket No. 681
Report of J. Earl Cox, Examiner

Public Counsel, appointed by the Civil Aeronautics Board objectively to represent the public interest, participate fully in all hearings and make recommendations to the Board, also recommended that the applicants be certified.

The Oral Argument on this case was held June 2, 1948, and yet there has been no decision some three months later, when each day signifies the loss of much-needed tonnage.

STATUS OF CASE FOR CERTIFICATE OF CONVENIENCE AND NECESSITY

In regard to our own certification, the passenger-mail lines, as you might surmise, have contested us bitterly every step of the way down the long road. We filed for this certificate on August 6, 1946. That means our case is now 25 months old.

The applications of fourteen companies for cargo certificates were grouped into one case, known as the Airfreight Certificate Case. Exhibits were filed in mid-October, 1946; hearings before the Examiner were held beginning November 18, 1946, and ending January 24, 1947.

The Examiner's Report on the case was published on March 12, 1948, and recommended five of the fourteen applicants for certification. Of these five, only three were recommended for trans-continental routes. Your Company was one of these three. Since that time, one of these three companies has ceased operating and has taken the protection of Chapter 10 of the Bankruptcy Act. It is not known whether this company will be able to re-activate its operation.

The Examiner in his Report said:

(Page 315)

"Between these three applicants for the specific routes there is little apart from past operations on which to base selections. Each of the carriers has presented plans pending to support the assumption that the service will be conducted on a sound basis. Each has also submitted data showing that it has adequate financial backing. There appears no doubt that Slick Airways, California Eastern Airways and The Flying Tiger Line are fit, willing and able to perform the proposed operation."

and (Page 318)

"In accordance with the foregoing findings and conclusions and upon the basis of all the facts of record it is recommended that the Board find that the public convenience and necessity requires:

- (1) That The Flying Tiger Line Inc. be authorized to engage in air transportation of property between any point in the following groups of points . . ."

Report of the Examiner, Air Freight
Certificate Case, Docket No. 810,
March 12, 1948

The points referred to above included California, Washington, Oregon, the Middle East and New England.

Public Counsel also recommended that your Company be certificated.

Having been defeated in the fair public hearing, the passenger-mail lines have launched upon an hysterical public and political program such as has seldom been seen in a case of this kind. They have bought full two-page advertisements in such magazines as *Editor and Publisher*, *Broadcasting*, and *Publishers' Auxiliary*; they have printed hundreds of thousands of copies of a pamphlet entitled "Facts and Fiction Regarding the Nation's Airlines." In these ads and pamphlets they have espoused their one-sided, misleading arguments as to why we should not be certificated.

One of the items heading their list of grievances is the displaying of their huge losses for the last year, saying that competition from us will jeopardize their whole industry. Two facts they fail to include: (1) Their revenue from freight was only two and one-third per cent of their total revenue last year and was practically non-existent in the years before we entered business, and (2) the period of their heavy losses was the same period during which they were admittedly selling airfreight below cost in what we maintain was an attempt to put us out of business.

Another of their leading arguments is that we want to serve only the large producing centers, thus "skimming the cream" of the market, while they have the "obligation" to serve the "little" towns of the nation. They entirely ignore the fact that your Company's application alone asks for the duty to serve more communities and towns than the largest passenger-mail line is serving today.

They disregard the fact that while they have the "obligation" to serve all of these communities with airfreight service, they have for twenty years neglected to do so. As mentioned above, their first airfreight tariffs were filed in 1945-'46. Small wonder they titled the piece "Fact and *Fiction*"!

The most repugnant of the public appeal arguments they make in this paid advertising is the one in which they pin the familiar "Ruptured Duck" upon themselves denoting that they were "veterans," while at the same time they refer to your Company as a "front" for the banking interests of the nation. They base this argument on the fact that they employ thousands of veterans in their organizations. We are not bottoming our Certificate case on the fact that we are veterans, but, as a matter of interest to you, there is an intrinsic difference between typing a company as "veteran" merely because it employs veterans, as compared with a company which is truly a veterans' venture.

Your Company was founded by eleven young men who had fought in China under General Chennault in the "Flying Tigers", most of whom had flown the treacherous "Hump" taking military supplies into China, and who were active participants throughout the years of World War II. It was their money, their ideas and their considerable effort and enthusiasm that set this company going and kept it operating during its first year. *At the present time every officer in the Company is a veteran of actual combat experience in this past war.*

We fought because our Government warned us that our valuable and esteemed American way of life was in danger. We fought to preserve that freedom which all of us in this country are supposed to have in order to live decently and operate free, legitimate enterprise under legal protection against moneyed power groups.

In addition to this insidious attack by the passenger-mail lines, they have employed, through their Air Transport Association, an ex-Congressman from Georgia whose entire time is devoted to lobbying on Capitol Hill and in high Government offices to advance the interest of his employers. His efforts of late have been directed toward our annihilation.

In these discussions, one fact should be constantly called to your attention. All of the passenger-mail lines have *without exception* been sired by Government subsidy, and most of them today are still subsidized after several years of attempts to stand on their own feet. Those few who are classified as not on subsidy today receive, for carrying United States mail, an amount *four times greater* than any published tariff for airfreight, whether theirs or ours. We call that subsidy, but will not labor the point here. The amazing part of this case is that not one of the cargo carrier applicants has received nor does he ask in his certificate application for *one penny of Government subsidy*. All of us are asking only for the right to continue to compete with the subsidized lines *for business that we ourselves have developed.*

Oral Argument before the Civil Aeronautics Board is scheduled for September 13 in the Airfreight Certification case. This is the final step in processing an application. The exact time of decision by the Board following this Oral Argument is not predictable. However, we think it reasonable to expect a decision within three or four months, at least.

CHANGES IN OFFICERS

During the past year Mr. Ralph G. Lockwood resigned as Vice President to rejoin the Army Air Force and Mr. Fred A. Miller resigned as Vice President and member of the Board of Directors to enter business for himself. Mr. George T. Cussen, who joined the Company at the beginning of 1948 as Assistant to the President, was promoted to Executive Vice President. William E. Bartling, who has been with the Company since 1945, was promoted to Vice President.

CONCLUSION

We have acknowledged the splendid efforts of those stockholders who have done what they could by writing letters of exposition and recommendation to their Congressmen and members of the Civil Aeronautics Board, copies of which were forwarded to us, but it is impossible adequately to thank all of you who have espoused our cause so ably during the past year. It is our firm belief that the tide is turning and the future looks brighter than it has since the inception of this business.

On behalf of the Management of your Company I wish to express sincere appreciation of the continuing effort and perseverance of the many employees who have helped us over the "Hump."

For the Board of Directors

ROBERT W. PRESCOTT

President

Burbank, California

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

601 WEST FIFTH STREET
LOS ANGELES 13

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

We have examined the consolidated balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) and its subsidiary, FLYING TIGER TRANSPORT INC. as of June 30, 1948, and the statement of consolidated revenues and expenses for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated revenues and expenses present fairly the position of The Flying Tiger Line Inc. and its subsidiary at June 30, 1948, and the results of their operations for the year then ended, and are 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 24, 1948.

THE FLYING T
AND SUBSIDI

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash		\$ 201,834.23
Receivables—		
Customers (including notes of \$27,000).....	\$238,126.10	
Refunds on insurance premiums.....	46,863.50	
Loss claims against insurance companies.....	32,173.77	
Due on sale of aircraft.....	29,606.15	
Gasoline tax refunds.....	26,050.34	
Other (including \$7,017.56 from officers and employees).....	28,710.76	
	<u>\$401,530.62</u>	
Less — Reserve for bad debts.....	19,000.00	382,530.62
Inventories, at cost not in excess of market—		
Materials and supplies.....	\$ 85,184.60	
Outside maintenance jobs in process.....	2,217.06	87,401.66
		<u>87,401.66</u>
Total current assets.....		\$ 671,766.51

PREPAID EXPENSES:

Unexpired insurance premiums.....	\$ 79,319.01	
Taxes	8,019.07	
Other	7,243.34	94,581.42

PROPERTY AND EQUIPMENT:

Classification	Cost	Reserve for Depreciation	Net
Aircraft and other flight equipment.....	\$582,976.01	\$181,354.42	\$401,621.59
Hangar, shop and ramp equipment.....	117,395.01	70,440.62	46,954.39
Other equipment.....	76,611.93	27,790.45	48,821.48
Buildings and improvements on leased land.....	171,162.01	165,376.63	5,785.38
	<u>\$948,144.96</u>	<u>\$444,962.12</u>	<u>\$503,182.84</u>
Modification costs of leased aircraft, in process of amortization.....			45,818.20
Aircraft engines at cost less depreciation.....			59,128.80
Surplus aircraft and engines at residual value.....			14,750.00
			<u>622,879.84</u>
			<u>\$1,389,227.77</u>

NOTES:

- (1) The company operates a fleet of 3 DC-3 and 5 DC-4 aircraft under leases with the United States Government under leases which expire in 1951 and 1952 at will.
- (2) A total of 180,800 shares of the issued capital stock of the company are held in escrow or transferred without the written consent of the company. These shares will be held in escrow until the disbursement of the earnings of the company, they may be released, and the owners of such shares have agreed to (a) waive their right to vote on the company until all other stockholders who have paid for their shares receive a return of the full amount of the purchase price, and (b) to return to the company the full amount of the purchase price, and (c) to return to the company less than thirty cents per share per annum cumulative dividends. In February, 1946, the board of directors of the company authorized but unissued capital stock to meet stock purchase warrants issued by the company prior to July 1, 1951, to executive, administrative and other employees of the company by the board of directors and upon terms determined by it. The amount of capital stock granted to a retired vice-president of the company has been made as to the exact number of warrants or options granted to employees to whom such warrants or options, if any, will be granted at a price less than \$5 per share.

LIABILITIES

CURRENT LIABILITIES:

Notes payable—

Bank.....	\$ 44,322.43	
Trade.....	12,000.00	\$ 56,322.43

Accounts payable.....		147,897.42
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Accrued liabilities—

Payroll, vacations and sick leave.....	\$ 51,390.47	
Property, payroll and other taxes.....	23,147.85	
Insurance, rent, etc.....	27,921.35	102,459.67

Amount withheld from employees for income and payroll taxes.....		11,896.63
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Total current liabilities.....		\$ 318,576.15
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CONTINGENT LIABILITIES:

Miscellaneous pending litigation, etc., amounting to \$33,000 which, in the opinion of the management, will not result in any material liability

BALANCE DUE ON PURCHASE OF MODIFICATION COSTS OF LEASED AIRCRAFT (may be paid through issuance of capital stock).....		34,000.00
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CAPITAL STOCK EQUITY:

Capital stock of \$1.00 par value (Note 2)—

Authorized — 1,000,000 shares		
Issued and outstanding — 726,000 shares.....	\$ 726,000.00	

Capital surplus (excess of proceeds from sale of 500,000 shares of capital stock over par value thereof) — no change during current year.....	1,637,639.31	
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\$2,363,639.31

Deduct — Deficit—

Balance June 30, 1947.....	\$977,724.46	
Add — Net loss per accompanying statement.....	349,263.23	1,326,987.69

\$1,389,227.77

aircraft, three of the latter being rented from the United member, 1949, but which may be terminated by either party

of the parent company is held in escrow and cannot be sold Commissioner of Corporations of the State of California. tion of the Commissioner, upon a satisfactory showing of uring the period that these shares are held in escrow the r right to participate in any distribution of assets of the cash or its equivalent for their shares have received the (b) waive all right to receive any dividends until all other or their shares shall have received dividends in amount not vely from date of issue.

ent company adopted a resolution reserving 50,000 shares hase warrants or options which may be issued by the com- other employees of the company in the discretion of the ot for the warrant or option for the purchase of 2,000 shares ompany during the current year, no determination has yet iff any, which may be so granted, nor as to the officers and : granted. No warrant or option will be issued exercisable

THE FLYING TIGER LINE INC.
AND SUBSIDIARY COMPANY

STATEMENT OF CONSOLIDATED REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1948

OPERATING REVENUES:

From domestic operations (freight, rentals and service sales).....		\$1,511,767.00
From trans-Pacific operations (under contract with United States Government — see Note 1).....		1,770,047.91
Total		\$3,281,814.91

OPERATING EXPENSES:

Flying operations.....		\$1,411,832.31
Ground operations.....		280,717.08
Maintenance		1,094,610.97
Traffic, sales, advertising and publicity.....		176,569.29
General and administrative.....		419,601.64
Depreciation		275,199.52
		\$3,658,530.81
Less — Portion of above charged to reserve for contract termination costs created in the preceding year.....		50,000.00
		3,608,530.81
Net loss from operations.....		\$ 326,715.90

OTHER CHARGES (net):

Loss on sale of aircraft, engines and other equipment.....		\$ 8,764.66
Write-down of surplus engines to residual value.....		8,456.25
Interest on notes payable.....		2,330.18
Miscellaneous (net).....		2,996.24
		22,547.33
Net loss for the year.....		\$ 349,263.23

NOTES:

- (1) The company conducted trans-Pacific flight operations, using Government owned aircraft, under a fixed-price contract with the United States Government from July 1 to November 30, 1947. Final settlement of this contract has been made with the Government.
- (2) See Note 1 to the balance sheet.

OFFICERS

President - - - - - ROBERT W. PRESCOTT
Executive Vice-President - - GEORGE T. CUSSEN
Vice-President - - - - - ROBERT P. HEDMAN
Vice-President - - - - - WILLIAM E. BARTLING
Secretary-Treasurer - - - - FRED BENNINGER
Assistant Secretaries - - - NORMAN L. MEYERS and
RICHARD H. KEATINGE

DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

ALLEN T. CHASE	ROBERT W. PRESCOTT
JAMES E. DAVIDSON	F. STUART ROUSSEL
HARLAN B. ELDRED	T. J. SULLIVAN

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

THE FLYING TIGER LINE, INC.
AND SUBSIDIARY COMPANY

SALES OFFICES

NEW YORK CITY, N. Y.

Suite 802, 247 Park Avenue
Telephone—Plaza 3-2891
Teletype—Hasbrouck Heights 442

DETROIT, MICHIGAN

Suite 424, Book Building
Telephone—Cadillac 9704
Teletype—Wayne 108

CLEVELAND, OHIO

1103 Standard Building
Telephone—Superior 2956
Teletype—Cleveland 393

CHICAGO, ILLINOIS

Suite 556, 35 E. Wacker Drive
Telephone—Andover 7071
Teletype—Chicago 1339

SAN FRANCISCO, CALIFORNIA

Room 403, 406 Sutter St.
Telephone—Garfield 1-6239
Teletype—South San Francisco 545

OPERATIONS OFFICES

TETERBORO, NEW JERSEY

Teterboro Airport
Telephone—Bryant 9-1788

DETROIT, MICHIGAN

Detroit Wayne Major Airport
Telephone—Superior 9700

CLEVELAND, OHIO

Municipal Airport
Telephone—Orchard 5777

CHICAGO, ILLINOIS

Municipal Airport, 6054 S. Cicero
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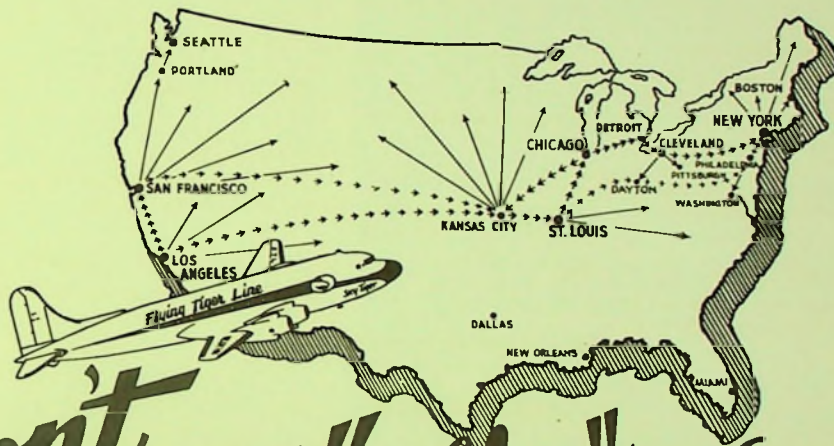
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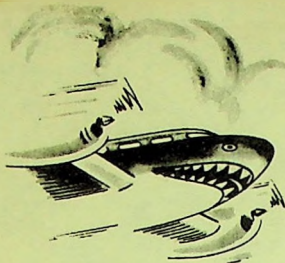
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There appears on the following pages a reprint of pages A4515 to A4518 of the CONGRESSIONAL RECORD for June 22, 1948 (Volume 94, No. 115). While it is rather lengthy, we would appreciate your taking the time to read it carefully since we believe that the exchange of correspondence contained therein outlines the air cargo carriers' problem extremely well.

Sincerely,

ROBERT W. PRESCOTT,
PRESIDENT

GOVERNMENT SUBSIDIES FOR AIR LINES

EXTENSION OF REMARKS OF HON. JOHN F. KENNEDY of Massachusetts IN THE HOUSE OF REPRESENTATIVES

Saturday June 19, 1948.

MR. KENNEDY. Mr. Speaker, I received a six page letter the other day from a former Member of this House who now represents the Air Transport Association of the big certificated air lines, attempting to refute the remarks I made on the floor of the House on April 28, on the subject of discrimination against the veterans' air-cargo companies.

I ask permission, Mr. Speaker, to insert into the RECORD, the entire text of Mr. Ramspeck's letter to me, and my reply. While I will not burden this House with a verbal recitation of the details, I wish Mr. Ramspeck's letter to be inserted verbatim, not only for fairness in comparison with my own, but also in deference to his years of distinguished service in this House. This air-transport business has become so important to the taxpayer and the public generally, that Congress should consider clearly the argument of both sides of this controversy.

The heart of the difference between the former Representative from Georgia, who now represents the certificated air lines, and myself, who in this case can be said to represent the interest of the veterans, is really over two matters:

First. Are the public payments to the air lines for carriage of the United States mails excessive, or are they not?

Second. Is there a place in the commerce and security of this country for the newly formed veterans' air-cargo companies, or is there not?

I am very critical, Mr. Speaker, of the fact that the Civil Aeronautics Board has determined that the mail rates of the Big Five be at about 60 cents a ton-mile, and I note with interest that this rate, which the taxpayers are asked to pay, is about five times the CAB rate-- 13 to 16 cents a ton-mile -- which Mr. Ramspeck considers fair for the carriage of cargo. His letter to me does not explain this tremendous difference, and I will gladly insert into the RECORD any information which he gives in the future in reply to my request for an explanation of this difference. It is painfully apparent to me, however, that the taxpayer is being required to pay the air lines not on the basis of services rendered in the carriage of the public mail, but on the basis of the deficits run up by those air lines. This system, in effect, means that those who do the worst, get the most from the Public Treasury.

In contrast to the present subsidy practice, which Mr. Ramspeck evidently approves, I note with interest that the independent air lines that are applying for permission to carry cargo are not asking for any subsidies from the taxpayers.

It is, and has been, my contention, Mr. Speaker, that the public would be relieved of the burden of air line subsidies which run into millions of dollars per year according to the report of the distinguished Representative from Kansas (Mr. Rees), if these air lines were to develop the new cargo business. But they have, in good part, ignored the new cargo business, an assertion supported by the fact that the newly formed veterans' air-cargo company -- even though operating on a shaky basis, without capital, and without certificates from the CAB -- have carried more freight than all the certificated air lines put together which are backed with \$70,000,000 in mail pay per year from the Government.

It is my contention that these newly formed veterans' companies deserve a chance to develop the new air-cargo business which they, more than any other group, have pioneered. That is why on April 28 I said that it was shameful that the CAB had not given a single certificate to any of the veterans' air-freight companies who have been waiting on the CAB's doorstep for over 2 years.

For M-day, the military have stated their needs to be several thousand freight planes. The entire fleet of the certificated air lines, as quoted by Mr. Ramspeck, even admitting for the moment that passenger planes are easily converted to be all-cargo planes, is only around 20 percent of the military requirements. It is, therefore, obvious to me, Mr. Speaker, that every new freight plane that can be brought into our commerce is a necessary addition to the military reserve. Since, according to the Commerce Department, the veterans' companies already possess around 125 cargo planes, and would likely bring into use a great many more if they would receive certificates from the CAB, I naturally conclude that this group would be a significant addition to the security, as well as to the commerce, of this country.

Under unanimous consent, I insert in the RECORD the complete text of the letter to me from Mr. Ramspeck of the Air Transport Association, and the complete text of my own point-by-point rebuttal:

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D. C. May 19, 1948

Hon. John F. Kennedy,
House of Representatives,
Washington, D. C.

My dear Mr. Kennedy: I am writing you with regard to your recent speech in the Congressional Record on the subject of air freight.

We believe that the sources of some of the data contained in that speech have misled you into incorrect conclusions and we assume that you will, of course, afford an opportunity for both sides of the case to be heard.

There are strong indications that such statements as were contained in your speech, and have appeared in very similar form elsewhere, are part of an effort which has been going on for some time by the air freight carriers to influence the decision of the Civil Aeronautics Board -- a semi-judicial body -- before which the air freight case is pending.

Here are the facts:

1. You refer to the "kicking around" that is being received by the so-called independent air freight carriers. The record shows plainly that quite the reverse of this supposition is true. The Civil Aeronautics Act of 1938 demands a certificate of convenience and necessity for any carrier desiring to operate under the act on a common-carrier basis. The independent air carriers, not having granted such certificates, since June 10, 1947, have been operating under an exemption from the Civil Aeronautics Act granted to them by the Civil Aeronautics Board. The exemption affords the independent carriers every advantage enjoyed by the certificated carriers under the terms of the Civil Aeronautics Act. They are allowed to publish schedules, to advertise for and solicit business, in fact to do anything in the air transport business -- and all this without the responsibility required of the certificated carriers. The independents have had and have more advantages than any carriers in the history of air transportation. They are not required to service any particular points but can pick the high volume stops at random. The independents have been coddled and pampered as a result of this exemption from the law. They are not required to conform either to the safety or operational requirements rigidly enforced upon the certificated carriers.

It must be remembered that these independent air carriers could not have entered any other form of transportation without certificates of convenience and necessity. For instance, they could not have purchased trucks and gone into the interstate, trucking business without full certification and regulation.

They operated as contract carriers for some time before they even applied for certificates as common carriers. By their own testimony they did finally apply because they realized that their operations had become common-carrier operations and they would sooner or later have to obtain certificates.

2. You constantly refer to these independent air carriers as veterans' air lines. The records of application to the Civil Aeronautics Board by these carriers show that only a minute portion of the capital invested in the principal independent carriers' organizations (that is, the five lines which have been considered for certification and who do the vast majority of irregular carrier business) could possibly be referred to as veterans' money. It is true that the independent carriers are attempting to masquerade in GI costumes purely for the purpose of garnering public opinion and sentiment in their favor, but we challenge any of these five independent carriers to show that a major portion of the capital has been provided from the life savings accounts of returning GI's. We believe it will be found that most of the money is being provided by large New York banking concerns, colossal family fortunes, or has been drummed up in stock-selling operations on a purely investment basis. Besides, the certificated air lines employ some 30,000 veterans (approximately 30 percent of the total employment). The importance of the success of the industry to these 30,000 wage earners is probably greater than the few stockholders in the independent game.
3. You refer to the fact that the Civil Aeronautics Board has been slow to act with reference to certification of the independent air carriers. If the CAB has been deliberate, it has been acting in line with the recommendations proffered it by the President's Air Policy Committee and the Congressional Aviation Policy Board, which strongly asked that the air freight-cir cargo subject be dealt with carefully and deliberately and with a full recognition of economics, safety, and operations.
4. You refer to the national-defense aspect of the independent air cargo fleet. We thoroughly agree that the national-defense aspect of civil air carriers is a most vital one, and one which affects the public directly. But to infer that the independent air carriers have more to offer in this regard than the certificated air lines is far from the truth. The

planes flown by the certificated carriers are the same planes which successfully shuttled back and forth over both the Atlantic and Pacific in the hands of the Military as well as certificated lines under contract during the war. Your argument that few of the certificated air lines are capable of ocean transportation is thereby completely disproved. The scheduled air-line fleet now numbers in excess of 1,000 planes. These air-planes are available on a few hours' notice in any national emergency, and the fleet was so utilized in 1941. However, the certificated lines have so expanded and improved their fleet since 1941 that they can offer to the military today 632 percent more emergency lift capacity for just such use as was available in 1941. This is, I believe, the only element of national defense, with the exception of the atomic-bomb project, which has actually grown since the end of the war. On the other hand, the planes of the independent carrier group number something between 40 and 50 against the 1,000 of the certificated fleet. The only difference between the two types of airplanes is that all except 60 of the certificated air liners are equipped with seats. The 60 all-cargo planes of the certificated fleet more than match the capacity and availability of the independent operators, and it is only necessary to remove the seats from the 900 passenger-cargo-carrying planes in order to effect their usage for cargo lift. This is only a matter of hours under emergency circumstances.

One of the announcements made recently by the independent carriers is that they are planning to lease airplanes from the military in order to expend their operations. It is difficult to see how these carriers who have not bought a single airplane from a manufacturer since the war was over can expect the public to believe that their operations contribute mightily to national defense when they intend to lease military planes already in existence for the purpose of such aid. This certainly is not adding either planes or capacity to the total military emergency lift.

5. With regard to your discussion of competition, it is necessary to understand the declaration of policy enunciated by Congress in enacting the Civil Aeronautics Act of 1938. This act made mandatory in the exercise and performance by the Civil Aeronautics Board of its powers and duties, the following:
 - (a) The encouragement and development of an air transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the postal service, and of the national defense;
 - (b) the regulation of air transportation in such manner as to recognize and preserve the inherent advantages of, assure the highest degree of safety in, and foster sound economic conditions in, such transportation, and to improve the relations between, and coordinate transportation by, air carriers;

- (c) competition to the extent necessary to assure the sound development of an air transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;
- (d) the regulation of air commerce in such manner as to best promote its development and safety; and
- (e) the encouragement and development of civil aeronautics.

It will be noted that in these statutory provisions the CAB is required to promote the sound development of an air transportation system properly adapted to the needs of the commerce of the United States, of the postal service and of the national defense. It will be noted that the air transportation system of the country is to be regulated in a manner which will foster sound economic conditions in such industries and that in so doing, the CAB is to permit competition only to the extent necessary to assure the sound development of the air transportation system.

It should be clear that this provision is not a direction from the Congress to the Civil Aeronautics Board to consider competition an end unto itself and it is not a direction to authorize additional competition for reasons which are not consistent with the basic precepts stated. It clearly is an instruction to add competition only when additional competition is necessary to assure the sound development of the air transportation system, and then only to the extent required. The entire philosophy of regulations embodied in the Civil Aeronautics Act is a control of both the nature and the amount of competition. Excessive competition under the philosophy of the act is as much an evil as monopoly, and the act, I believe, provides against both.

6. In view of the effect that a superimposition of an entirely new cargo-line structure on top of the present certificated air-lines' structure is having and will have on the regulated air transport industry, it is well to review the current status of the nation's air transport industry:

The certificated air lines collectively lost approximately \$6,000,000 in 1946. They lost a total of more than \$21,000,000 in 1947. A total loss of the two postwar years of \$27,331,164. All except 5 of the 35 certificated air lines had net operating losses in 1947. It is simple to see what the added competition asked for by the independent air carriers would mean to the already gloomy financial status of the air transport system. You can judge for yourself whether or not there is any basis for the charge of monopoly when you consider that 91 percent of the total air traffic of the United States moves over routes with two-carrier competition, 59 percent moves over routes having three-carrier competition, and 13 percent moves over routes having four-carrier competition. The serious result of such competition

already in effect is further shown in the reduction in load factors from 90 percent in 1945 to approximately 69 percent in 1947. The condition of the certificated air lines is further indicated by the fact that total investments in the air lines represented by common stock or equity money decreased from 90 percent in 1945 to 41 percent in 1948. During the same period money represented by preferred stock increased from 7 percent to 17 percent, and money obtained through long-term obligations increased from 3 percent to the startling figure of 42 percent.

By far the greatest volume of cargo developed by all types of carriers involves movement over transcontinental routes. Between the east coast and the west coast four transcontinental carriers certificated for passenger, mail, and property operating loss suffered by the domestic air lines in the United States in 1947, approximately \$16,000,000 of such amount was lost by the transcontinental certificated carriers. Yet it is over these routes and in spite of policy provisions of the Civil Aeronautics Act that duplicating air lines and route structures for the transportation of property is proposed.

7. We would like to set straight the facts regarding the highly touted so-called rate war referred to in your speech.

Prior to the independent carrier exemption order in the summer of 1947, the independent air carriers were not required to file any rates whatever. At that time the certificated air line rate level was approximately 26½ cents per ton-mile. The air lines publicly announced and filed with the Civil Aeronautics Board on August 1, 1947, a joint tariff providing for 20 cents per ton-mile. The independent air carriers, with full knowledge of the 20-cent figure, then filed rates at 13, 14, and 15 cents per ton-mile, and some of their rates were as low as 11 cents per ton-mile. The certificated air lines found that the independent carriers were only operating between big cities and were attracting only specific commodities. The certificated air lines left their rate structure at 20 cents, but filed rates equal to the independent carrier rates of 13 and 13½ cents per ton-mile on those specific commodities. The independent air carriers then shouted "rate war."

The opinion of the Civil Aeronautics Board on the motions of the Air Freight Forwarder Association decided October 2, 1947, spells out the facts of this case very clearly. It states that the reduction of specific commodity rates by the certificated air lines "admittedly *** is competition, even though it may not be competition at every point. This is the very privilege that the uncertificated carriers asked and were granted. The exemption (from the Civil Aeronautics Act) accorded them certainly was not that of a one-sided right, namely, the right to compete against the certificated carriers and the privilege to be protected against competition against them."

In the international picture, sufficient competition is just as evident. On the north Atlantic routes there are three United States certificated carriers in competition with each other as well as with British Overseas Airways, Air France, Sabena, KLM, and others.

8. The opinion of the Civil Aeronautics Board quoted above also strongly refutes your argument that subsidy by the United States Treasury has supported the certificated air lines in their "war" with the independent carriers. The opinion of the Board reads: "No action that the Board has taken or is now taking places subsidy of the United States Treasury behind this effort of the certificated carriers to meet the competition of the non-certificated carriers. This venture, so far as this Board has expressed any concern, whether for gain or loss, depends on their our funds."

Recognition by the CAB that the 20 cents per ton-mile certificated airline rate is a purely compensatory rate is highly inferred in the decision on the air freight rate case where 16 cents per ton-mile was set as a compensatory rate. In order for the argument that the certificated air lines are using Government money to fight the independent carriers to hold water, it would have to be shown that the rates charged by the certificated carriers are lower than compensatory rates could be.

With best wishes, I am

Sincerely yours,

ROBERT RAMSPECK, Executive Vice President.

June 1948

Hon. Robert Ramspeck,
Executive Vice President, Air Transport Association of America,
Washington, D. C.

My Dear Congressman Ramspeck:

I have read your letter of May 19 with great interest, not only because of the importance of its contents, but also because of the respect I have for the long years of distinguished service which you contributed in the House of Representatives.

Unless you have objections, I plan to insert into the CONGRESSIONAL RECORD the entire text of your letter to me, as well as my reply, because I think the subject of air transportation has become of such importance to the taxpayer and the public generally, that a clear statement of both sides is called for.

At the beginning I should like to make it clear that I have never been involved with any aviation interests, and have only the public interest at heart. I have

always looked out for the interest of my fellow veterans of World War II, and it is on behalf of those veterans who have been trying to form new air cargo companies since the end of the war in what I conceive to be the public interest that I come into debate against your distinguished self, who, having resigned from Congress, now represents the certificated airlines which are the members of your Air Transportation Association.

Perhaps the simplest method for me to answer your letter is to go over, point by point, the eight objections which you raise to my speech of April 28, on the floor of the House, entitled: "Discrimination Against Veterans' Air Cargo Lines."

1. KICKING AROUND OF AIR VETS - TRUE OR NOT?

You object to my complaints against the kicking around which the air vets have been getting, and you allege that "the independents have had, and have, more advantages than any carriers in the history of air transportation. --- The independents have been coddled and pampered as a result of this exemption from the law." I should judge that if the present situation of the veterans is as comfortable as you describe, they would not be trying to change their present status by applying to the CAB for certificates of convenience and necessity. Of course, as you know, the lack of certificates from the CAB, makes it almost impossible for these air freight groups to raise from private banks and other sources money needed for development and expansion, and consequently they have been, since the end of the war, in a very uncomfortable and restricted financial position. As you also know, the lack of a certificate of convenience and necessity restricts the air carriers operating abroad under economic regulation 292.1 to "irregular" or "occasional or infrequent" operations.

In this uncertain status, a veteran company operating abroad cannot provide adequate service to the trade and is, itself in a precarious position. As Raymond A. Norden, a 32-year-old Air Force veteran, now president of Seaboard and Western Airlines, said about his own company: "In a word, if it succeeds with the trade to a point with some degree of regularity as obviously called for, it may violate the (CAB) regulation and thus effectively succeed itself out of business."

I judge that if receiving certificates of convenience and necessity from the CAB would bring only additional responsibility and no additional advantages to the veterans' air freight groups, you and the certificated airlines who are members of your organization, would not be making such strenuous efforts to keep the veterans from getting those certificates.

2. INDEPENDENT AIR CARRIERS - ARE THEY VETERANS OR NOT?

You allege that the five air freight companies currently under consideration by the CAB for domestic certificates are attempting to masquerade in GI costumes. Not only are the vast majority of the employees of these companies, veterans, but in addition my information is that the men who are running these airlines have spent quite a bit of time in GI costumes during the past few years.

SLICK AIRWAYS - The president and principal organizer of this company, Earl Slick, is in his late twenties and served with the Army Air Forces from 1942 to 1945. I believe your comment about colossal family fortunes has very little to do with the fact that while he did apparently inherit money from his late distinguished father, he is a veteran and is doing a splendid job in financing and running his company.

WILLIS AIR SERVICE - It is my understanding from reading the CAB examiners' report in the air-freight cases that this air line was formed after V-J day, largely with and by young men who had been involved in naval aviation, and I note that the president and executive vice president, Mr. Willis and Mr. Rose, both saw considerable service with the Navy.

UNITED STATES AIRLINES - The president and secretary-treasurer both appear to be veterans of the Air Corps in World War I.

THE FLYING TIGERS LINE - The president, and principal founder, Mr. Robert Prescott, appears to have held a commission in the Navy until he transferred to the Flying Tigers to do combat work in China. The other top officials and organizers seem mostly to be bona fide veterans.

CALIFORNIA EASTERN AIRLINES - This company started 2 years ago, hauled more freight than anyone of the certificated air lines, but has just gone into bankruptcy through inability to wait any longer for the CAB to grant its certificate of convenience and necessity, and through its inability to raise sufficient capital from private banks in the meantime while lacking a certificate. I understand that the president at the moment, who was called in for the financial re-organization of the company, is not a veteran, but that a substantial number of the original organizers served with the Army Air Forces or ATC in World War II.

Of course, there are, as you know, a lot of other air freight companies run here and abroad by veterans of World War II, but since you did not mention them in your letter, I will not take the time to do so now, and hence confine my rebuttal to the facts about only the five domestic air-freight companies which you mentioned. The point is that the initiative in getting these airfreight operations going has largely emanated from a number of relatively young men who wanted to apply in peace one of the talents they learned in war - moving large quantities of freight by air.

It was in World War II that air cargo was really developed on a big scale, and these young men who are now veterans, underwent what amounts to a new experience in air transportation. Unfortunately, a lot of the top officials in the already-established air lines did not have that experience, or if they did have it, it did not sink in very far, and many of them appear to be managing their companies on the basis of their prewar experience when air transportation was largely a matter of passengers and mail and a few boxes of cargo in the nose of the airplane.

The fact that these veterans' companies, even without certificates, already haul more freight than do the established lines which are members of your Association, is to me pretty good indication (a) that they want to go into air freight on a big scale and have been trying hard to pioneer this new business, and (b) that your members, which possess far more capital and other resources, have been making only half-hearted efforts in that direction.

Now you point out that the certificated air lines employ some 30,000 veterans. I have no means of checking those figures, and I would certainly like to know your sources of information. But you will surely recognize, and I am sure that this principle has occurred to you more than once in your long years as a Member of the House, that some young veterans would prefer to establish their own businesses rather than simply take a salaried job in an already-established enterprise.

How would the important personages in the certificated air lines, now members of your association, have felt if a quarter of a century ago they had been denied the opportunity to establish their own companies, and had before them only the alternative of taking a salary job in some already established business? As Americans, we have always believed that the door to going into business should not be slammed in the face of the next generation. And we are not going to forget that principle now.

3. CAB SLOW TO ACT - TRUE OR NOT?

The applications of most of the veterans' air freight companies were made early in 1946, over 2 years ago. I do not know how you can justify the delays of the CAB from 1946 to the present by quoting the reports of the President's Air Policy Commission (which after all did not come out until January 1948) and the Congressional Aviation Policy Board (which did not report until March 1948). While it is true that these two temporary boards were somewhat cautious about air cargo, I did not see that either of them recommended that the present air transport industry be frozen against newcomers - which is obviously the effect of stalling off the applications of newcomers. I think it is regrettable that any Government agency should have taken so long in handling a case as the CAB has taken with the various companies, and as I have pointed out, after some 2 years of applying on the part of several dozen veterans' air freight companies, to date not a single one of the air vets have received a certificate from the CAB.

While the CAB cases are no doubt complicated, and while the air cargo cases in particular doubtlessly involve a subject matter unfamiliar to many persons connected with the CAB, it seems to me exceedingly unfortunate that these cases should be taking the CAB twice as long to handle as the average truck cases decided by the Interstate Commerce Commission.

4. NATIONAL DEFENSE - ARE THE VETERANS' AIR FREIGHT COMPANIES HELPFUL OR NOT?

As I said in my speech of April 28 on the floor of the House, the military will need, ready and operating, on M-day, several thousand C-54 freight planes, or a smaller number in new type large-payload air freighters. The certificated carrier fleet, even granting your statement that passenger plans can be easily converted to cargo work, would not exceed 20 percent of the total military requirements. Therefore, I cannot see how it is to the interest of national defense to drive out of business the veterans' air freight groups who have, according to the Commerce Department, around 125 all-freight planes which could become part of the national defense fleet.

Now you say that the veterans have not yet bought any new cargo planes. I assume that until the vets can raise money on the basis of being able to show the bankers a certificate from the CAB, they will be unable to buy new planes. But their past record, their current interest in, and their future plans for air cargo on a big scale, lead me to believe that quite a lot of new planes would be put into commercial service if these veterans could get the status that they deserve from the Government.

Now about your paragraph No. 4, I want to ask you three questions of fact, and I ask them in all sincerity because I am frank to admit that I do not have all the information on the subject of air transport that I would like to have, and I want to be thoroughly fair in presenting the facts to the House.

- a. How many all-cargo planes of 4-motor C54 type or bigger (in payload) do the certificated air lines now have in use?
- b. How many postwar type cargo air craft have been purchased by the certificated air lines since the end of the war?
- c. Of the thousand planes which you say the certificated air lines could offer to the military in war, you admit that over 900 are primarily designed for carrying passengers. You state that these passenger planes could be turned into all-cargo planes for the military in only a matter of hours. It is my understanding that to convert a luxury passenger plane into a freight plane suitable for the specifications of the military is a very considerable undertaking indeed, in fact so lengthy as to cast great doubt on the auxilliary military value of 90 percent of the entire air fleet of the members of your association. Naturally, this is a very grave question and one not to be answered lightly, and I would appreciate receiving some authentic information, supported by actual experience and if possible by the military authorities, on just how long and how difficult it would be to convert the passenger planes owned by the members of your association into all-freight planes, and whether or not the resulting converted planes would meet the military specifications for overseas freight work in a future war. The information I receive from you I will place in the RECORD, so the Congress will know all the facts.

5. CIVIL AERONAUTICS ACT OF 1938 - DOES IT RULE OUT THE AIR VETS OR NOT?

I am fully cognizant that the Civil Aeronautics Act, as do most of the regulatory acts of the Government, attempts to outline a middle road business between monopoly on the one hand, and excessive competition on the other. I am simply saying that in my opinion, the CAB, in its administration of this act, and you and the members of your association in your public interpretations of this act in connection with this matter, have so far tended to overbalance the act a bit too much away from free competition.

6. LOSSES OF THE CERTIFICATED AIR LINES - DO THEY RULE OUT ADMITTING THE AIR VETS TO THE INDUSTRY OR NOT?

I am fully aware that the certificated air lines lost some \$20,000,000 in 1947, and I understand that it is a very grave situation indeed. It has been my feeling that these losses might have been in the past, and might in the future be relieved, if the certificated air lines really went into air cargo on a big scale and brought in some new business. My impression is that the potentials are big enough to nourish both the certificated airlines and some newcomers, too. I would certainly like to obtain your comment on this possibility. I would also like to know if you, or the members of your association, have made any thorough study of the real potentialities in domestic and international air cargo.

7. RATE WAR - WAS IT A RATE WAR OR NOT?

In my speech on the floor of the House on April 28, I commented that it was indeed strange that while the certificated airlines on the one hand were asking for greatly increased mail pay from the Government, they were on the other hand

cutting their air cargo rates, a move which the veterans charged was intended to put them out of business through a rate war. You say that there wasn't any rate war and quote a brief passage from a CAB opinion of October 1947.

You doubtlessly are familiar with the more recent document of the CAB in the Air Freight Rate Investigation, dated April 21, 1948, in which, on pages 20 and 27 the CAB finds: "Present competition *** has resulted and will result in unduly low, depressed, and noncompensatory rates and charges for the transportation of freight by air, and that these practices have, and will result in unsound economic conditions in the air freight industry within the United States."

I guess the above is the legal way of saying that there really was a rate war.

Besides, the CAB records disclose that your 20-cent tariffs were filed after, not before the 13-cent tariffs of at least one of the veteran freight airlines. And furthermore, how does a carrier keep from attracting specific commodities? In view of the rate policies of the ATA carriers in every other field passenger, express, mail, and most overseas freight, isn't it clear that the low-rate policy in domestic air freight is beyond doubt, isn't it clear that the only non-ATA competition which your air lines have found in the domestic field?

8. SUBSIDIES

It is my contention that the big certificated air lines have been getting through the CAB, from the taxpayers, an excessive amount of mail pay. On the one hand the CAB determines that a fair rate for carrying cargo by air is between 13 cents and 16 cents a ton-mile, and on the other hand, at the petition of the big air lines, it decides that around 60 cents or 70 cents a ton-mile is a fair rate for carriage of the mails. About the mails, it certainly is my impression that the delivery, ground handling, and pick-up are performed by the United States Government, and, furthermore, the mails which are delivered to the air lines certainly represent business which the air lines do not have to solicit. Both of which facts make me wonder why the mail rates are so much higher than the cargo rates. I would certainly like to see your explanation in detail as to why carrying mail by air costs almost five times as much as carrying cargo by air.

If you have no objections, I intend to put the full text of your letter, as well as mine, into the CONGRESSIONAL RECORD, so that the public may see both sides of this debate. I will gladly insert into the RECORD such additional material as I receive from you, and I will willingly retract any of my assertions if you can demonstrate to me by any relevant facts that the rates paid the air lines for carrying the mail are not excessive, that the freight potential is too small to justify allowing the veterans and other newcomers into the air-transport industry, that the veterans' air-freight companies are not important to defense, or that any of my other statements are in error.

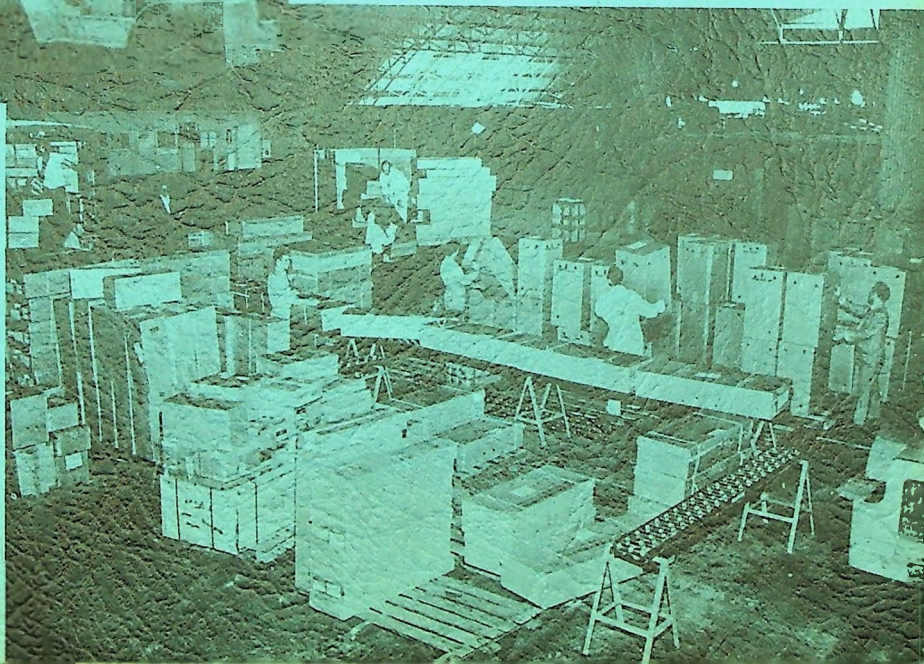
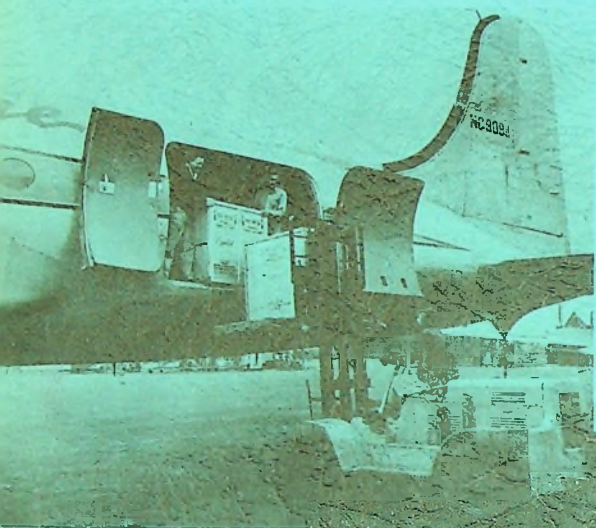
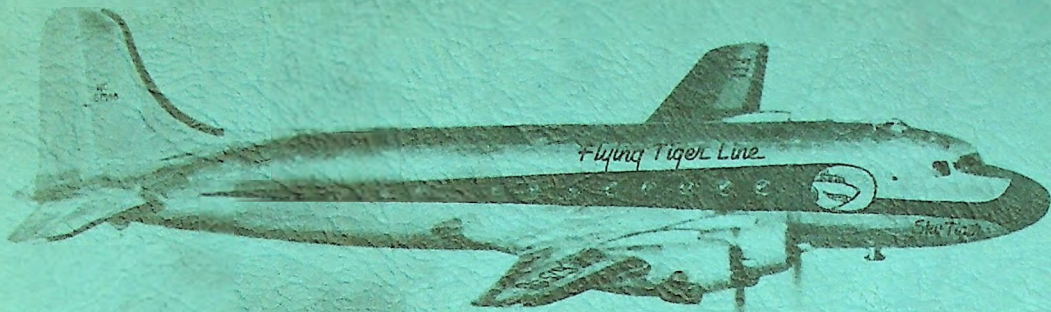
I, and those interested in this debate, will be very glad to see your answers to the specific questions I have posed, particularly in paragraphs numbered four and six.

The air-transport industry is extremely important to the public, and since it is so intimately associated with the operations of the Government, the public should have a chance to see all sides of the issue

With kindest regards, I am,

Sincerely yours,

JOHN F. KENNEDY, Member of Congress.



THE FLYING TIGER LINE INC.

FINANCIAL STATEMENT

JANUARY 31, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. and certain financial information and comments relating thereto for the month ending January 31, 1948 are presented herewith:

Consolidated Statement of Income

	January <u>1948</u>	December <u>1947</u>
Net Income (Loss):		
The Flying Tiger Line Inc.	\$ (45,317.36)	\$ (51,697.18)
Flying Tiger Transport Inc.	<u>(936.12)</u>	<u>(159.18)</u>
Total	<u>\$ (46,253.48)</u>	<u>\$ (51,856.86)</u>

Statement of Income - Domestic Division

The operations of the Domestic Division for the months of January, 1948 and December, 1947 are compared as follows:

	January <u>1948</u>	December <u>1947</u>
Revenues - Net	\$ 80,127.74	\$ 74,868.19
Operating costs	<u>123,180.25</u>	<u>125,168.31</u>
Operating Loss	\$ (43,052.51)	\$ (50,300.12)
Non-operating loss	<u>2,216.53</u>	<u>1,343.40</u>
Net Loss	<u>\$ (45,317.36)</u>	<u>\$ (51,697.18)</u>

The operational statistics for the months of January, 1948 and December, 1947 are as follows:

	January <u>1948</u>	December <u>1947</u>
<u>Hours Flown -</u>		
C-47	202.3	254.6
C-54	<u>440.7</u>	<u>446.5</u>
Total	<u>643.0</u>	<u>701.1</u>

Miles Flown -

C-47	32,612	40,226
C-54	<u>82,527</u>	<u>88,877</u>
Total	<u>115,139</u>	<u>129,103</u>

	January <u>1948</u>	December <u>1947</u>
<u>Ton Miles Carried -</u>		
C-47	89,336	89,500
C-54	<u>619,686</u>	<u>573,462</u>
Total	<u>709,022</u>	<u>662,962</u>

Average Plane Utilization -

C-47	1.1 hrs.	1.2 hrs.
C-54	5.1 hrs.	5.1 hrs.

Load Factors -

C-47	73.1 %	59.3 %
C-54	<u>75.1 %</u>	<u>64.5 %</u>
Total	<u>74.8 %</u>	<u>63.8 %</u>

Revenue Per Ton Mile Carried	\$ <u>.1157</u>	\$ <u>.1155</u>
------------------------------	-----------------	-----------------

The following schedule reflects the hours flown during January, 1948 for the various points of the company's schedule:

West to East	287.8 hrs.
East to West	332.7 hrs.
San Francisco	4.1 hrs.
Shuttles	<u>13.4 hrs.</u>
Total	<u>643.0 hrs.</u>

The load factors from East to West and West to East during January, 1948 and December, 1947 were as follows:

	January <u>1948</u>	December <u>1947</u>
West to East	70 %	47 %
East to West	84 %	82 %
Shuttles	52 %	41 %

A comparison of operating revenues and expenses during January, 1948 between C-47 and C-54 equipment is as follows:

	<u>C - 47</u>	<u>C - 54</u>
Revenues	\$ 10,336.17	\$ 71,697.67
Direct flying expenses	<u>21,190.94</u>	<u>54,710.39</u>
Gross income (loss)	<u>\$ (10,854.77)</u>	<u>\$ 16,987.28</u>

The same information expressed in the form of a per ton mile basis is as follows:

Per Ton Mile Carried -		
Revenue	\$.1157	\$.1157
Direct flying expenses	<u>.2372</u>	<u>.0388</u>
Gross income (loss) per ton mile	<u>\$ (.1115)</u>	<u>\$.0269</u>

The following schedule represents a comparison of domestic payrolls between January, 1948 and December, 1947:

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Flying operations	\$ 9,563.94	\$ 11,590.24	\$ (2,026.30)
Ground operations	5,815.05	5,945.47	(130.42)
Flight equipment maintenance- direct	11,682.35	12,407.25	(724.90)
Ground and indirect maintenance	3,585.18	5,356.68	(1,771.50)
Traffic and sales	6,432.32	5,386.43	1,045.89
General and administrative	7,000.38	3,864.98	3,135.40
Modifications and outside work	<u>3,876.49</u>	<u>5,108.44</u>	<u>(1,231.95)</u>
Total	<u>\$ 47,955.71</u>	<u>\$ 43,659.49</u>	<u>\$ (1,703.78)</u>

General and administrative payroll has increased in January due to the fact that a smaller proportion of such salaries were charged to the Transpac operations during January than in any previous month.

The following schedule represents the revenue statistics for the month of January, 1948:

From	To	Ton Miles	Revenue	Revenue Per Ton Mile	Number of Shipments
CG	LA	17,474	\$ 2,217.38	\$.1269	38
CG	NY	3,106	1,149.16	.1417	25
CV	LA	91,501	9,714.81	.1062	58
DO	LA	84,758	10,541.23	.1244	80
DO	SF	7,936	1,534.08	.1933	4
KC	LA	4,690	761.83	.1624	12
KC	OA	9,898	1,603.75	.1620	10
LA	CG	52,761	7,128.31	.1351	179
LA	CV	18,775	2,034.77	.1084	73
LA	DO	15,110	1,593.22	.1054	40
LA	LS	17,905	2,685.29	.1499	21
LA	NY	181,711	16,596.49	.0913	372
NY	CG	21,872	2,931.98	.1340	61
NY	LA	103,697	13,834.11	.1334	162
NY	SF	12,510	1,776.15	.1419	28
PG	LA	24,367	3,645.07	.1496	30
SF	CG	22,670	2,998.55	.1322	81
Miscellaneous		<u>29,539</u>	<u>1,159.55</u>	--	230
Total		<u>725,230</u>	<u>\$83,905.73</u>	<u>\$.1157</u>	<u>1,516</u>

The following schedule compares the origination of freight between January, 1948 and December, 1947. It is significant to note that Detroit and Los Angeles showed the largest increase, while the remaining stations had a decrease in freight originated.

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Chicago	\$ 3,415.84	\$ 11,458.13	\$ (8,042.29)
Cleveland	9,937.92	10,134.71	(196.79)
Detroit	12,710.13	1,012.97	11,697.16
Kansas City	2,861.09	879.67	1,981.42
Los Angeles	31,004.16	19,236.82	11,767.34
New York	19,257.41	26,793.85	(7,536.44)
San Francisco	4,232.83	5,095.63	(362.80)
Philadelphia	4,103.59	4,797.13	(693.54)
Dayton	---	228.10	(228.10)
Miscellaneous	<u>(3,617.24)</u>	---	<u>(3,617.24)</u>
	<u>\$ 83,905.73</u>	<u>\$ 79,637.01</u>	<u>\$ 4,268.72</u>

The freight was destined to the following points during January, 1948:

Destination of Freight - January

	<u>Revenue</u>	<u>Tons</u>	<u>Number of Shipments</u>
Chicago	\$ 13,259.81	13.6	335
Cleveland	2,612.57	74.5	109
Detroit	2,112.68	12.6	67
Indianapolis	11.88	--	1
Kansas City	1,230.16	5.0	92
Los Angeles	40,776.05	15.0	381
St. Louis	2,855.89	11.3	38
New York	19,075.28	92.2	427
Oakland	1,662.45	6.3	12
Philadelphia	156.89	.4	7
San Francisco	<u>3,769.31</u>	<u>12.4</u>	<u>47</u>
Miscellaneous	<u>\$ (3,617.24)</u>	---	---
Total	<u>83,905.73</u>	<u>243.3</u>	<u>1,516</u>

The company sold a C-47 NC #64722 during January for \$17,000.00 sustaining a book loss of \$2,183.96 included in non-operating expense section of the accompanying profit and loss statement.

Statement of Income - Transpac Division

The operations of the Transpac Division for the month of January, 1948 consisted of terminating the contract and returning the airplanes to the Army. All of the airplanes were returned approximately January 20, 1948 and for the remaining part of the month, the terminating activities consisted of shipping inventories of parts and supplies to Army Supply Depots.

During January, 1948 it was determined that the company would receive a return premium of approximately \$27,000.00 on Workmen's Compensation Insurance for the Transpac operations. This return premium is the result of the favorable

loss experience under the Transpac operations. The \$27,000.00 return premium will be payable in September, 1948 and it was credited to "Reserve for Contract Termination" to offset the additional costs of terminating the Transpac contract.

During January, 1948 the Transpac Division had income of \$9,306.65 from Army Work Orders and the gross termination expenses during January, 1948 amounted to \$38,160.33 less income from Army work orders, or a net of \$28,853.68.

This amount was charged to the Reserve for Contract Termination.

Statement of Income - Flying Tiger Transport, Inc.

The operations of Flying Tiger Transport, Inc. for the months of January, 1948 and December, 1947 are summarized as follows:

	<u>January 1948</u>	<u>December 1947</u>
Revenues	\$ 10,459.49	\$ 20,416.66
Operating costs	<u>11,395.61</u>	<u>20,576.34</u>
Net profit (loss)	<u>\$ (936.12)</u>	<u>\$ (159.68)</u>

The operational statistics for Flying Tiger Transport, Inc. for the months of January, 1948 and December, 1947 are as follows:

	<u>January 1948</u>	<u>December 1947</u>
<u>Hours Flown -</u>		
C-47	47.3	121.7
C-54	<u>12.2</u>	<u>11.6</u>
Total	<u>59.3</u>	<u>133.3</u>
 <u>Miles Flown -</u>		
C-47	8,195	19,612
C-54	<u>2,169</u>	<u>3,251</u>
Total	<u>10,364</u>	<u>21,863</u>

Flying Tiger Transport, Inc. absorbed approximately \$3,600.00 of the indirect expenses of The Flying Tiger Line Inc. during January, 1948.

CONSOLIDATED BALANCE SHEET

The current position of the company can be compared between January 31, 1948 and December 31, 1947 as follows:

	<u>January 31, 1948</u>	<u>December 31, 1947</u>
Current assets	\$ 618,727.52	\$ 686,992.55
Current liabilities	<u>165,058.43</u>	<u>216,268.73</u>
Excess	<u>\$ 453,669.09</u>	<u>\$ 470,723.82</u>

The decrease of approximately \$17,000.00 in the current position of the company can be attributed to the cash drain that occurred during January, 1947 for ATC contract termination costs and the cash loss experienced during the month.

Further details are set forth in the Statement of Application of Funds.

The net cash loss during January, 1948 was \$57,642.63 which can be reconciled to the book loss as follows:

Net loss as per statement		\$ 46,253.48	
Add: Cost of terminating ATC contract - charged to Reserve		28,853.68	
Payments of vacation pay		<u>4,597.94</u>	
		\$ 79,705.10	
Less:			
Reserve for Bad Debts	\$ 568.11		
Depreciation	17,338.16		
Loss on sale of capital assets	<u>4,156.20</u>	<u>22,062.47</u>	
Net cash loss		<u>\$ 57,642.63</u>	

Respectfully submitted,

Fred Benninger

FRED BENNINGER
Treasurer

THE FLYING TIGER LINE INC. AND SUBSIDIARY

Consolidated Balance Sheet - January 31, 1948

ASSETS

Current Assets:

Cash on hand and in banks		\$ 133,856.62	
Accounts receivable:			
U. S. Government - Billed	\$ 124,373.57		
- Unbilled	19,614.28		
Shippers	187,759.15		
Gas Tax refunds	22,486.39		
Advances to employees	6,953.36		
Miscellaneous	<u>39,108.97</u>		
	\$ 400,295.72		
Less: Reserve for doubtful accounts	<u>29,522.07</u>	370,773.65	
Notes receivable:			
Shippers	\$ 29,000.00		
Employees	<u>1,542.65</u>	30,542.65	
Material and supplies		<u>83,554.60</u>	
Total current assets		\$ 618,727.52	

Fixed assets - Net (Schedule I) 769,883.37

Deferred charges:			
Prepaid insurance	\$ 53,043.41		
Prepaid taxes	6,028.25		
Other items	<u>8,247.15</u>		
Total deferred charges		67,318.81	

\$ 1,455,929.70

LIABILITIES

Current Liabilities

Accounts payable - Trade		\$ 80,072.61	
Accrued Liabilities:			
Accrued payroll	\$ 26,951.88		
Transportation taxes	2,076.33		
Payroll taxes	10,356.38		
Other items	4,889.39		
Accrued insurance	9,913.99		
Income tax withheld from employees	<u>9,701.95</u>	63,889.92	
C.O.D. shipments		<u>21,095.90</u>	
Total current liabilities			\$ 165,058.43

Reserve for contract termination costs and vacations 4,990.37

Reserve for aircraft overhaul 10,000.00

Capital stock and surplus:			
Capital stock \$1.00 par value, authorized 1,000,000 shares, issued and outstanding 726,000 shares		\$ 726,000.00	
Capital surplus		<u>1,637,639.31</u>	
		2,363,639.31	

Deficit:
Balance - December 31.
1947 \$1,041,504.93

Net loss for month ending January 31,
1948 46,253.48 1,087,758.41

Total capital stock and surplus \$ 1,275,880.90

\$ 1,455,929.70

Consolidated
Statement of Income

THE FLYING TIGER LINE INC.

Consolidated Statement of Income

	<u>January</u> <u>1948</u>	<u>December</u> <u>1947</u>	<u>Year to</u> <u>Date</u>
Net Income (loss):			
Domestic Division	\$ (45,317.36)	\$(51,697.18)	\$(321,063.09)
Transpac Division	<u> -- </u>	<u> -- </u>	\$ <u>194,207.11</u>
Total	<u>\$ (45,317.36)</u>	<u>\$(51,697.18)</u>	<u>\$(126,855.98)</u>
Flying Tiger Transport, Inc.	<u>\$ (936.12)</u>	<u>\$ (159.68)</u>	<u>\$ 8,545.13</u>
Total	<u>\$ (46,253.48)</u>	<u>\$ 51,856.86</u>	<u>\$(118,310.85)</u>

Application of Funds

THE FLYING TIGER LINE INC.

Statement of Application of Funds
For the Month Ended January 31, 1948

Funds were provided by:

Decrease in cash		\$ 131,908.06
Payment of accounts receivable - Employees		273.06
Payment of notes receivable - Shippers		1,000.00
<u>Sale of Fixed Assets</u>		
C-47 airplane - NC 64722	\$ 17,000.00	
Aircraft Engines - 16 No. R 1830-92	2,000.00	
Nash automobile	1,300.00	
Furniture and fixtures	792.09	
Miscellaneous materials and equipment	348.00	21,440.09
Total funds provided		<u>\$ 154,621.21</u>

Funds were applied to:

Increase in accounts receivable - U.S. Government	\$ 16,924.49
Increase in accounts receivable - Shippers	9,094.99
Increase in accounts receivable - Miscellaneous	683.15
Increase in gasoline tax refunds receivable	1,975.67
Increase in raw materials and supplies	4,328.49
Increase in prepaid charges	3,139.06
Payment of accounts payable	8,854.71
Payment of accrued liabilities	47,927.44
Net cash loss for the month	57,642.63

Increase in fixed assets:

C-47 airplane - NC 59279 modification-		
Increase	\$ 4,778.36	
Miscel. flight equipment - Decrease	(1,194.39)	
Miscel. shop equipment - Increase	33.11	
Miscel. equipment - Increase	433.50	4,050.58

Total funds applied \$ 154,621.21

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and Reserves

January 31, 1948

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 286,459.69	\$ 108,356.67	\$ 178,103.02
Aircraft C-54	407,116.88	44,386.54	362,730.34
Aircraft BT-13A	1,742.02	871.01	871.01
Aircraft RB-1 Budd	6,000.00	—	6,000.00
Engines	125,751.99	56,684.20	69,067.79
Miscellaneous flight equipment	33,651.04	10,281.94	23,369.10
Misc. flight equipment - Prorated	1,017.57	407.39	610.18
Flight equipment spare parts and assemblies	59,871.11	30,480.40	29,390.71
Hangar, shop and ramp equipment - Prorated	29,378.43	4,390.69	24,987.74
Hangar, shop and ramp equipment - Transpac	82,601.08	65,165.26	17,435.82
Motorized vehicles	35,919.94	8,633.16	27,286.78
Furniture, fixtures and office equipment-- Prorated	25,938.92	3,246.24	22,692.68
Furniture, fixtures and office equipment - Transpac	16,519.72	12,918.74	3,600.98
Medical equipment - Transpac	174.60	160.05	14.55
Engineering equipment - Transpac	728.86	488.09	240.77
Miscellaneous equipment	923.29	—	923.29
Building and improvement on land not owned	3,409.74	851.13	2,558.61
Buildings and improvements on land not owned - Transpac	162,960.00	162,960.00	—
Total	<u>\$ 1,280,164.88</u>	<u>\$ 510,281.51</u>	<u>\$ 769,883.37</u>

THE FLYING TIGER LINE INC.

Statement of Income

Statement of Income

	<u>January, 1948</u>		<u>December, 1947</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Revenues:				
Freight	\$ 83,905.73		\$ 79,966.29	
Other	<u>324.62</u>		<u>244.09</u>	
Total	\$ <u>84,230.35</u>		\$ <u>80,210.38</u>	
Less:				
Pick-up and delivery costs - Net	\$ 1,451.66		\$ 1,919.84	
Cost of freight carried by others	<u>2,650.95</u>		<u>3,422.35</u>	
	\$ <u>4,102.61</u>		\$ <u>5,342.19</u>	
Net revenues	<u>\$ 80,127.74</u>	100.0	<u>\$ 74,868.19</u>	100.0
Direct Flying Expenses:				
Flying operations - Sched. II	\$ 43,604.88	54.4	\$ 45,672.83	61.0
Direct maintenance - Sched. III	20,943.12	26.1	29,385.29	39.3
Depreciation-Flight equipment- Schedule IV	<u>11,353.33</u>	<u>14.2</u>	<u>11,566.59</u>	<u>15.4</u>
Total direct flying expenses	\$ <u>75,901.33</u>		\$ <u>86,624.71</u>	
Percentage to net revenues		94.7		115.7
Indirect Operating Expenses:				
Ground operations - Sched. V	\$ 12,715.60	15.9	\$ 13,061.37	17.5
Ground and indirect maintenance- Sched. VI	3,801.82	4.7	4,714.53	6.3
Traffic and sales - Sched. VII	10,640.29	13.3	10,134.76	13.5
Advertising and publicity - Sched. VIII	430.56	.5	1,260.51	1.7
General and administrative - Sched. IX	19,091.56	23.9	9,057.88	12.1
Depreciation ground equipment- Sched. X	<u>599.09</u>	<u>.7</u>	<u>314.55</u>	<u>.4</u>
Total indirect expenses	\$ <u>47,278.92</u>	<u>59.0</u>	\$ <u>38,543.60</u>	<u>51.5</u>
Total operating expenses	\$ <u>123,180.25</u>		\$ <u>125,168.31</u>	
Percentage to net revenues		153.7		167.2
Operating Profit (loss)	\$ (43,052.51)		\$ (50,300.12)	
Other deductions from income -				
Sched. XI	<u>24.16</u>		<u>26.83</u>	
	\$ (43,076.67)		\$ (50,326.95)	
Non-operating income - Sched. XI	<u>(2,240.69)</u>		<u>(1,370.23)</u>	
Net Profit (loss)	\$ <u>(45,317.36)</u>		\$ <u>(51,697.18)</u>	
Percentage to Net Revenues		56.6		69.1

Cost Analysis of Direct Flying Expenses

for the month ending January 31, 1948

	<u>Total</u>	<u>C-47</u>	<u>Per Hour</u>	<u>Total</u>	<u>C-54</u>	<u>Per Hour</u>
<u>Flying Operations:</u>						
Pilots and co-pilots	\$ 2,300.39		\$ 11.37	\$ 6,517.01		\$ 14.79
Vacation, sick leave and idle time	232.44		1.15	514.10		1.17
Travel, incidentals and per diem	402.99		1.99	1,245.87		2.83
Aircraft engine fuels and oils	4,893.05		24.19	15,436.70		35.02
Other supplies	1.60		.01	1.95		.01
Insurance-Public liability, property damage and general	920.21		4.55	5,870.22		13.32
Insurance-Employees' Welfare and Compensation	255.72		1.26	490.41		1.11
Rentals	<u> </u>		<u> </u>	<u>4,522.22</u>		<u>10.26</u>
Total flying operations	<u>\$ 9,006.40</u>		<u>\$ 44.52</u>	<u>\$34,598.48</u>		<u>\$ 78.51</u>
<u>Direct Maintenance - Flight Equipment:</u>						
Direct labor - aircraft	\$ 3,016.58		\$ 14.91	\$ 3,650.09		\$ 8.28
Direct labor - engines	636.24		3.15	1,775.13		4.03
Direct labor - other	1,997.38		9.87	606.93		1.38
Materials and outside repairs - aircraft	1,369.55		6.77	1,486.38		3.37
Materials and outside repairs - engines	1,186.27		5.86	(3,232.89)		(7.34)
Materials and outside repairs - other	225.22		1.11	120.64		.27
Reserve provision - spare parts	532.61		2.63	1,178.28		2.67
Reserve provision - engine overhaul	1,099.04		<u>5.44</u>	<u>5,295.67</u>		<u>12.03</u>
Total direct maintenance - flight equipment	<u>\$ 10,062.80</u>		<u>\$ 49.74</u>	<u>\$10,880.23</u>		<u>\$ 24.69</u>
<u>Depreciation - Flight Equipment:</u>						
Depreciation - aircraft	\$ 911.25		\$ 4.50	\$ 8,493.82		\$ 19.27
Depreciation - other flying equipment	1,210.40		5.99	737.86		1.67
Total depreciation - flight equipment	<u>\$ 2,121.65</u>		<u>\$ 10.49</u>	<u>\$ 9,231.68</u>		<u>\$ 20.94</u>
Total Direct Flying Expenses	<u>\$ 21,190.94</u>		<u>\$ 104.75</u>	<u>\$54,710.39</u>		<u>\$ 124.14</u>
Hours flown		<u>202.3</u>			<u>440.7</u>	
Miles flown -- Cost per mile flown*	<u>32.612</u>		<u>* \$.649</u>	<u>82.527</u>		<u>* \$.663</u>

Schedule IITHE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Pilots and co-Pilots	\$ 8,817.40	\$ 10,846.89	\$ (2,029.49)
Vacation, sick leave and idle time	746.54	743.35	3.19
Travel, incidentals and per diem	1,648.86	1,293.85	355.01
Rentals	4,522.22	4,701.92	(179.70)
Aircraft engine fuels	20,329.75	23,603.50	(3,273.75)
Other supplies	3.55	35.12	(31.57)
Insurance - Public liability, property damage and general	6,790.43	3,455.41	3,335.02
Insurance - Employee welfare and compensation	746.13	932.45	(236.32)
Other expenses	<u>—</u>	<u>10.34</u>	<u>(10.34)</u>
Total	<u>\$ 43,604.88</u>	<u>\$ 45,672.83</u>	<u>\$ (2,067.95)</u>

Schedule III

THE FLYING TIGER LINE INC.Domestic DivisionSchedule III -- Direct Maintenance Flight Equipment

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Direct maintenance labor - Aircraft	\$ 6,666.67	\$ 7,715.69	\$ (1,049.02)
Direct maintenance labor - Engines	2,411.37	2,832.10	(420.73)
Direct maintenance labor - Other	2,604.31	1,859.46	744.85
Direct maintenance materials and outside repairs - Aircraft	2,855.93	5,378.33	(2,522.40)
Direct maintenance, materials and outside repairs - Engines	(2,046.62)	1,051.98	(3,098.60)
Direct maintenance, materials and outside repairs - Other	345.86	2,394.13	(2,048.27)
Reserve provision - Spare parts	1,710.89	1,868.29	(157.40)
Reserve provision, aircraft engine overhaul	6,394.71	6,285.31	109.40
Expenses transferred and joint facilities -- Credit			
Total	<u>\$ 20,943.12</u>	<u>\$ 22,385.29</u>	<u>\$ (8,442.17)</u>

Schedule IV

THE FLYING TIGER LINE INC.

Domestic Division

Schedule IV - Depreciation Flight Equipment

	<u>January</u> <u>1948</u>	<u>December</u> <u>1947</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$ 9,405.07	\$ 9,687.54	\$ (282.47)
Depreciation - Engines	--	--	--
Depreciation - Other flying equipment	<u>1,948.26</u>	<u>1,879.05</u>	<u>69.21</u>
Total	<u>\$ 11,353.33</u>	<u>\$ 11,566.59</u>	<u>\$ 213.26</u>

Schedule V

THE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ --	\$ 62.09	\$ (62.09)
Local managers and superintendents	1,851.60	1,169.83	681.77
Vacation, sick leave and idle time	193.02	185.06	7.96
Ground service employees	3,015.12	4,498.25	(1,483.13)
Communications operators and dispatchers	2,198.02	2,197.72	.30
Other employees	598.97	889.58	(290.61)
Travel, incidentals and per diem	225.59	31.90	193.69
Telephone and telegraph services	775.75	1,582.89	(807.14)
Light, heat, power and water	6.17	--	6.17
Other services	32.57	12.83	19.74
Rentals	2,511.81	1,393.58	1,118.23
Shop and servicing supplies	7.97	23.60	(15.63)
Stationery, printing and office supplies	298.79	47.84	250.95
Other supplies	83.79	--	83.79
Insurance - Public liability, property damage and general	476.65	331.51	145.14
Insurance - Passenger and cargo liability	379.37	325.69	53.68
Insurance - Employee welfare and com- pensation	58.86	49.26	9.60
Other expenses	1.55	259.74	(258.19)
Expenses transferred and joint facilities-			
Credit	--	--	--
Total	<u>\$ 12,715.60</u>	<u>\$ 13,061.37</u>	<u>\$ (345.77)</u>

Schedule VI

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Local managers and superintendents	\$ 1,030.96	\$ 1,560.35	\$ (529.39)
Direct maintenance labor - Other	504.14	316.78	187.36
Vacation, sick leave and idle time	196.23	1,869.59	(1,673.36)
Stock and stores employees	1,604.41	1,519.63	84.78
Other employees	249.44	90.33	159.11
Travel, incidentals and per diem	51.47	132.98	(81.51)
Telephone and telegraph services	64.90	72.19	(7.29)
Light, heat, power and water	32.28	46.11	(13.83)
Other services	—	8.98	(8.98)
Rentals	12.83	777.20	(764.37)
Direct maintenance materials and outside repairs - Other	193.11	280.09	(86.98)
Shop and servicing supplies	1,219.47	403.55	815.92
Stationery, printing and office supplies	72.80	154.42	(81.62)
Other supplies	442.57	370.76	71.81
Insurance - Employee welfare and compensation	110.34	154.20	(43.86)
Other expenses	5.14	213.80	(208.66)
Expenses transferred and joint facilities - Credit	<u>(1,988.27)</u>	<u>(3,256.43)</u>	<u>1,268.16</u>
Total	<u>\$ 2,801.82</u>	<u>\$ 4,714.53</u>	<u>\$ (912.71)</u>

Schedule VIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 660.53	\$ 684.16	\$ (23.63)
Local managers and superintendents	1,300.63	1,411.08	(110.45)
Vacation, sick leave and idle time	198.85	173.76	25.09
Traffic solicitors	3,204.18	2,180.76	1,023.42
Other employeeyes	1,068.13	936.67	131.46
Travel, incidentals and per diem	962.62	792.14	170.48
Telephone and telegraph services	1,176.54	1,699.36	(522.82)
Light, heat, power and water	9.18	10.15	(.97)
Commissions	978.41	1,173.52	(195.11)
Entertainment	200.18	277.74	(77.56)
Other services	18.12	13.98	4.14
Rentals	508.29	491.18	17.11
Stationery, printing and office supplies	222.80	230.10	(7.30)
Other supplies	7.74	3.39	4.35
Insurance - Employee welfare and com- pensation	17.53	11.87	5.66
Other expenses	4.43	19.24	(14.81)
Tariffs, schedules and time tables	9.17	--	9.17
Memberships	92.96	25.66	67.30
Total	<u>\$ 10,640.29</u>	<u>\$ 10,134.76</u>	<u>\$ 505.53</u>

Schedule VIII

THE FLYING TIGER LINE INC.

Domestic Division

Schedule VIII - Advertising and Publicity

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Stationery, printing and office supplies	\$ --	\$ 28.38	\$ (28.38)
Advertising - Space	29.36	4.23	25.13
Advertising - Other	343.15	1,164.26	(821.11)
Other promotional and publicity expenses	43.98	63.64	(19.66)
Other expenses	<u>14.07</u>	<u>--</u>	<u>14.07</u>
Total	<u>\$ 430.56</u>	<u>\$ 1,260.51</u>	<u>\$ (829.95)</u>

Schedule IX

THE FLYING TIGER LINE INC.

Domestic Division

Schedule IX - General and Administrative

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
General officers and superintendents	\$ 1,572.20	\$ 1,003.89	\$ 563.31
Local managers and superintendents	1,231.71	589.04	742.67
Vacation, sick leave and idle time	258.63	217.23	51.40
Communications operators and dispatchers	201.93	372.35	(170.42)
Other employees	3,625.91	1,677.47	1,948.44
Travel, incidentals and per diem	431.33	533.67	(102.34)
Telephone and telegraph services	275.35	362.08	(86.73)
Light, heat, power and water	2.39	22.43	(20.04)
Special, professional and technical fees and expenses	4,518.60	863.74	3,654.86
Entertainment	26.57	54.46	(27.89)
Other services	—	.29	(.29)
Rentals	334.94	186.31	148.63
Stationery, printing and office supplies	2,038.91	911.45	1,127.46
Other supplies	33.30	31.41	1.89
Insurance - Public liability, property damage and general	24.38	18.69	5.69
Insurance - Employee welfare and com- pensation	14.46	7.41	7.05
Memberships	85.99	25.46	60.53
Corporate and fiscal expenses	114.39	224.76	(110.37)
Bad debts	726.45	669.10	57.35
Taxes - Payroll	2,386.60	963.38	1,423.22
Taxes - Other	977.12	252.40	724.72
Other expenses	100.40	65.86	34.54
Expenses transferred and joint facilities - Credit			
Total	<u>\$ 19,091.56</u>	<u>\$ 9,057.88</u>	<u>\$ 10,033.68</u>

Schedule X

THE FLYING TIGER LINE INC.

Domestic Division

Schedule X - Depreciation Ground Equipment

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Ground property and equipment depreciation	\$ 599.09	\$ 314.55	\$ 284.54
Expenses transferred and joint facilities - Credit			
Total	<u>\$ 599.09</u>	<u>\$ 314.55</u>	<u>\$ 284.54</u>

Schedule XI

THE FLYING TIGER LINE INC.

Domestic Division

Schedule XI - Non-Operating Income and Other Deductions from Income

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
<u>Non-Operating Income:</u>			
Cash discounts	\$ 22.58	\$ 74.49	\$ 51.91
Other income	256.21	169.55	(86.66)
Gain on sale of equipment (loss)	<u>(2,519.48)</u>	<u>(1,614.27)</u>	<u>905.21</u>
Total	<u>\$ (2,240.69)</u>	<u>\$ (1,370.23)</u>	<u>\$ 870.46</u>
<u>Other Deductions from Income:</u>			
Interest expense	\$ 24.16	\$ 26.83	\$ (2.67)
Other deductions	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 24.16</u>	<u>\$ 26.83</u>	<u>\$ (2.67)</u>

FLYING TIGER TRANSPORT INC.

FINANCIAL STATEMENTS

January 31, 1948

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - JANUARY 31, 1948

ASSETS

Current assets:

Cash on hand and in banks	\$ 38,973.56	
Accounts receivable	<u>21,952.37</u>	
Total current assets		<u>\$ 60,925.93</u>

LIABILITIES

Accrued liabilities:

Accounts payable	\$ 200.00	
Insurance and taxes	<u>1,000.90</u>	\$ 1,200.90
Advances: The Flying Tiger Line Inc.		50,574.60
Capital Stock and Surplus:		
Capital stock, par value \$1.00 per share, issued and outstanding 200 shares	\$ 200.00	
Capital surplus	<u>1,800.00</u>	\$ 2,000.00
Earned surplus, December 31, 1947	\$8,086.55	
Net profit for the month ending January 31, 1948 (loss)	<u>(936.12)</u>	<u>7,150.43</u>
Total capital stock and surplus		<u>9,150.43</u>
Total		<u>\$ 60,925.93</u>

Statement of Income

THE FLYING TIGER TRANSPORT INC.

Statement of Income

	January <u>1948</u>	December <u>1947</u>	Increase (Decrease)
Revenues:			
Passengers/cargo	\$ <u>10,459.49</u>	\$ <u>20,416.66</u>	\$ <u>(9,957.17)</u>
Direct Flying Expenses:			
Flying operations	\$ 3,171.84	\$ 6,377.76	\$ (3,205.92)
Direct maintenance -- Flight equipment	2,807.66	5,040.73	(2,233.07)
Depreciation -- Flight equipment	<u>775.61</u>	<u>1,393.19</u>	<u>(617.58)</u>
Total direct flying expenses	\$ <u>6,755.11</u>	\$ <u>12,811.68</u>	\$ <u>(6,056.57)</u>
Indirect Operating Expenses:			
Ground operations	\$ 1,077.47	\$ 2,316.26	\$ (1,238.79)
Ground and indirect maintenance	521.32	1,349.61	(828.29)
Passenger service	—	137.10	(137.10)
Traffic and sales	1,208.01	2,159.00	(950.99)
Advertising and publicity	38.77	213.43	(174.66)
General and administrative	1,740.99	1,536.01	204.98
Depreciation -- Ground equipment	<u>53.94</u>	<u>53.25</u>	<u>.69</u>
Total indirect operating expenses	\$ <u>4,640.50</u>	\$ <u>7,764.66</u>	\$ <u>(3,124.16)</u>
Total operating expenses	\$ <u>11,395.61</u>	\$ <u>20,576.34</u>	\$ <u>(9,180.73)</u>
Net operating profit (loss)	\$ <u>(936.12)</u>	\$ <u>(159.68)</u>	\$ <u>(776.44)</u>

THE FLYING TIGER LINE INC.

FINANCIAL STATEMENT

FEBRUARY 29, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. and certain financial information and comments relating thereto for the month ending February 29, 1948 are presented herewith.

The operations of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. were combined during February, 1948 and the revenues and operating costs of both companies are reflected in the accompanying statement of income. The decision to combine both operations was due to recent CAA and CAB rulings and interpretations.

The operations of the company for the months of February and January, 1948 are compared as follows:

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>
Revenues - Net	\$ 125,011.44	\$ 90,587.23
Operating costs	<u>166,988.50</u>	<u>134,575.86</u>
Operating Loss	\$ 41,977.06	\$ 43,988.63
Non-operating loss	<u>(2,817.69)</u>	<u>2,264.85</u>
Net Loss	<u>\$ 39,159.37</u>	<u>\$ 46,253.48</u>

In comparing the operating expenses between the two months, it must be realized that the accompanying statements reflect the operating costs for The Flying Tiger Line Inc. only for the month of January, 1948 while the February operating costs reflect the operating costs of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. The following schedule represents a comparison of the operating expenses for both companies.

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>
Direct Operating Expenses:		
Flying operations	\$ 64,828.95	\$ 46,776.72
Direct maintenance	27,147.38	23,750.78
Depreciation	<u>12,104.39</u>	<u>12,128.94</u>
Total direct	<u>\$ 104,080.72</u>	<u>\$ 82,656.44</u>
Indirect Operating Expenses:		
Ground operations	\$ 14,665.47	\$ 13,793.07
Ground & indirect maintenance	8,543.81	4,323.14
Traffic and sales	13,200.52	13,848.30
Advertising and publicity	405.04	469.33
General and administrative	24,986.79	20,832.55
Depreciation ground equipment	<u>1,106.15</u>	<u>653.03</u>
Total indirect	<u>\$ 62,907.78</u>	<u>\$ 51,919.42</u>
Total Operating Expenses	<u>\$ 166,988.50</u>	<u>\$ 134,575.86</u>

In analyzing the increase in operating expenses of \$32,412.64, the following factors must be realized:

(a) The hours flown during February increased as follows:

	<u>February</u> 1948	<u>January</u> 1948
C-47	290.1	249.6
C-54	<u>661.4</u>	<u>452.9</u>
Total	<u>951.5</u>	<u>702.5</u>

(b) February was the first month in which none of the general and administrative expenses or the ground and indirect maintenance expenses were charged to the Transpac Operations. Consequently, the general and administrative and ground and indirect maintenance expenses increased considerably over the January expenses for the Domestic Operations.

(c) Effective February 1, 1948 all oil companies increased the price of gasoline. Some companies raised such prices as much as \$.02 per gallon while on the West Coast the gasoline cost increased \$.05 per gallon. The average cost of 100 Octane Gasoline purchased during February was \$.2135 per gallon. The average price per gallon of 91 Octane purchased during February was \$.2245. This was due to the fact that a large quantity of 91 Octane gasoline was purchased at off-line points in connection with charters.

(d) The load factor for February, 1948 decreased from 74.8% in January to 69.2% in February. Had the same load factors been maintained in February as in January, the loss in February would have been \$7,200.00 less.

The operational statistics for the months of February and January, 1948 are as follows:

	<u>February</u> 1948	<u>January</u> 1948
<u>Hours Flown -</u>		
<u>Freight -</u>		
C-47	189.8	202.3
C-54	<u>576.7</u>	<u>440.7</u>
Total	<u>766.5</u>	<u>643.0</u>
<u>Leases and Charters -</u>		
C-47	88.1	47.3
C-54	<u>83.4</u>	<u>12.2</u>
Total	<u>171.5</u>	<u>59.5</u>
<u>Non-Revenue -</u>		
C-47	12.2	-
C-54	<u>1.3</u>	-
Total	<u>13.5</u>	-
<u>Total -</u>		
C-47	290.1	249.6
C-54	<u>661.4</u>	<u>452.9</u>
Total	<u>951.5</u>	<u>702.5</u>

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>
<u>Miles Flown -</u>		
<u>Freight -</u>		
C-47	28,469	32,612
C-54	105,027	82,527
Total	<u>133,496</u>	<u>115,139</u>
<u>Leases and Charters -</u>		
C-47	14,877	8,195
C-54	18,274	2,162
Total	<u>33,151</u>	<u>10,364</u>
<u>Non-Revenue -</u>		
C-47	2,123	---
C-54	299	---
Total	<u>2,422</u>	---
<u>Total -</u>		
C-47	45,469	40,807
C-54	123,600	84,696
Total	<u>169,069</u>	<u>125,503</u>
<u>Ton Miles Carried -</u>		
C-47	48,044	89,336
C-54	752,696	619,686
Total	<u>800,740</u>	<u>709,022</u>
FTT	<u>15,145</u>	---
<u>Load Factors -</u>		
C-47	45.0%	73.1%
C-54	71.7%	75.1%
Total	<u>69.2%</u>	<u>74.8%</u>
<u>Average Airplane Utilization -</u>		
C-47	1.2 hrs.	1.1 hrs.
C-54	6.6 hrs.	5.1 hrs.
<u>Revenue Per Ton Mile Carried -</u>		
	<u>\$.1192</u>	<u>\$.1157</u>

The following schedule represents the hours flown, ton miles carried and revenues by direction of traffic, for February, 1948:

	<u>Hours</u> <u>Flown</u>	<u>Load</u> <u>Factor</u>	<u>Ton Miles</u> <u>Carried</u>	<u>Revenue</u>	<u>Revenue Per</u> <u>Ton Mile</u>
West to East	308.0	68%	367,694	\$ 41,063.81	\$.1117
East to West	396.1	75%	435,289	54,431.71	.125
S. Fran. Shuttle	<u>62.4</u>	<u>40%</u>	<u>6,397</u>	<u>1,035.21</u>	<u>.1618</u>
Total	<u>766.5</u>	<u>69.2%</u>	<u>809,380</u>	<u>\$ 96,530.73</u>	<u>\$.1192</u>

A comparison of operating revenues and expenses during February, 1948 between C-47 and C-54 equipment is as follows:

	<u>C-47</u>	<u>C-54</u>
Revenues	\$ 5,723.00	\$ 89,661.15
Direct flying expenses	<u>15,492.83</u>	<u>67,416.83</u>
Gross profit (loss)	<u>\$ (9,669.83)</u>	<u>\$ 22,244.32</u>

The same information expressed in the form of a per ton mile basis is as follows:

	<u>C-47</u>	<u>C-54</u>
Per Ton Mile Carried -		
Revenue	\$.1192	\$.1192
Direct flying expenses	<u>.3224</u>	<u>.0896</u>
Gross profit (loss)	<u>\$(-.2032)</u>	<u>\$.0296</u>

The following schedule represents a comparison of the payrolls between February and January, 1948:

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Flying operations	\$ 9,841.52	\$ 9,563.94	\$ 277.58
Ground operations	7,232.54	5,815.05	1,417.49
Flight equipment maintenance - direct	12,429.36	11,682.35	747.01
Ground and indirect maintenance	7,083.06	3,585.18	3,497.88
Traffic and sales	8,566.64	6,432.32	2,134.32
General and administrative	12,405.47	7,000.38	5,405.09
Modifications and outside work	<u>5,452.42</u>	<u>3,876.49</u>	<u>1,575.93</u>
Total	<u>\$ 63,011.01</u>	<u>\$ 47,955.71</u>	<u>\$ 15,055.30</u>

As pointed out before, the payrolls and expenses of the general and administrative and the ground and indirect maintenance classifications increased in February because February represented the first month in which none of the expenses were prorated to the Transpac operations.

The following schedules represent an analysis of the origin and destination of freight during February, 1948:

Origination of Freight

	<u>February</u>	<u>January</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 4,391.71	\$ 3,415.84	\$ 975.87	
Cleveland	8,965.62	9,937.92		\$ 972.30
Detroit	13,616.83	12,710.13	906.70	
Kansas City	1,930.08	2,861.09		931.01
Los Angeles	35,839.13	31,004.16	4,834.97	
New York	21,626.57	15,640.17	5,986.40	
Philadelphia	5,986.34	4,103.59	1,882.75	
San Francisco	<u>4,184.45</u>	<u>4,232.83</u>		<u>48.38</u>
Total	<u>\$ 96,540.73</u>	<u>\$ 83,905.73</u>	<u>\$ 12,586.69</u>	<u>\$ 1,951.69</u>

Destination of Freight

	<u>February</u>	<u>January</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 14,442.23	\$ 13,259.81	\$ 1,182.42	
Cleveland	3,021.14	2,612.57	408.57	
Detroit	2,847.75	2,112.68	735.07	
Kansas City	2,385.05	1,230.16	1,154.89	
Los Angeles	45,035.32	37,158.81	7,876.51	
St. Louis	5,519.08	2,855.89	2,663.19	
New York	18,006.33	19,075.28		\$ 1,068.90
Oklahoma City	470.68		470.68	
Philadelphia	90.99	156.89		65.90
San Francisco	4,722.11	5,431.76		709.65
Indianapolis		11.88		11.88
Total	<u>\$ 96,540.73</u>	<u>\$ 83,905.73</u>	<u>\$ 12,491.33</u>	<u>\$ 1,856.33</u>

The company sold a C-47 NC 59278 during February for \$19,000.00 at a book profit of \$2,645.36.

CONSOLIDATED BALANCE SHEET

The current position of the company can be compared between February 29, 1948 and January 31, 1948 as follows:

	<u>February 29, 1948</u>	<u>January 31, 1948</u>
Current Assets	\$ 606,474.31	\$ 618,727.52
Current Liabilities	<u>171,112.21</u>	<u>165,058.43</u>
Excess	<u>\$ 435,362.10</u>	<u>\$ 453,669.09</u>

The decrease of approximately \$12,000.00 in the current position of the company can be attributed to the cash drain caused by the cash loss of \$26,726.51 incurred during February, 1948 less the net cash gain on the sale of the DC-3 airplane. Further details are set forth in the Statement of Application of Funds.

A comparison of shippers Accounts Receivables between February 29, 1948 and January 31, 1948 is as follows:

	<u>February 29, 1948</u>	<u>January 31, 1948</u>
Shippers - Accounts Receivables	\$ 180,532.70	\$ 187,759.15
Less: Consignor's C.O.D.'s	<u>30,627.41</u>	<u>21,095.90</u>
Net	<u>\$ 149,905.29</u>	<u>\$ 166,663.25</u>

Respectfully submitted,

Fred Benninger
FRED BENNINGER
Treasurer

THE FLYING TIGER LINE INC. AND SUBSIDIARY

Consolidated Balance Sheet - February 29, 1948

ASSETS

LIABILITIES

Current Assets:

Cash on hand and in banks		\$ 170,565.52	
Accounts receivable:			
U. S. Government - Billed	\$ 41,954.77		
- Unbilled	19,173.13		
Charters	31,888.11		
Shippers	180,532.70		
Gas Tax refunds	21,943.99		
Advances to employees	8,609.68		
Miscellaneous	<u>43,509.84</u>		
	\$ 347,612.22		
Less: Reserve for doubtful accounts	<u>26,868.00</u>	320,744.22	
Notes receivable:			
Shippers	\$ 29,000.00		
Employees	<u>1,492.65</u>	30,492.65	
Material and supplies		<u>84,871.92</u>	
Total current assets		\$ 606,474.31	
Fixed assets - Net (Schedule I)		741,920.97	
Deferred charges:			
Prepaid insurance	\$ 50,209.63		
Prepaid taxes	4,829.46		
Other items	<u>8,168.29</u>		
Total deferred charges		63,207.38	

Current Liabilities:

Accounts payable - Trade		\$ 68,459.57	
Accrued Liabilities:			
Accrued payroll	\$ 27,933.29		
Transportation Taxes	3,096.85		
Payroll Taxes	13,824.58		
Other items	10,198.19		
Accrued insurance	9,694.14		
Income tax withheld from employees	<u>7,278.09</u>	72,025.14	
C.O.D. shipments		<u>30,627.41</u>	
Total current liabilities		\$ 171,112.12	
Reserve for contract termination costs and vacations			121.37
Reserve for aircraft overhaul			10,000.00
Capital stock and surplus:			
Capital stock \$1.00 par value, authorized 1,000,000 shares, issued and outstanding 726,000 shares		\$726,000.00	
Capital surplus		<u>1,637,639.31</u>	
		\$ 2,363,639.31	
Deficit:			
Balance - January 31, 1948			
		\$ 1,094,110.77	
Net Loss for month ending February 29, 1948		<u>39,159.37</u>	<u>1,133,270.14</u>
Total capital stock and surplus			\$1,230,369.17

\$ 1,411,602.66

\$ 1,411,602.66

THE FLYING TIGER LINE INC.STATEMENT OF APPLICATION OF FUNDSFOR THE MONTH ENDED FEBRUARY 29, 1948Funds were provided by:

Collection of accounts receivable -		
U. S. Government		\$ 82,859.95
Decrease in gasoline tax refunds receivable		542.40
Collection of notes receivable - Employees		50.00
Decrease in deferred charges		4,111.43
Increase in accrued accounts payable		8,163.63
<u>Sale of Fixed Assets</u>		
C-47 airplane - NC 59278	\$ 19,000.00	
Airplane - BI-13A	600.00	
Aircraft engines 6 No. R1330-65	1,153.12	
Miscellaneous flight equipment	868.45	
Hangar, shop and ramp equipment	356.44	
Furniture and office equipment	1,625.13	
		<u>23,603.14</u>
Total funds provided		<u>\$ 119,330.55</u>

Funds were applied to:

Increase in cash		\$ 36,708.90
Increase in accounts receivable - Shippers		18,844.63
Increase in accounts receivable - Miscellaneous		4,400.87
Increase in accounts receivable - Employees		1,656.32
Increase in raw materials and supplies		1,235.53
Reduction of accounts payable		11,613.04
Net cash loss for the month		26,726.51
<u>Increase in Fixed Assets:</u>		
C-47 airplane - NC 59279 modification -		
Increase	\$ 4,508.67	
C-54 aircraft - NC 91033 and NC 91071 -		
Increase	1,146.58	
Aircraft engines - Type R2000 - Increase	10,099.77	
Miscellaneous Flight equipment - Increase	1,404.85	
Spare parts and assemblies - Decrease	(700.05)	
Hangar, shop and ramp equipment - Increase	17.94	
Furniture, Fixtures, and Office Equipment -		
Increase	490.02	
Miscellaneous equipment - Decrease	(86.08)	
Building improvements - Increase	1,263.05	
		<u>18,144.75</u>
Total funds applied		<u>\$ 119,330.55</u>

THE FLYING TIGER LINE INC.

Schedule of Fixed Assets and ReservesFebruary 1944

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 263,802.46	\$ 98,163.16	\$ 165,639.30
Aircraft C-54	408,263.46	53,103.51	355,159.95
Aircraft PT-13A	-0-	-0-	-0-
Aircraft RB-1 Buid	6,000.00	-0-	6,000.00
Engines	123,518.01	56,060.17	67,457.84
Miscellaneous flight equipment	33,700.74	11,280.90	22,419.84
Misc. flight equipment - Prorated	1,017.57	407.39	610.18
Flight equipment spare parts and assemblies	59,171.06	33,148.19	26,022.87
Hangar, shop and ramp equipment - Prorated	24,008.00	4,591.10	24,416.90
Hangar, shop and ramp equipment - Transpac	82,525.41	65,098.21	17,427.20
Motorised vehicles	35,919.94	9,232.39	26,687.55
Furniture, fixtures and office equipment - Prorated	25,116.47	3,399.65	21,716.82
Furniture, fixtures and office equipment - Transpac	16,974.05	12,563.77	3,510.28
Medical equipment - Transpac	174.60	160.05	14.55
Engineering equipment - Transpac	667.58	431.93	235.65
Miscellaneous equipment	837.21	-0-	837.21
Building and improvements on land not owned	4,672.79	907.96	3,764.83
Buildings and improvements on land not owned Transpac	162,340.00	162,360.00	-0-
Total	<u>\$ 1,544,421.35</u>	<u>\$ 511,408.38</u>	<u>\$ 721,920.97</u>

Statement of Income

THE FLYING TIGER LINE INC.

Statement of Income

	<u>February, 1948</u>		<u>January, 1948</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Revenues:				
Freight	\$ 97,384.39		\$ 83,905.73	
Other	27,729.60		<u>322.62</u>	
Revenue from outside maintenance work	\$ 5,905.20			
Costs of outside maintenance work	<u>4,131.25</u>		<u>1,773.95</u>	
Total	<u>\$136,887.94</u>		<u>\$ 84,230.35</u>	
Less:				
Pick-up and delivery costs - Net	\$ 732.50		\$ 1,451.66	
Cost of freight carried by others	<u>1,144.00</u>		<u>2,650.95</u>	
	<u>\$ 1,876.50</u>		<u>\$ 4,102.61</u>	
Net revenues	<u>\$125,011.44</u>	<u>100.0</u>	<u>\$ 80,127.74</u>	<u>100.0</u>
Direct Flying Expenses:				
Flying operations - Sched. II	\$ 64,828.95	51.9	\$ 43,604.88	54.4
Direct maintenance - Sched. III	27,147.38	21.9	20,943.12	26.1
Depreciation-Flight equipment-Sched. IV	<u>12,104.39</u>	<u>9.8</u>	<u>11,353.33</u>	<u>14.2</u>
Total direct flying expenses	<u>\$104,080.72</u>		<u>\$ 75,901.33</u>	
Percentage to net revenues		83.3		94.7
Indirect Operating Expenses:				
Ground operations - Sched. V	\$ 14,665.47	11.7	\$ 12,715.60	15.9
Ground and indirect maintenance - Sched. VI	8,543.81	6.8	3,801.82	4.7
Traffic and sales - Sched. VII	13,200.52	10.7	10,640.29	13.3
Advertising and publicity - Sched. VIII	405.04	.3	430.56	.5
General and administrative - Sched. IX	24,986.79	19.9	19,091.56	23.9
Depreciation ground equipment-Sched. X	<u>1,106.15</u>	<u>.9</u>	<u>599.09</u>	<u>.7</u>
Total indirect expenses	<u>\$ 52,907.78</u>	<u>50.3</u>	<u>\$ 47,278.92</u>	<u>59.0</u>
Total operating expenses	<u>\$166,988.50</u>		<u>\$123,180.25</u>	
Percentage to net revenues		133.6		153.7
Operating Profit (loss)	\$(41,977.06)		\$(43,052.51)	
Other deductions from income - Sched. XI	<u>295.04</u>		<u>24.16</u>	
	<u>\$(42,272.10)</u>		<u>\$(43,076.67)</u>	
Non-operating income - Sched. XI	<u>3,112.73</u>		<u>(2,240.69)</u>	
Net Profit (loss)	<u>\$ (39,159.37)</u>		<u>\$ (45,317.36)</u>	
Percentage to Net Revenues		<u>31.3</u>		<u>56.6</u>

COST ANALYSIS OF DIRECT FLYING EXPENSES

FOR THE MONTH ENDING FEBRUARY 29, 1948

	<u>Total</u>	<u>C-47</u>	<u>Per Hour</u>	<u>Total</u>	<u>C-54</u>	<u>Per Hour</u>
Flying Operations:						
Pilots and co-pilots	\$ 3,457.18		\$ 11.92	\$ 8,250.71		\$ 12.47
Vacation, sick leave and idle time	230.02		.79	512.34		.77
Travel, incidentals and per diem	476.92		1.64	1,113.97		1.68
Aircraft engine fuels and oils	6,497.10		22.40	32,910.19		49.76
Other supplies and expense	34.79		.12	360.44		.57
Insurance -Public liability, property damage and general	1,472.35		5.08	3,499.60		5.29
Insurance-Employees' Welfare and Compensation	243.87		.84	510.78		.76
Rentals	---		---	5,258.69		7.95
Total flying operations	\$ 12,412.23		\$ 42.72	\$ 52,416.72		\$ 79.25
Direct Maintenance - Flight Equipment:						
Direct labor - aircraft	\$ 2,704.65		\$ 9.32	\$ 5,543.79		\$ 8.38
Direct labor - engines	1,156.57		3.99	531.34		.80
Direct labor - other	1,931.99		6.66	561.02		.85
Materials and outside repairs - aircraft	126.63		.43	939.59		1.42
Materials and outside repairs - engines	727.24		2.51	(14.83)		(.02)
Materials and outside repairs - other	488.43		1.68	86.06		.13
Reserve provision - spare parts	774.57		2.67	1,784.90		2.70
Reserve provision - engine overhaul	173.48		6.15	8,022.00		12.13
Total direct maintenance - Flight equipment	\$ 9,693.56		\$ 33.41	\$ 17,453.82		\$ 26.39
Depreciation - Flight Equipment:						
Depreciation - aircraft	\$ 1,140.20		\$ 3.93	\$ 8,716.97		\$ 13.18
Depreciation - other flying equipment	1,498.15		5.17	749.07		1.13
Total depreciation - flight equipment	\$ 2,638.35		\$ 9.10	\$ 9,466.04		\$ 14.31
Total Direct Flying Expenses	\$ 24,744.14		\$ 85.30	\$ 79,336.58		\$ 119.95
Hours flown		<u>290.1</u>			<u>661.4</u>	
Miles flown - Cost per mile flown*	<u>15,469</u>		<u>* \$.5112</u>	<u>123,600</u>		<u>* \$.6419</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Pilots and co-Pilots	\$ 11,707.89	\$ 8,817.40	\$ 2,890.49
Vacation, sick leave and idle time	742.36	746.54	(4.18)
Travel, incidentals and per diem	1,590.89	1,648.86	(57.97)
Special, professional and technical fees	15.00		15.00
Rentals	5,258.69	4,522.22	736.47
Aircraft Engine fuels	39,407.29	20,329.75	19,077.54
Other supplies	362.56	3.55	359.01
Insurance - Public liability, property damage and general	4,971.95	6,790.43	(1,818.48)
Insurance - Employee welfare and compensation	754.65	746.13	8.52
Other expenses	<u>17.67</u>	<u>—</u>	<u>17.67</u>
Total	<u>\$ 64,828.95</u>	<u>\$ 43,604.88</u>	<u>\$ 21,224.07</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule III - Direct Maintenance Flight Equipment

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Direct Maintenance labor - Aircraft	\$ 8,248.44	\$ 6,666.67	\$ 1,581.77
Direct maintenance labor - Engines	1,687.91	2,411.37	(723.46)
Direct maintenance labor - Other	2,493.01	2,604.31	(111.30)
Direct maintenance materials and outside repairs - Aircraft	1,066.22	2,855.93	(1,789.71)
Direct maintenance materials and outside repairs - Engines	712.36	(2,046.62)	2,758.98
Direct maintenance materials and outside repairs - Other	574.49	345.86	228.63
Reserve provision - Spare Parts	2,559.47	1,710.89	848.58
Reserve provision, aircraft engine overhaul	<u>9,805.48</u>	<u>6,394.71</u>	<u>3,410.77</u>
Total	<u>\$ 27,147.38</u>	<u>\$ 20,943.12</u>	<u>\$ 6,204.26</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IV - Depreciation Flight Equipment

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$ 9,857.17	\$ 9,405.07	\$ 452.10
Depreciation - Engines	—	—	—
Depreciation - Other flying equipment	<u>2,247.22</u>	<u>1,948.26</u>	<u>298.96</u>
Total	<u>\$ 12,104.39</u>	<u>\$ 11,353.33</u>	<u>\$ 751.06</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	February <u>1948</u>	January <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 275.00	\$ —	\$ 275.00
Vacation, sick leave and idle time	235.31	193.02	42.29
Local managers and superintendents	1,754.31	1,851.60	(97.29)
Ground service employees	3,746.75	3,015.12	731.63
Communications operators and dispatchers	3,117.52	2,198.02	919.50
Other employees	698.54	598.97	99.57
Travel, incidentals and per diem	46.47	225.59	(179.12)
Telephone and telegraph services	2,113.48	775.75	1,337.73
Light, heat, power and water	---	6.17	(6.17)
Other services	---	32.57	(32.57)
Rentals	806.13	2,511.81	(1,705.68)
Shop and servicing supplies	---	7.97	(7.97)
Stationery, printing and office supplies	142.39	298.79	(156.40)
Other supplies	48.01	83.79	(35.78)
Insurance - Public liability, property damage and general	398.50	476.65	(78.15)
Insurance - Passenger and cargo liability	1,253.88	379.37	874.51
Insurance - Employee welfare and com- pensation	(140.16)	58.86	(199.02)
Other expenses	<u>169.34</u>	<u>1.55</u>	<u>167.79</u>
Total	<u>\$ 14,665.47</u>	<u>\$ 12,715.60</u>	<u>\$ 1,949.87</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Local managers and superintendents	\$ 1,578.13	\$ 1,030.96	\$ 547.17
Direct maintenance labor - Other	2,137.39	504.14	1,633.25
Vacation, sick leave and idle time	521.55	196.23	325.32
Stock and stores employees	2,110.93	1,604.41	506.52
Other employees	1,219.57	249.44	970.13
Travel, incidentals and per diem	55.10	51.47	3.63
Telephone and telegraph services	303.85	64.90	238.95
Light, heat, power and water	1,261.15	32.28	1,228.87
Commissions	278.14	--	278.14
Rentals	1,153.29	12.83	1,140.46
Direct maintenance materials and outside repairs - Other	352.38	193.11	159.27
Shop and servicing supplies	1,036.83	1,219.47	(182.64)
Stationery, printing and office supplies	50.06	72.80	(22.74)
Other supplies	383.70	442.57	(58.87)
Insurance - Employee welfare and compensation	222.38	110.34	112.04
Other expenses	5.00	5.14	(.14)
Expenses transferred and joint facilities - Credit	(4,125.64)	(1,988.27)	(2,137.37)
Total	<u>\$ 8,543.81</u>	<u>\$ 3,801.82</u>	<u>\$ 4,741.99</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
General officers and superintendents	\$ 1,295.00	\$ 660.53	\$ 634.47
Local managers and superintendents	1,750.00	1,300.63	449.37
Vacation, sick leave and idle time	291.32	198.85	92.47
Traffic solicitors	4,749.31	3,204.18	1,545.13
Other employees	672.33	1,068.13	(395.80)
Travel, incidentals and per diem	989.99	962.62	27.37
Telephone and telegraph services	960.94	1,176.54	(215.60)
Light, heat, power and water	10.00	9.18	.82
Commissions	820.12	978.41	(158.29)
Entertainment	193.02	200.18	(7.16)
Other services	27.80	18.12	9.68
Rentals	548.50	508.29	40.21
Stationery, printing and office supplies	750.45	222.80	527.65
Other supplies	—	7.74	(7.74)
Insurance - Employee welfare and compensation	28.38	17.53	10.85
Other expenses	8.36	4.43	3.93
Tariffs, schedules and time tables	—	9.17	(9.17)
Memberships	<u>105.00</u>	<u>92.96</u>	<u>12.04</u>
Total	<u>\$ 13,200.52</u>	<u>\$ 10,640.29</u>	<u>\$ 2,560.23</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VII A - Traffic and Sales

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BURBANE</u>	<u>SAN FRANCISCO</u>	<u>KANSAS CITY</u>	<u>CHICAGO</u>	<u>NEW YORK</u>	<u>CLEVELAND</u>	<u>DETROIT</u>
Gen. Officers & Superintendents	\$ 1,295.00	\$1,295.00	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----
Local Mgrs. & Superintendents	1,750.00	---	350.00	----	----	950.00	----	450.00
Vacation & Sick Leave Pay	291.32	154.17	21.68	----	59.62	42.16	----	13.39
Traffic Solicitors	4,749.31	2,925.92	298.39	----	350.00	950.00	----	225.00
Other Employees	672.33	438.97	(100.00)	----	----	333.36	----	----
Travel, Incidentals, & Per Diem	989.99	372.71	147.07	----	70.76	126.24	----	273.21
Telephone and Telegraph	960.94	555.37	6.73	----	61.95	135.62	23.26	178.01
Light, Heat, Power and Water	10.00	----	----	----	----	10.00	----	----
Commissions	820.12	415.59	----	390.16	----	14.37	----	----
Entertainment	193.02	51.92	----	----	----	63.95	----	47.15
Other Services	27.80	----	----	----	12.50	4.80	----	10.50
Rentals	548.50	95.00	155.00	----	75.00	150.00	----	73.50
Stationery, Ptg. & Office Supplies	750.45	615.75	70.02	----	13.15	36.37	----	15.16
Insurance - Emp. Welfare & Comp.	28.38	15.20	1.72	----	5.85	4.53	----	1.03
Memberships	105.00	----	----	----	----	105.00	----	----
Other Expenses	<u>8.36</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>8.36</u>	<u>----</u>	<u>----</u>
Totals	<u>\$ 13,200.52</u>	<u>\$6,265.90</u>	<u>\$ 950.61</u>	<u>\$ 390.16</u>	<u>\$ 648.83</u>	<u>\$2,934.76</u>	<u>\$ 23.26</u>	<u>\$1,287.00</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VIII - Advertising and Publicity

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Stationery, printing and office supplies	\$ --	\$ --	\$ --
Advertising - Space	--	29.36	(29.36)
Advertising - Other	405.04	343.15	\$1.89
Other promotional and publicity expenses	--	43.98	(43.98)
Other expenses	--	<u>14.07</u>	<u>(14.07)</u>
Total	<u>\$ 405.04</u>	<u>\$ 430.56</u>	<u>\$ (25.52)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	February <u>1948</u>	January <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 2,625.00	\$ 1,572.20	\$ 1,052.80
Local managers and superintendents	3,762.50	1,331.71	2,430.79
Vacation, sick leave and idle time	413.52	268.63	144.89
Communications operators and dispatchers	632.43	201.93	430.50
Other employees	5,385.54	3,625.91	1,759.63
Travel, incidentals and per diem	987.21	431.33	555.88
Telephone and telegraph services	642.09	275.35	366.74
Light, heat, power and water	98.71	2.39	96.32
Special, professional and technical fees and expenses	813.06	4,518.60	(3,705.54)
Entertainment	7.90	26.57	(18.67)
Other services	3.31	--	3.31
Rentals	785.13	334.94	450.19
Stationery, printing and office supplies	2,189.41	2,038.91	150.50
Other supplies	44.24	33.30	10.94
Insurance - Public liability, property damage and general	34.19	24.38	9.81
Insurance - Employee welfare and compensation	17.98	14.46	3.52
Memberships	904.66	85.99	818.67
Corporate and fiscal expenses	226.20	114.39	111.81
Bad debts	893.22	726.45	166.77
Taxes - Payroll	2,660.92	2,386.60	274.32
Taxes - Other	1,736.87	977.12	759.75
Other expenses	122.70	100.40	22.30
Total	<u>\$ 22,986.79</u>	<u>\$ 19,091.56</u>	<u>\$ 3,895.23</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule X - Depreciation Ground Equipment

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Ground property and equipment depreciation	\$ 1,106.15	\$ 599.09	\$ 507.06
Total	<u>\$ 1,106.15</u>	<u>\$ 599.09</u>	<u>\$ 507.06</u>

THE FLYING TIGER LINE INC.

Domestic DivisionSchedule XI - Non-operating Income and Other Deductions from Income

	<u>February</u> <u>1948</u>	<u>January</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 64.29	\$ 22.58	\$ 41.71
Interest income	231.53	--	231.53
Other income	593.35	256.21	337.14
Gain on sale of equipment (loss)	<u>2,223.56</u>	<u>(2,519.48)</u>	<u>4,743.04</u>
Total	<u>\$3,112.73</u>	<u>\$(2,240.69)</u>	<u>\$ 5,353.42</u>
<u>Other Deductions from Income:</u>			
Interest expense	\$ --	\$ --	\$ --
Other deductions	<u>295.04</u>	<u>24.16</u>	<u>270.88</u>
Total	<u>\$ 295.04</u>	<u>\$ 24.16</u>	<u>\$ 270.88</u>

REVENUE STATISTICS - MONTH OF FEBRUARY, 1948

<u>From</u>	<u>To</u>	<u>Tons Carried</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
<u>Eastbound -</u>						
CG	CV	1.10	337	\$ 87.51	\$.2597	1
CG	DO	4.52	1,122	189.69	.1691	3
CG	NY	4.41	3,172	499.33	.1574	36
CV	NY	.16	67	18.44	.2738	3
DO	NY	.15	73	14.86	.2023	3
KC	NY	3.05	3,425	586.08	.1711	6
LA	CG	30.00	54,992	7,507.39	.1365	166
LA	CV	9.49	19,835	2,494.30	.1258	91
LA	DO	6.51	13,235	1,753.85	.1325	52
LA	KC	6.10	9,040	1,515.10	.1676	84
LA	LS	20.76	34,780	5,168.92	.1486	117
LA	NY	75.98	198,075	17,252.70	.0871	434
LA	PG	.51	1,242	90.99	.0732	2
SF	CG	9.42	17,838	2,278.38	.1277	62
SF	CV	.74	1,632	183.02	.1122	9
SF	KC	2.53	4,067	758.59	.1865	62
SF	LS	1.34	2,502	350.16	.1399	30
SF	NY	.87	2,270	314.50	.1386	8
Total Eastbound		<u>177.64</u>	<u>367.704</u>	<u>\$ 41,063.81</u>	<u>\$.1117</u>	<u>1,169</u>
<u>Westbound -</u>						
CG	LA	11.67	21,387	\$ 2,765.18	\$.1293	43
CG	SF	3.20	6,059	845.00	.1395	7
CV	KC	.07	50	9.99	.2007	1
CV	LA	40.70	85,095	8,937.19	.1050	50
DO	CG	3.32	824	148.98	.1807	6
DO	KC	.52	338	73.10	.2164	5
DO	LA	51.74	105,233	13,269.04	.1261	105
DO	SF	.38	772	110.85	.1435	1
KC	LA	3.51	5,203	801.01	.1539	14
KC	OA	1.74	2,817	470.68	.1671	5
KC	SF	.25	403	72.31	.1791	3
NY	CG	45.41	32,652	4,475.13	.1371	81
NY	CV	2.72	1,145	239.20	.2089	7
NY	DO	11.13	5,678	893.49	.1574	20
NY	KC	.09	103	15.73	.1521	1
NY	LA	38.62	100,664	12,432.58	.1235	150
NY	SF	7.77	20,329	2,885.91	.1420	49
PG	CG	.27	193	32.35	.1677	4
PG	CV	.18	70	17.11	.2428	1
PG	DO	.09	45	10.72	.2402	2
PG	KC	.03	29	7.54	.2562	1
PG	LA	18.61	45,685	5,845.99	.1280	40
PG	SF	.20	523	72.63	.1389	3
Total Westbound		<u>242.22</u>	<u>435,299</u>	<u>\$ 54,431.71</u>	<u>\$.1250</u>	<u>599</u>
<u>North and Southbound -</u>						
LA	SF	14.38	4,891	\$ 735.41	\$.1504	17
SF	LA	4.43	1,508	299.80	.1989	11
Total		<u>18.81</u>	<u>6,399</u>	<u>\$ 1,035.21</u>	<u>\$.1618</u>	<u>28</u>
Grand Total		<u>438.67</u>	<u>809,402</u>	<u>\$ 96,530.73</u>	<u>\$.1192</u>	<u>1,796</u>

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - FEBRUARY 29, 1948

ASSETS

Current assets:

Cash on hand and in banks		\$ 43,689.53	
Accounts receivable		<u>21,952.37</u>	
Total			<u>\$ 65,641.90</u>

LIABILITIES

Accrued liabilities:

Accounts payable		\$ 200.00	
Insurance and taxes		<u>593.17</u>	\$ 798.17
Advances: The Flying Tiger Line Inc.			55,693.30
Capital Stock and Surplus:			
Capital stock, par value \$1.00 per share, issued and outstanding 200 shares.	\$ 200.00		
Capital surplus	<u>1,800.00</u>	\$ 2,000.00	
Earned surplus, January 31, 1948		<u>7,150.43</u>	
Total capital stock and surplus			<u>\$ 9,150.43</u>
Total			<u>\$ 65,641.90</u>

THE FLYING TIGER LINE INC.

FINANCIAL STATEMENT

March 31, 1948

April 17, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport, Inc. and certain financial information and comments relating thereto for the month ending March 31, 1948 are presented herewith.

The Statement of Income included in this report represents the operations of both The Flying Tiger Line Inc. and Flying Tiger Transport Inc.

The operations of the company for the months of March and February, 1948 are compared as follows:

	March <u>1948</u>	February <u>1948</u>
Revenues - Net	\$ 171,301.45	\$ 125,011.44
Operating costs	<u>203,184.39</u>	<u>166,988.50</u>
Operating loss	\$ 31,882.94	\$ 41,977.06
Non-operating loss	<u>(1,758.96)</u>	<u>(2,817.69)</u>
Net loss	<u>\$ 30,123.98</u>	<u>\$ 39,159.37</u>

The operational statistics for the months of March and February, 1948 are as follows:

	March <u>1948</u>	February <u>1948</u>
<u>Hours Flown -</u>		
<u>Freight -</u>		
C-47	277.1	189.8
C-54	<u>711.6</u>	<u>576.7</u>
Total	<u>988.7</u>	<u>766.5</u>
 <u>Leases and Charters -</u>		
C-47	53.4	88.1
C-54	<u>75.1</u>	<u>83.4</u>
Total	<u>128.5</u>	<u>171.5</u>

	<u>March</u> <u>1948</u>	<u>February</u> <u>1948</u>
<u>Non-Revenue -</u>		
C-47	3.8	12.2
C-54	<u>4.3</u>	<u>1.3</u>
Total	<u>8.1</u>	<u>13.5</u>
 <u>Total -</u>		
C-47	334.3	290.1
C-54	<u>791.0</u>	<u>661.4</u>
Total	<u>1125.3</u>	<u>951.5</u>
 <u>Miles Flown -</u>		
<u>Freight -</u>		
C-47	41,685	28,469
C-54	<u>127,748</u>	<u>105,027</u>
Total	<u>169,433</u>	<u>133,496</u>
 <u>Leases and Charters -</u>		
C-47	8,757	14,877
C-54	<u>14,649</u>	<u>18,274</u>
Total	<u>23,406</u>	<u>33,151</u>
 <u>Non-Revenue -</u>		
C-47	581	2,123
C-54	<u>610</u>	<u>299</u>
Total	<u>1,191</u>	<u>2,422</u>
 <u>Total -</u>		
C-47	51,023	45,469
C-54	<u>143,007</u>	<u>123,600</u>
Total	<u>194,030</u>	<u>169,069</u>
 <u>Ton Miles Carried -</u>		
C-47	94,989	43,044
C-54	<u>1,036,466</u>	<u>752,696</u>
Charters	<u>15,756</u>	<u>15,145</u>
Total	<u>1,197,211</u>	<u>815,885</u>
 <u>Load Factors -</u>		
C-47	63.3%	45.0%
C-54	<u>85.7%</u>	<u>71.7%</u>
Total	<u>83.3%</u>	<u>69.2%</u>
 <u>Average Airplane Utilization -</u>		
C-47	1.1 hr.	1.2 hrs.
C-54	<u>5.3 hrs.</u>	<u>6.6 hrs.</u>
 <u>Revenue Per Ton Mile Carried</u>		
	<u>\$.1179</u>	<u>\$.1192</u>

The following schedule represents the ton miles carried and revenues by direction of traffic, for March, 1948:

	<u>Load Factors</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>
Westbound	86.8%	645,320.1	\$ 80,024.72	\$.1234
Eastbound	85.1%	528,786.5	58,922.44	.1103
San Francisco	<u>32.3%</u>	<u>7,348.7</u>	<u>1,468.77</u>	<u>.1734</u>
	<u>83.3%</u>	<u>1,181,455.3</u>	<u>\$ 140,415.93</u>	<u>\$.1179</u>

A comparison of operating revenues and expenses during March, 1948 between C-47 and C-54 equipment is as follows:

	<u>C-47</u>	<u>C-54</u>
Revenues	\$ 11,199.20	\$ 128,094.34
Direct flying expenses	<u>22,964.27</u>	<u>91,723.06</u>
Gross profit (loss)	<u>\$(11,765.07)</u>	<u>\$ 37,371.28</u>

The same information expressed in the form of a per-ton-mile basis is as follows:

	<u>C-47</u>	<u>C-54</u>
Per Ton Mile Carried -		
Revenue	\$.1179	\$.1179
Direct flying expenses	<u>.2418</u>	<u>.0844</u>
Gross profit (loss)	<u>\$(.1239)</u>	<u>\$.0335</u>

Although the operating loss decreased in March to \$31,882.94 while it was \$41,977.06 in February, 1948, this loss could have been less except for the following factors:

(1) The direct operating costs per C-54 mile increased from \$.6419 per mile in February to \$.718 in March. Had the same direct costs been applicable for March, the operating loss would have been \$ 10,882.83 less in the month of March.

During March 5 C-54 aircraft were actually in operation over 3½ C-54 airplanes in operation during February. The daily C-54 utilization decreased in March to 5.3 hours per day while in February the utilization was 6.6 hours per day. Therefore, the rentals and fixed expenses of operating the C-54 aircraft increased per mile.

(2) General and administrative expenses included a \$ 4,000.00 expense in connection with the Air Freight Rate Case.

(3) The load factors of freight carried in the C-47 aircraft were only 63.3% during March - far below the direct flying costs of such aircraft.

The following schedules represent a comparison of the payrolls between March and February, 1948:

Payroll

	<u>March</u> <u>1948</u>	<u>February</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Flying operations	\$ 12,089.93	\$ 9,841.52	\$ 2,248.41
Ground operations	8,631.55	7,232.54	1,399.01
Flight equipment maintenance - direct	17,611.82	12,429.36	5,182.46
Ground and indirect maintenance	9,926.23	7,083.06	2,843.17
Traffic and sales	9,330.19	8,566.64	763.55
General and administrative	<u>12,378.07</u>	<u>12,405.47</u>	<u>(27.40)</u>
 Total	 \$ 69,967.79	 \$ 57,558.59	 \$ 12,409.20
Modifications and outside work	<u>11,059.02</u>	<u>5,452.42</u>	<u>5,606.60</u>
 Total	 <u>\$ 81,026.81</u>	 <u>\$ 63,011.01</u>	 <u>\$ 18,015.80</u>

During March, 1948 the freight was originated and destined as follows:

Origination of Freight

	<u>March</u>	<u>February</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 2,960.08	\$ 4,391.71		\$ 1,431.63
Cleveland	15,493.51	8,965.62	\$ 6,527.89	
Detroit	22,599.09	13,616.83	8,982.26	
Kansas City	939.42	1,930.08		990.66
Los Angeles	54,843.99	35,839.13	19,004.86	
New York	33,468.75	21,626.57	11,842.18	
Philadelphia	6,036.27	5,986.34	49.93	
San Francisco	4,069.37	4,184.45		115.08
St. Louis	<u>5.45</u>	<u>—</u>	<u>5.45</u>	
 Total	 <u>\$ 140,415.93</u>	 <u>\$ 96,540.73</u>	 <u>\$ 46,412.57</u>	 <u>\$ 2,537.37</u>

Destination of Freight

	<u>March</u>	<u>February</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 14,049.05	\$ 14,442.23		\$ 393.18
Cleveland	5,063.25	3,021.14	\$ 2,042.11	
Detroit	4,795.50	2,847.75	1,947.75	
Kansas City	4,093.87	2,385.05	1,708.82	
Los Angeles	69,236.94	45,035.32	24,201.62	
St. Louis	6,104.86	5,519.08	585.78	
New York	30,585.30	18,006.38	12,578.92	
Philadelphia	42.97	90.99		48.02
San Francisco	6,444.19	5,192.79	1,251.40	
 Total	 <u>\$ 140,415.93</u>	 <u>\$ 96,540.73</u>	 <u>\$ 44,316.40</u>	 <u>\$ 441.20</u>

The company sold a C-47 aircraft during March at a book profit of approximately \$2,000.00.

Other deductions include \$ 1,331.34 expenses in connection with a lawsuit. Also, the revenues of the Transpac operations were adjusted for \$ 1,418.24 during March due to Work Orders rejected and adjusted by the Army.

CONSOLIDATED BALANCE SHEET

The current position of the company can be compared between March 31, 1948 and February 29, 1948 as follows:

	March 31, <u>1948</u>	February 29, <u>1948</u>
Current Assets	\$ 627,372.62	\$ 606,474.31
Current Liabilities	<u>212,699.73</u>	<u>171,112.21</u>
Excess	<u>\$ 414,672.89</u>	<u>\$ 435,362.10</u>

The decrease in the excess of the current assets over current liabilities during March, 1948 is due to the assumption of notes payable to Willis Air Service, Inc. amounting to \$ 20,000.00.

During March the company assumed the leases of two C-54 aircraft from Willis Air Service, Inc., such leases being between Willis Aircraft Service, Inc. and the U. S. Government. For the modification work and licensing of such ships the company obligated itself to pay Willis Air Service, Inc. \$ 22,000.00 in cash and approximately 34,000 shares of stock. Since the company has not received the permission from the Corporation Commissioner to issue such stock as yet, \$ 34,000.00 stock liability was set up during March.

The \$ 10,000.00 set up on the books as a Reserve for Aircraft Overhaul has been transferred to the surplus account during March, 1948.

Respectfully submitted,

Fred Benninger
FRED BENNINGER
Treasurer

FB:a

THE FLYING TIGER LINE INC. AND SUBSIDIARY

Consolidated Balance Sheet - March 31, 1948

ASSETS

LIABILITIES

Current Assets:

Cash on hand and in banks		\$ 119,314.22
Accounts receivable:		
U.S. Government - Billed	\$ 28,386.14	
Unbilled	19,418.93	
Charters	24,219.06	
Shippers	241,490.99	
Gas tax refunds	26,913.33	
Advances to employees	7,709.69	
Miscellaneous	71,766.79	
	<u>\$ 419,904.93</u>	
Less: Reserve for doubtful accounts	<u>27,927.83</u>	391,977.10
Notes Receivable:		
Shippers	\$ 30,500.00	
Others	<u>1,377.65</u>	31,877.65
Materials and supplies		<u>84,203.65</u>
Total current assets		\$ 627,372.62
Fixes assets - Net (Schedule I)		777,057.98
Deferred charges:		
Prepaid insurance	\$ 45,330.61	
Prepaid taxes	3,630.67	
Other items	<u>5,248.43</u>	
Total deferred charges		54,209.71

\$ 1,458,640.31

Current Liabilities:

Notes payable		\$ 18,000.00
Accounts payable - Trade		60,693.40
Accrued liabilities:		
Accrued payroll	\$ 40,901.16	
Transportation taxes	4,448.95	
Payroll taxes	12,242.74	
Other items	11,611.58	
Accrued insurance	13,838.44	
Accrued interest	62.00	
Income tax withheld from employees	<u>8,945.25</u>	92,050.12
C.O.D. shipments		<u>41,956.21</u>
Total current liabilities		\$ 212,699.73
Unissued stock liability		34,000.00
Reserve for sick leave and vacations		1,695.39
Capital stock and surplus:		
Capital stock \$1.00 par value, authorized 1,000,000 shares, issued and outstanding 726,000 shares		\$ 726,000.00
Capital surplus		<u>1,637,639.31</u>
		\$2,363,639.31
Deficit:		
Balance - Feb. 29, 1948	\$ 1,123,270.14	
Net loss for month ending March 31,	<u>30,123.98</u>	<u>1,153,394.12</u>
Total capital stock and surplus		<u>1,210,245.19</u>

\$ 1,458,640.31

THE FLYING TIGER LINE INC.
Statement of Application of Funds
For the Month Ended March 31, 1948

Funds were provided by:

Collection of accounts receivable - U. S. Government		\$ 13,322.83
Collection of accounts receivable - employees		899.99
Decrease in cash		51,251.30
Collection of notes receivable - employees		115.00
Decrease in raw materials and supplies		193.36
Write-off of deferred charges		8,990.99
Increase in accrued liabilities		19,881.64
<u>Sale of Fixed Assets</u>		
Airplane - C-47 No. NC 64744	\$ 18,940.00	
Aircraft engines No. R 1830-92	384.38	
Aircraft engines No. R 2000-7	2,600.00	
Furniture, fixtures and office equipment	413.78	<u>22,338.16</u>
Total Funds Provided		<u>\$ 116,993.27</u>

Funds were applied to:

Increase in accounts receivable - Shippers		\$ 43,460.44
Increase in gasoline tax refunds receivable		4,969.34
Increase in accounts receivable - Miscellaneous		13,177.85
Reduction of accounts payable - Trade		7,766.17
Payment on notes payable		2,000.00
Net cash loss for the month		15,137.00
<u>Increase in Fixed Assets</u>		
Aircraft C-47 - Modification on 5 ships	\$ 13,197.18	
Aircraft engines - Type R2000-7	13,246.16	
Spare parts and assemblies	(1,608.35)	
Hangar, shop and ramp equipment	1,713.96	
Furniture, fixtures and office equipment	363.70	
Miscellaneous equipment	305.98	
Improvements to buildings and land now owned	3,263.84	<u>30,482.47</u>
Total Funds Applied		<u>\$ 116,993.27</u>

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and Reserves

March 31, 1948

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 251,872.94	\$ 91,159.13	\$ 160,713.81
Aircraft C-54	459,718.01	61,802.70	397,915.31
Aircraft BT-13A	--	--	--
Aircraft RB-1 Budd	6,000.00	--	6,000.00
Engines	121,569.17	54,446.32	67,122.85
Miscellaneous flight equipment	31,640.74	11,410.46	20,230.28
Miscellaneous flight equipment - Prorated	892.57	360.49	532.08
Flight equipment spare parts and assemblies	57,478.35	35,818.53	21,659.82
Hangar, shop and ramp equipment - Prorated	30,721.96	4,831.66	25,890.30
Hangar, shop and ramp equipment - Transpac	82,525.41	65,098.21	17,427.20
Motorized vehicles	35,919.94	9,831.62	26,088.32
Furniture, fixtures and office equipment - Prorated	25,321.36	3,578.48	21,742.88
Furniture, fixtures and office equipment - Transpac	15,722.10	12,230.20	3,491.90
Medical equipment - Transpac	174.60	160.05	14.55
Engineering equipment - Transpac	667.58	431.93	235.65
Miscellaneous equipment	1,143.19	16.70	1,126.49
Building and improvements on land not owned	7,936.63	1,070.09	6,866.54
Buildings and improvements on land not owned - Transpac	<u>162,960.00</u>	<u>162,960.00</u>	<u>--</u>
Total	<u>\$ 1,292,264.55</u>	<u>\$ 515,206.57</u>	<u>\$ 777,057.98</u>

THE FLYING TIGER LINE INC.

Statement of Income

Statement of Income

	<u>March, 1948</u>		<u>February, 1948</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
<u>Revenues:</u>				
Freight	\$ 141,064.26		\$ 97,384.39	
Other	26,595.33		27,729.60	
	<u>\$ 167,659.59</u>		<u>\$ 125,113.99</u>	
Revenue from outside maintenance work	8,689.33		5,905.20	
	<u>\$ 176,348.92</u>		<u>\$ 131,019.19</u>	
Less: Costs of outside maintenance work	5,669.56		4,131.25	
Total	<u>\$ 170,679.36</u>		<u>\$ 126,887.94</u>	
Less:				
Pick-up and delivery costs - Net	\$ (3,063.59)		\$ 732.50	
Cost of freight carried by others	<u>2,441.50</u>		<u>1,144.00</u>	
Net revenues	<u>\$ 171,301.45</u>	<u>100.0</u>	<u>\$ 125,011.44</u>	<u>100.0</u>
<u>Direct Flying Expenses:</u>				
Flying operations - Schedule II	\$ 79,247.92	46.2	\$ 64,828.95	51.9
Direct maintenance - Schedule III	39,506.96	23.0	27,147.38	21.9
Depreciation - Flight equipment - Sched. IV	<u>12,010.83</u>	<u>7.0</u>	<u>12,104.39</u>	<u>9.8</u>
Total direct flying expenses	<u>\$ 130,765.71</u>		<u>\$ 104,080.72</u>	
Percentage to net revenues		76.3		83.3
<u>Indirect Operating Expenses:</u>				
Ground operations - Schedule V	\$ 19,343.00	11.3	\$ 14,665.47	11.7
Ground and indirect maintenance - Sched. VI	7,143.40	4.2	8,543.81	6.8
Traffic and sales - Schedule VII	14,520.43	8.5	13,200.52	10.7
Advertising and publicity - Schedule VIII	401.17	.2	405.04	.3
General and administrative - Schedule IX	29,783.89	17.4	24,986.79	19.9
Depreciation ground equipment - Schedule X	<u>1,226.79</u>	<u>.7</u>	<u>1,106.15</u>	<u>.9</u>
Total indirect expenses	<u>\$ 72,418.68</u>	<u>42.3</u>	<u>\$ 62,907.78</u>	<u>50.3</u>
Total operating expenses	<u>\$ 203,184.39</u>		<u>\$ 166,988.50</u>	
Percentage to net revenues		118.6		133.6
Operating Profit (loss)	\$ (31,882.94)		\$ (41,977.06)	
Other deductions from income - Schedule XI	<u>2,818.47</u>		<u>295.04</u>	
	<u>\$ (34,701.41)</u>		<u>\$ (42,272.10)</u>	
Non-operating income - Schedule XI	4,577.43		3,112.73	
Net Profit (loss)	<u>\$ 30,123.98</u>		<u>\$ 39,159.37</u>	
Percentage to Net Revenues		<u>17.6</u>		<u>31.3</u>

Cost Analysis of Direct Flying Expenses
for the Month Ending March 31, 1948

	<u>C-47</u>		<u>C-54</u>	
	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
<u>Flying Operations:</u>				
Pilots and co-pilots	\$ 4,371.53	\$ 13.07	\$ 10,000.54	\$ 12.64
Vacation, sick leave and idle time	297.00	.89	693.05	.88
Travel, incidentals and per diem	538.41	1.61	1,315.87	1.66
Aircraft engine fuels and oils	7,928.33	23.72	36,614.51	46.28
Other supplies	148.03	.44	327.65	.42
Insurance - Public liability property damage and general	275.00	.82	4,300.00	5.44
Insurance - Employees' welfare and com- pensation	190.23	.57	691.34	.88
Rentals	--	--	11,556.43	14.60
Total flying operations	<u>\$ 13,748.53</u>	<u>\$ 41.12</u>	<u>\$ 65,499.39</u>	<u>\$ 82.80</u>
<u>Direct Maintenance - Flight Equipment:</u>				
Direct labor - aircraft	\$ 3,457.44	\$ 10.34	\$ 9,178.14	\$ 11.60
Direct labor - engines	1,417.68	4.24	1,750.58	2.22
Direct labor - other	1,242.18	3.72	565.80	.72
Materials and outside repairs - aircraft	1,598.85	4.78	2,837.19	3.59
Materials and outside repairs - engines	1,119.83	3.35	740.63	.93
Materials and outside repairs - other	601.32	1.80	1,090.02	1.37
Reserve provision - spare parts	898.46	2.69	2,106.10	2.66
Reserve provision - engine overhaul	<u>1,437.14</u>	<u>4.30</u>	<u>9,465.60</u>	<u>11.97</u>
Total direct maintenance - flight equipment	<u>\$ 11,772.90</u>	<u>\$ 35.22</u>	<u>\$ 27,734.06</u>	<u>\$ 35.06</u>
<u>Depreciation - Flight Equipment:</u>				
Depreciation - aircraft	\$ 1,140.20	\$ 3.41	\$ 8,699.19	\$ 11.00
Depreciation - other flying equipment	1,447.62	4.33	723.82	.91
Total depreciation - flight equipment	<u>\$ 2,587.82</u>	<u>\$ 7.74</u>	<u>\$ 9,423.01</u>	<u>\$ 11.91</u>
Total Direct Flying Expenses	<u>\$ 28,109.25</u>	<u>\$ 84.08</u>	<u>\$ 102,656.46</u>	<u>\$ 129.78</u>
Hours flown	<u>334.3</u>		<u>791.0</u>	
Miles flown - Cost per mile flown *	<u>51,023</u>	<u>\$.5509</u>	<u>143,007</u>	<u>\$.718</u>

Schedule II

THE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
Pilots and co-pilots	\$ 14,372.07	\$ 11,707.89	\$ 2,664.18
Vacation, sick leave and idle time	990.05	742.36	247.69
Travel, incidentals and per diem	1,854.28	1,590.89	263.39
Special, professional and technical fees and expenses	--	15.00	(15.00)
Rentals	11,556.43	5,258.69	6,297.74
Aircraft engine fuels	44,542.84	39,407.29	5,135.55
Other supplies	475.68	362.56	113.12
Insurance - Public liability, property damage and general	4,575.00	4,971.95	(396.95)
Insurance - Employee welfare and com- pensation	881.57	754.65	126.92
Other expenses	--	17.67	(17.67)
Total	<u>\$ 79,247.92</u>	<u>\$ 64,828.95</u>	<u>\$ 14,418.97</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule III - Direct Maintenance Flight Equipment

	<u>March</u> <u>1948</u>	<u>February</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Direct maintenance labor - Aircraft	\$ 12,635.58	\$ 8,248.44	\$ 4,387.14
Direct maintenance labor - Engines	3,168.26	1,687.91	1,480.35
Direct maintenance labor - Other	1,807.98	2,493.01	(685.03)
Direct maintenance materials and out- side repairs - Aircraft	4,436.04	1,066.22	3,369.82
Direct maintenance materials and out- side repairs - Engines	1,860.46	712.36	1,148.10
Direct maintenance materials and out- side repairs - Other	1,691.34	574.49	1,116.85
Reserve provision - Spare parts	3,004.56	2,559.47	445.09
Reserve provision, aircraft engine overhaul	<u>10,902.74</u>	<u>9,805.48</u>	<u>1,097.26</u>
Total	<u>\$ 39,506.96</u>	<u>\$ 27,147.38</u>	<u>\$ 12,359.58</u>

Schedule IV

THE FLYING TIGER LINE INC.

Domestic Division

Schedule IV - Depreciation Flight Equipment

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
Depreciation - Aircraft	\$ 9,839.39	\$ 9,857.17	\$ (17.78)
Depreciation - Engines	--	--	--
Depreciation - Other flying equipment	<u>2,171.44</u>	<u>2,247.22</u>	<u>(75.78)</u>
Total	<u>\$ 12,010.83</u>	<u>\$ 12,104.39</u>	<u>\$ (93.56)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 275.00	\$ 275.00	\$ --
Local managers and superintendents	2,254.03	1,754.31	499.72
Vacation, sick leave and idle time	287.70	235.31	52.39
Ground service employees	5,326.56	3,746.75	1,579.81
Communications operators and dis- patchers	3,647.74	3,117.52	530.22
Other employees	622.76	698.54	(75.78)
Travel, incidentals and per diem	236.83	46.47	190.36
Telephone and telegraph services	1,571.61	2,113.48	(541.87)
Light, heat, power and water	28.66	--	28.66
Other services	23.00	--	23.00
Rentals	2,482.24	806.13	1,676.11
Shop and servicing supplies	--	--	--
Stationery, printing and office supplies	199.74	142.39	57.35
Other supplies	38.82	48.01	(9.19)
Insurance - Public liability, property damage and general	402.62	398.50	4.12
Insurance - Passenger and cargo liability	1,588.28	1,253.88	334.40
Insurance - Employee welfare and com- pensation	(12.77)	(140.16)	127.39
Other expenses	<u>370.18</u>	<u>169.34</u>	<u>200.84</u>
Total	<u>\$ 19,343.00</u>	<u>\$ 14,665.47</u>	<u>\$ 4,677.53</u>

THE FLYING TIGER LINE INC.

Schedule V-A

Domestic Division

Schedule V-A - Ground Operations

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BU</u>	<u>SF</u>	<u>TT</u>	<u>KC</u>	<u>GG</u>	<u>ST. LOUIS</u>	<u>CV</u>	<u>PHIL.</u>	<u>DT</u>
General officers and superintendents	\$ 275.00	\$ 275.00	\$	\$	\$	\$	\$	\$	\$	\$
Local managers and superintendents	2,254.03	679.03	350.00	400.00		400.00				425.00
Vacation, sick leave and idle time	287.70	136.25	16.67	44.75		75.87				14.16
Ground service employees	5,326.56	213.10	151.04	1,417.75	331.83	1,412.14	265.83	410.12	102.92	1,021.83
Communications operators and dispatchers	3,647.74	1,897.74	150.00	625.00		975.00				
Other employees	622.76	305.18		317.58						
Travel, incidentals and per diem	236.83	196.00	23.32	17.51						
Telephone and telegraph services	1,571.61	366.44	131.39	529.75	42.91	1.88				499.24
Light, heat, power and water	28.66		28.66							
Other services	23.00	20.50				2.50				
Rentals	2,482.24	(39.14)	174.99	574.59	10.00	1,191.30	150.00	150.00	2.50	268.00
Shop and servicing supplies										
Stationery, printing and office supplies	199.74	98.27		73.01		8.86				19.60
Other supplies	38.82	11.26	21.07			6.49				
Insurance - Public liability, property damage and general	402.62	401.20	1.42							
Insurance - Passenger and cargo liability	1,588.28	(4.44)	106.44	674.03	18.60	68.98		338.44		386.23
Insurance - Employee welfare and compensation	71.29	33.08	6.80	10.83		15.64				4.94
Injuries, loss and damage	(84.06)	(93.06)		9.00						
Other expenses	370.18	256.64		111.66		1.88				
Total	\$ 19,343.00	\$ 4,753.05	\$ 1,161.80	\$ 4,805.46	\$ 403.34	\$ 4,160.54	\$ 415.83	\$ 898.56	\$ 105.42	\$ 2,639.00

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
Local managers and superintendents	\$ 4,322.39	\$ 1,578.13	\$ 2,744.26
Direct maintenance labor - Other	1,811.12	2,137.39	(326.27)
Vacation, sick leave and idle time	793.27	521.55	271.72
Stock and stores employees	2,426.10	2,110.93	315.17
Other employees	1,292.40	1,219.57	72.83
Travel, incidentals and per diem	336.46	55.10	281.36
Telephone and telegraph services	314.88	303.85	11.03
Light, heat, power and water	459.70	1,261.15	(801.45)
Commissions	--	278.14	(278.14)
Special, professional and technical fees and expenses	35.00	--	35.00
Rentals	1,573.29	1,153.29	420.00
Direct maintenance materials and outside repairs - Other	120.51	352.38	(231.87)
Shop and servicing supplies	1,136.65	1,036.83	99.82
Stationery, printing and office supplies	174.97	50.06	124.91
Other supplies	349.07	383.70	(34.63)
Insurance - Employee welfare and compensation	365.47	222.38	143.09
Other expenses	--	5.00	(5.00)
Expenses transferred and joint facilities - Credit	<u>(8,367.88)</u>	<u>(4,125.64)</u>	<u>(4,242.24)</u>
Total	<u>\$ 7,143.40</u>	<u>\$ 8,543.81</u>	<u>\$ (1,400.41)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 1,060.84	\$ 1,295.00	\$ (234.16)
Local managers and superintendents	1,900.81	1,750.00	150.81
Vacation, sick leave and idle time	311.00	291.32	19.68
Traffic solicitors	4,664.52	4,749.31	(84.79)
Other employees	1,604.02	672.33	931.69
Travel, incidentals and per diem	1,152.93	989.99	162.94
Telephone and telegraph services	935.79	960.94	(25.15)
Light, heat, power and water	10.00	10.00	--
Commissions	665.76	820.12	(154.36)
Special, professional fees	41.75	--	41.75
Entertainment	353.65	193.02	160.63
Other services	50.56	27.80	22.76
Rentals	723.40	548.50	174.90
Stationery, printing and office supplies	864.86	750.45	114.41
Other supplies	14.97	--	14.97
Insurance - Employee welfare and com- pensation	22.90	28.38	(5.48)
Other expenses	80.05	8.36	71.69
Tariffs, schedules and time tables	--	--	--
Memberships	<u>62.62</u>	<u>105.00</u>	<u>(42.38)</u>
Total	<u>\$ 14,520.43</u>	<u>\$ 13,200.52</u>	<u>\$ 1,319.91</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VII A - Traffic and Sales

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BURBANK</u>	<u>SAN FRANCISCO</u>	<u>KANSAS CITY</u>	<u>CHICAGO</u>	<u>NEW YORK</u>	<u>CLEVELAND</u>	<u>DETROIT</u>	<u>PHILADELPHIA</u>	<u>ST. LOUIS</u>
Gen. officers & super-intendents	\$ 1,060.84	\$1,060.84	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Local mgrs. & super-intendents	1,900.81	--	350.00	--	--	750.81	350.00	450.00	--	--
Vacation & sick leave	311.00	153.54	33.34	--	16.82	73.13	11.67	22.50	--	--
Traffic solicitors	4,664.52	2,900.00	250.00	--	350.00	939.52	--	225.00	--	--
Other employees	1,604.02	645.43	300.00	--	154.84	503.75	--	--	--	--
Travel, incidentals and per diem	1,152.93	401.48	148.04	--	108.95	215.71	89.31	189.44	--	--
Telephone and telegraph	935.79	358.65	16.41	--	46.08	493.44	12.50	8.71	--	--
Light, heat, power and water	10.00	--	--	--	--	10.00	--	--	--	--
Commissions	665.76	487.76	--	47.53	--	--	--	--	130.47	--
Special profess. fees	41.75	41.75	--	--	--	--	--	--	--	--
Entertainment	353.65	89.68	21.80	--	--	114.82	42.00	85.35	--	--
Other services	50.56	--	--	--	16.20	8.36	--	26.00	--	--
Rentals	723.40	300.00	65.00	--	75.00	178.40	50.00	55.00	--	--
Stationery, ptg. and office supplies	864.86	640.65	25.05	--	63.86	71.75	35.52	6.25	--	21.78
Other supplies	14.97	11.63	1.54	--	--	1.80	--	--	--	--
Insurance - Emp. welfare and Comp.	22.90	15.34	1.93	--	.74	3.79	.35	.75	--	--
Memberships	62.62	--	--	--	--	35.62	--	27.00	--	--
Other expenses	80.05	32.65	--	--	47.40	--	--	--	--	--
Totals	<u>\$ 14,530.43</u>	<u>\$7,139.40</u>	<u>\$1,213.11</u>	<u>\$ 47.53</u>	<u>\$ 879.89</u>	<u>\$3,400.90</u>	<u>\$ 591.35</u>	<u>\$1,096.00</u>	<u>\$ 130.47</u>	<u>\$ 21.78</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VIII - Advertising and Publicity

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
Stationery, printing and office supplies	\$ --	\$ --	\$ --
Advertising - Space	36.00	00	36.00
Advertising - Other	321.67	405.04	(83.37)
Other promotional and publicity expenses	43.50	--	43.50
Other expenses	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 401.17</u>	<u>\$ 405.04</u>	<u>\$ (3.87)</u>

Schedule IX

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 2,625.00	\$ 2,625.00	\$ —
Local managers and superintendents	3,501.21	3,762.50	(261.29)
Vacation, sick leave and idle time	415.09	413.52	1.57
Communications operators and dispatchers	794.97	632.43	162.54
Other employees	5,456.89	5,385.54	71.35
Travel, incidentals and per diem	1,084.27	987.21	97.06
Telephone and telegraph services	655.00	642.09	12.91
Light, heat, power and water	317.83	98.71	219.12
Special, professional and technical fees and expenses	4,845.99	813.06	4,032.93
Entertainment	457.75	7.90	449.85
Other services	—	3.31	(3.31)
Rentals	475.97	785.13	(309.16)
Stationery, printing and office supplies	2,473.21	2,189.41	283.80
Other supplies	105.21	44.24	60.97
Insurance - Public liability, property damage and general	34.19	34.19	—
Insurance - Employee welfare and com- pensation	17.74	17.98	(.24)
Injuries, loss and damage	17.00	—	17.00
Memberships	604.62	904.66	(300.04)
Corporate and fiscal expenses	339.90	226.20	113.70
Bad debts	1,221.39	893.22	328.17
Taxes - Payroll	3,325.37	2,660.92	664.45
Taxes - Other	1,198.79	1,736.87	(538.08)
Other expenses	(183.50)	122.70	(306.20)
Total	<u>\$ 29,783.89</u>	<u>\$ 24,986.79</u>	<u>\$ 4,797.10</u>

THE FLYING TIGER LINE INC.

Domestic Division

Schedule X - Depreciation Ground Equipment

	<u>March</u> <u>1948</u>	<u>February</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Ground property and equipment depreciation	\$ 1,226.79	\$ 1,106.15	\$ 120.64
Total	<u>\$ 1,226.79</u>	<u>\$ 1,106.15</u>	<u>\$ 120.64</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule XI - Non-operating Income and Other Deductions
From Income

	March <u>1948</u>	February <u>1948</u>	Increase (Decrease)
<u>Non-Operating Income:</u>			
Cash discounts	\$ 25.53	\$ 64.29	\$ (38.76)
Interest income	33.16	231.53	(198.37)
Other income	43.29	593.35	(550.06)
Gain on sale of equipment (loss)	<u>4,475.45</u>	<u>2,223.56</u>	<u>2,251.89</u>
Total	<u>\$ 4,577.43</u>	<u>\$ 3,112.73</u>	<u>\$ 1,464.70</u>
<u>Other Deductions from Income:</u>			
Adjustment to Transpac revenues	\$ 1,418.24	\$ --	\$ 1,418.24
Interest expense	68.89	--	68.89
Other deductions	<u>1,331.34</u>	<u>295.04</u>	<u>1,036.30</u>
Total	<u>\$ 2,818.47</u>	<u>\$ 295.04</u>	<u>\$ 2,523.43</u>

THE FLYING TIGER LINE INC.

Revenue Statistics

REVENUE STATISTICS - MONTH OF MARCH, 1948

From	To	Tons Carried	Ton Miles Carried	Revenue	Revenue Per Ton Mile	Number of Shipments
Eastbound -						
CG	CV	.71	217.4	\$ 49.20	\$.2263	2
CG	DO	.60	150.2	37.36	.2487	5
CG	NY	5.75	4,137.5	651.88	.1575	22
CV	NY	.05	8.2	5.00	.6079	1
DO	NY	3.27	1,670.3	275.92	.1652	10
KC	DO	.28	182.5	38.08	.2086	1
KC	NY	2.13	2,402.5	414.96	.1727	4
LA	CG	38.29	70,190.2	9,444.20	.1346	226
LA	CV	15.88	33,210.3	4,351.72	.1310	119
LA	DO	13.40	27,374.5	3,606.39	.1317	112
LA	KC	8.84	13,100.1	2,209.30	.1686	85
LA	LS	22.65	37,952.9	5,880.12	.1549	243
LA	NK	2.14	5,540.0	387.91	.0701	3
LA	NY	121.12	315,762.5	28,331.56	.0897	583
LA	PG	.14	333.9	37.52	.1123	3
LS	PG	.05	40.4	5.45	.1340	1
SF	CG	3.89	7,376.2	1,034.74	.1403	29
SF	CV	1.45	3,218.2	406.72	.1264	1
SF	KC	3.15	5,077.3	938.37	.1848	47
SF	LS	.64	1,188.6	181.56	.1528	23
SF	NY	1.66	4,355.0	518.07	.1191	5
SF	DO	.38	773.2	116.41	.1506	5
Total Eastbound		<u>246.47</u>	<u>534,261.9</u>	<u>\$ 58,922.44</u>	<u>\$.1103</u>	<u>1530</u>
Westbound -						
CG	LA	8.72	15,994.8	\$ 2,070.65	\$.1295	45
CG	SF	.57	1,080.5	150.99	.1397	3
CV	CG	.02	6.6	5.00	.7575	1
CV	LA	69.27	144,845.7	15,483.51	.1069	61
DO	CG	.61	153.4	35.73	.2329	3
DO	KC	5.67	3,697.5	782.20	.2115	49
DO	LA	81.54	165,863.5	21,401.13	.1290	323
DO	LS	.32	158.7	43.18	.2721	2
DO	SF	.19	408.7	60.93	.1491	2
KC	LA	1.29	1,918.5	297.74	.1552	5
KC	OA	.02	27.5	6.36	.2313	1
KC	SF	.66	1,070.9	182.28	.1702	3
NY	CG	35.03	25,184.8	3,486.27	.1384	74
NY	CV	2.92	1,226.8	255.61	.2083	6
NY	DO	12.02	6,128.9	960.11	.1567	26
NY	KC	.72	801.9	143.25	.1786	11
NY	LA	73.17	190,747.6	23,204.88	.1217	233
NY	SF	16.15	42,278.0	5,418.63	.1282	47
PG	CG	.29	203.8	43.11	.2115	6
PG	DO	.36	176.5	37.15	.2104	4
PG	KC	.08	87.8	20.75	.2360	3
PG	LA	18.82	46,286.6	5,905.53	.1276	52
PG	SF	.08	208.7	29.73	.1425	1
Total Westbound		<u>328.52</u>	<u>648,557.7</u>	<u>\$ 80,024.72</u>	<u>\$.1234</u>	<u>961</u>
North and Southbound						
LA	SF	10.93	3,717.2	\$ 595.27	\$.1601	22
SF	LA	13.97	4,752.0	873.50	.1838	79
Total		<u>24.90</u>	<u>8,469.2</u>	<u>\$ 1,468.77</u>	<u>\$.1734</u>	<u>101</u>
Grand Total		<u>599.89</u>	<u>1,191,288.8</u>	<u>\$ 140,415.93</u>	<u>\$.1179</u>	<u>2522</u>

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - MARCH 31, 1948

ASSETS

Current assets:

Cash on hand and in banks	\$ 43,689.53	
Accounts receivable	<u>17,972.76</u>	
Total current assets		<u>\$ 61,662.29</u>

LIABILITIES

Accrued liabilities:

Accounts payable	\$ 200.00	
Insurance and taxes	<u>598.17</u>	\$ 798.17
Advances: The Flying Tiger Line Inc.		51,713.69
Capital Stock and Surplus		
Capital stock, par value \$1.00 per share, issued and outstanding 200 shares	\$ 200.00	
Capital surplus	<u>1,800.00</u>	\$ 2,000.00
Earned surplus, March 31, 1948		<u>7,150.43</u>
Total capital stock and surplus		<u>9,150.43</u>
Total		<u>\$ 61,662.29</u>

THE FLYING TIGER LINE INC.
COMMODITY STATISTICS FOR THE MONTH OF MARCH-1948

Commodity Statistics
(Page 1 of 2)

COMMODITY	Originating Station									Total (lbs.)
	Chicago (lbs.)	Cleveland (lbs.)	San Francisco (lbs.)	Detroit (lbs.)	Los Angeles (lbs.)	Philadelphia (lbs.)	New York (lbs.)	Kansas City (lbs.)	St. Louis (lbs.)	
<u>First Class -</u>										
Advertising displays	253		18			263	280			814
Aircraft parts	1,916	1,057	172	5,849	9,958		7,776			26,699
Airplane engines			2,500		9,300					11,800
Automobiles - complete	3,133									3,133
Automobile parts	7,662	20,534	4,364	170,389	14,011	714	655	4,515		222,844
Chemicals					4					4
Clothing	35	75	26	600	340	721	80,996			82,793
Clothing accessories	18		203		16	2,273	162			2,672
Costume jewelry; novelties					30		38			68
Drugs and cosmetics	397		100		498		12,405			13,400
Electric lamps					1,802					1,802
Industrial machinery	6,595	1,116			3,980	1,607	1,791			15,089
Film - exposed	91				1,768		15			1,874
Film - raw	65				448		724			1,237
Furniture - used			245	1,105						1,350
Greeting cards; stationery					7,277					7,277
Heaters							258			258
Home appliances		3,785		1,057	22					4,864
Human remains			800		371					1,171
Fur; leather hides	266				288		401			955
Paper products						348				348
Forwarders & consolida- tors	5,432		591	2,142	70,157	27,049	69,763			175,134
Bicycles and parts	365									365
Electric motors	10			195			751	100		1,056
Musical instruments							5,634			5,634
Office equipment							68			68
Office machines		670			1,965		50,438			53,073
Baggage	533		140		1,213					1,886
Prints				100	138					238
Phonograph records					3,844		21,851			25,695
Photographic equipment					100		30			130
Pottery					98					98
Printed matter	1,794	270	36	43	915		738	1,140		4,936
Petroleum products	215									215
Radios and television sets	1,002									1,002
Rubber tires				873	1,522		4,555			7,079
Scales					53					926
Shoes							32			32
					3,497		1,185			4,682

THE FLYING TIGER LINE INC.
COMMODITY STATISTICS FOR THE MONTH OF MARCH-1948

Commodity Statistics
 (page 2 of 2)

COMMODITY	Originating Station									
	Chicago (lbs.)	Cleveland (lbs.)	San Francisco (lbs.)	Detroit (lbs.)	Los Angeles (lbs.)	Philadelphia (lbs.)	New York (lbs.)	Kansas City St. Louis (lbs.) (lbs.)	Total (lbs.)	
First Class (Cont.)										
Slide fasteners		111,011	3,173		4,141	4,354			122,679	
Sports equipment					458	35			493	
Textile goods	773				100	1,803	6,675		9,351	
Toys and novelties			315	408	1,117	100	1,665		3,605	
Hardware	1,284	105		491	1,512	82	2,164		5,638	
Vending and amuse- ment machines	900		35,887		831		8,675		10,406	
Flowers					148,606		35		184,528	
Meats								3,135	3,135	
Plants			1,272		200		660		2,132	
Vegetables - Frozen					100				100	
Pet stock					175				175	
Total First Class	<u>32,739</u>	<u>138,623</u>	<u>49,813</u>	<u>183,252</u>	<u>290,855</u>	<u>39,349</u>	<u>280,420</u>	<u>8,790</u>	<u>100</u>	<u>1,023,941</u>
Deferred -										
Aircraft parts					77,048					77,048
Phonograph records					94,042					94,042
Vending and amusement machines					6,070					6,070
Total Deferred	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>177,160</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>177,160</u>
GRAND TOTAL	<u>32,739</u>	<u>138,623</u>	<u>49,813</u>	<u>183,252</u>	<u>468,015</u>	<u>39,349</u>	<u>280,420</u>	<u>8,790</u>	<u>100</u>	<u>1,201,101</u>

THE FLYING TIGER LINE INC.

FINANCIAL STATEMENTS

MAY 31, 1948

June 16, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and Flying Tiger Transport Inc., and certain financial information and comments relating thereto for the month ending May 31, 1948, are presented herewith:

The operations of the company for the months of May and April, 1948 are as follows:

	May <u>1948</u>	April <u>1948</u>
Revenues - Net	\$ 172,487.93	\$ 156,320.03
Operating costs	<u>203,728.16</u>	<u>195,669.98</u>
Operating loss	\$ 31,240.23	\$ 39,349.95
Non-operating loss	<u>466.43</u>	<u>410.16</u>
Net loss	<u>\$ 31,918.56</u>	<u>\$ 39,939.79</u>

The operational statistics for the months of May and April, 1948 are as follows:

	May <u>1948</u>	April <u>1948</u>
<u>Hours Flown -</u>		
<u>Freight -</u>		
C-47	217.0	258.7
C-54	<u>765.4</u>	<u>683.2</u>
Total	<u>982.4</u>	<u>941.9</u>

Leases and Charters -

C-47	15.9	--
C-54	<u>154.0</u>	<u>143.1</u>
Total	<u>169.9</u>	<u>143.1</u>

Non-Revenue -

C-47	5.9	1.5
C-54	<u>8.5</u>	<u>6.1</u>
Total	<u>14.4</u>	<u>7.6</u>

<u>Total -</u>	<u>May, 1948</u>	<u>April, 1948</u>
C-47	238.8	260.2
C-54	<u>927.9</u>	<u>832.4</u>
Total	<u>1,166.7</u>	<u>1,092.6</u>
 <u>Miles Flown -</u>		
<u>Freight -</u>		
C-47	33,206	37,466
C-54	<u>132,357</u>	<u>125,149</u>
Total	<u>165,563</u>	<u>162,615</u>
 <u>Leases and Charters -</u>		
C-47	2,477	-
C-54	<u>30,761</u>	<u>30,603</u>
Total	<u>33,238</u>	<u>30,603</u>
 <u>Non-Revenue</u>		
C-47	750	240
C-54	<u>1,730</u>	<u>999</u>
Total	<u>2,480</u>	<u>1,239</u>
 <u>Total -</u>		
C-47	36,433	37,706
C-54	<u>164,848</u>	<u>156,751</u>
Total	<u>201,281</u>	<u>194,457</u>
 <u>Ton Miles Carried -</u>		
C-47	67,788	76,286
C-54	<u>1,050,810</u>	<u>968,719</u>
Total	<u>1,118,598</u>	<u>1,045,005</u>
 <u>Load Factors -</u>		
C-47	56.5%	57.5%
C-54	<u>79.4%</u>	<u>77.4%</u>
	<u>77.5%</u>	<u>75.5%</u>
 <u>Average Airplane Utilization -</u>		
C-47	2.6 hrs.	2.2 hrs.
C-54	<u>6.8 hrs.</u>	<u>5.5 hrs.</u>
 <u>Revenue Per Ton Mile Carried -</u>		
	<u>\$.1275</u>	<u>\$.1199</u>

The following schedule represents the ton miles carried and the revenues earned by direction of traffic, for May, 1948:

	<u>Load Factors</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>
Westbound	85.1 %	656,503	\$ 84,284.57	\$.1270
Eastbound	74.6 %	461,439	60,767.27	.1278
San Francisco	<u>58.3 %</u>	<u>31,223</u>	<u>561.63</u>	<u>.1544</u>

A comparison of operating revenues and expenses during May, 1948 between C-47 and C-54 equipment is as follows:

	<u>C-47</u>	<u>C-54</u>
Revenues	\$ 8,642.97	\$ 133,978.28
Direct flying expenses	<u>13,760.57</u>	<u>92,080.77</u>
Gross profit (loss)	<u>\$ (5,017.60)</u>	<u>\$ 41,897.51</u>

The same information expressed in the form of a per ton mile basis is as follows:

	<u>C-47</u>	<u>C-54</u>
Per Ton Mile Carried -		
Revenue	\$.1275	\$.1275
Direct flying expenses	<u>.2030</u>	<u>.0876</u>
Gross profit (loss)	<u>\$ (.0755)</u>	<u>\$.0399</u>

The following schedule represents a comparison of the payroll between May and April, 1948:

	<u>May 1948</u>	<u>April 1948</u>	<u>Increase (Decrease)</u>
Flying operations	\$ 15,502.46	\$ 13,360.65	\$ 2,141.81
Ground operations	9,569.32	8,061.24	1,508.08
Flight equipment maintenance	14,986.09	14,700.13	285.96
Ground and indirect maintenance	8,293.55	9,003.81	(710.26)
Traffic and sales	11,214.86	8,879.05	2,335.81
General and administrative	<u>12,230.09</u>	<u>11,578.61</u>	<u>651.48</u>
Total	\$ 71,796.37	\$ 65,583.49	\$ 6,212.88
Modification and outside work	<u>13,890.22</u>	<u>17,297.73</u>	<u>(3,407.51)</u>
Total	<u>\$ 85,686.59</u>	<u>\$ 82,881.22</u>	<u>\$ 2,805.37</u>

During May, 1948 the freight was originated and destined as follows:

	<u>Origination of Freight</u>			
	<u>May</u>	<u>April</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 7,412.30	\$ 1,424.41	\$ 5,987.89	\$
Cleveland	14,194.49	11,113.76	3,080.73	
Detroit	26,076.60	38,629.23		12,552.63
Kansas City	695.52	374.91	320.61	
Los Angeles	50,475.30	46,571.87	3,903.43	
New York	35,484.37	24,475.37	11,009.00	
Philadelphia	727.62	738.80		11.18
San Francisco	9,200.63	2,991.53	6,209.10	
St. Louis	<u>1,346.64</u>	<u>216.76</u>	<u>1,129.88</u>	
Totals	<u>\$145,613.47</u>	<u>\$126,536.64</u>	<u>\$31,640.64</u>	<u>\$ 12,563.81</u>

	<u>Destination of Freight</u>			
	<u>May</u>	<u>April</u>	<u>Increase</u>	<u>Decrease</u>
Chicago	\$ 21,560.18	\$ 10,965.16	\$10,595.02	\$
Cleveland	5,599.11	2,958.52	2,640.59	
Detroit	4,010.60	4,404.04		393.44
Kansas City	4,646.94	3,690.73	956.21	
Los Angeles	58,925.66	65,719.44		6,793.78
St. Louis	8,150.09	6,510.13	1,639.96	
New York	26,231.36	25,487.28	744.08	
Philadelphia	243.41	421.92		178.51
San Francisco	<u>16,246.12</u>	<u>6,379.42</u>	<u>9,866.70</u>	
Totals	<u>\$ 145,613.47</u>	<u>\$126,536.64</u>	<u>\$ 26,442.56</u>	<u>\$ 7,365.73</u>

The decrease in the net loss amounting to \$ 7,021.23 during May, 1948 is due principally to the following reasons:

(1) The load factors during May increased from 75.5% in April to 77.5% in May.

(2) Freight revenue increased \$ 21,471.43 during May.

(3) The average return per ton mile carried increased from \$.1199 in April to \$.1275 in May. This increase was due principally to the large flower shipments in May and the decrease in deferred freight.

	<u>May</u>	<u>April</u>
<u>Pounds Shipped:</u>		
Flowers	233,047	146,334
Deferred freight	<u>62,386</u>	<u>158,140</u>

Traffic and Sales Expenses increased \$ 2,706.23. This increase represents principally the payroll cost of additional solicitors hired during May, 1948.

General and Administrative Expenses increased \$ 1,700.08 during May due to the increase in Travel, Incidentals and Per Diem expenses during the month.

CONSOLIDATED BALANCE SHEET

The current position of the company can be compared between April 30, 1948 and May 31, 1948 as follows:

	<u>May 31,</u> <u>1948</u>	<u>April 30,</u> <u>1948</u>
Current Assets	\$ 506,517.96	\$ 534,944.83
Current Liabilities	<u>225,878.10</u>	<u>200,748.77</u>
Excess	<u>\$ 280,639.86</u>	<u>\$ 334,196.06</u>

The decrease of approximately \$ 54,000.00 in the excess of current assets over current liabilities can be attributed to the following factors:

- (1) Cash loss incurred in May
- (2) Purchase of R-2000-7 engines for \$27,000.00
- (3) Modifying 6 DC-3 airplanes that have been sold but not completed until June, 1948.

The Balance Sheet as of May 31, 1948 reflects a credit balance of \$60,699.04 as "Miscellaneous Receivables". This credit balance is due to the fact that deposits and certain payments have been received applicable to the 6 DC-3 aircraft sold in previous months, on which modification will not be completed until June, 1948.

Respectfully submitted,

Fred Benninger

FRED BENNINGER
Treasurer

FB:a

THE FLYING TIGER LINE INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET - MAY 31, 1948

ASSETS

Current Assets

Cash on hand and in banks	\$ 197,033.31	
Accounts Receivable:		
U.S. Government - Billed	\$ 19,491.55	
Charters	5,857.16	
Shippers	226,798.48	
Gas tax refunds	24,840.10	
Advances to employees	5,748.42	
Miscellaneous	<u>(60,699.04)</u>	
	\$222,036.67	
Less: Reserve for doubtful accounts	<u>29,994.08</u>	192,042.59
Notes Receivable:		
Shippers	\$ 29,000.00	
Others	<u>2,327.65</u>	31,327.65
Materials and supplies	<u>86,114.41</u>	
Total current assets		\$ 506,517.96
Fixed Assets - Net (Schedule I)		848,526.32
Deferred Charges:		
Prepaid insurance	\$ 30,528.03	
Prepaid taxes	1,215.94	
Other items	<u>5,499.90</u>	
Total deferred charges		<u>37,243.87</u>

\$ 1,392,288.15

LIABILITIES

Current Liabilities:

Notes payable		\$ 14,000.00
Accounts payable - Trade		114,701.49
Accrued Liabilities:		
Accrued payroll	\$ 36,599.63	
Transportation taxes	3,968.11	
Payroll taxes	9,229.78	
Other items	12,559.12	
Accrued insurance	11,254.32	
Accrued interest	163.10	
Income tax withheld from employees	<u>7,029.83</u>	80,803.89
C.O.D. shipments		<u>16,372.72</u>
Total current liabilities		\$ 225,878.10
Unissued stock liability		34,000.00
Reserve for sick leave and vacation		4,673.26
Reserve for aircraft overhaul		8,350.00
Capital stock and surplus:		
Capital stock \$1.00 per value, authorized 1,000,000 shares, issued and outstanding 726,000 shares		\$ 726,000.00
Capital surplus		<u>1,637,639.31</u>
		\$ 2,363,639.31
Deficit:		
Balance - April 30, 1948		\$ 1,212,333.96
Net loss for month ending May 31, 1948		<u>31,918.56</u>
		<u>1,244,252.52</u>

\$ 1,392,288.15

Application of Funds

THE FLYING TIGER LINE INC.

Statement of Application of Funds
for the Month Ended May 31, 1948

Funds were provided by:

Collection of Accounts Receivable -

United States Government	\$ 21,158.90
Gasoline tax refunds	3,102.05
Miscellaneous	87,255.49
Employees	456.70

Collection of Notes Receivable -

Trade Accounts	2,500.00
Employees	25.00
Increase in reserve for engine overhaul	7,192.19

Write-off of Deferred Charges -

Month of May expense - insurance, etc.	\$ 5,720.78	
Prepaid stationery	1,059.45	
Return of insurance deposit premium	<u>5,199.56</u>	11,979.79
Increase in Accounts Payable		18,976.27
Increase in Accrued Liabilities		8,643.89
Provision for aircraft overhaul		8,350.00

Sale of Fixed Assets

Type R-2000 aircraft engines	\$ 3,843.75	
Spare parts and assemblies	1,435.12	
Hangar and shop equipment	558.23	
Motorized equipment	1,230.85	
Furniture and fixtures	<u>578.86</u>	7,646.81

Total Funds Provided \$ 177,287.09

Funds were applied to:

Increase in cash	\$ 82,269.08
Increase in accounts receivable - shippers	3,321.62
Increase in raw materials	3,916.78
Decrease in reserve for overhaul of spare parts	1,217.01
Reduction of notes payable	2,000.00
Net cash loss for the month	13,755.78
Prior months' adjustments, ATC, etc.	20,000.05

Increase in Fixed Assets -

Aircraft C-47 modification	\$ 18,988.81	
Aircraft engines - Type R-2000	29,785.86	
Spare parts and assemblies	378.59	
Shop equipment	1,772.26	
Miscellaneous equipment - Decrease	<u>(118.75)</u>	50,806.77

Total Funds Applied \$ 177,287.09

THE FLYING TIGER LINE INC.Schedule of Fixed Assets and ReservesMay, 1948

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 316,582.15	\$ 94,744.01	\$ 221,838.14
Aircraft C-54	454,627.11	79,201.08	375,426.03
Aircraft BT-13A	—	—	—
Aircraft RB-1 Budd	6,000.00	—	6,000.00
Engines	172,111.28	68,953.37	103,157.91
Miscellaneous flight equipment	32,119.57	13,112.54	19,007.03
Misc. flight equipment - Prorated	892.57	360.49	532.08
Flight equipment, spare parts and assemblies	54,866.50	34,691.79	20,174.71
Hangar, shop and ramp equipment - Prorated	34,580.63	5,162.39	29,418.24
Hangar, shop and ramp equipment - Transpac	82,408.17	64,992.25	17,415.92
Motorized vehicles	34,689.09	10,710.16	23,978.93
Furniture, fixtures and office equipment - Prorated	24,673.89	3,840.15	20,833.74
Furniture, fixtures and office equipment - Transpac	15,448.29	12,068.76	3,379.53
Medical equipment - Transpac	174.60	160.05	14.55
Engineering equipment - Transpac	667.58	431.93	235.65
Miscellaneous equipment	905.67	33.36	872.31
Buildings and improvements on land not owned	8,202.01	1,960.46	6,241.55
Buildings and improvements on land not owned - Transpac	<u>162,960.00</u>	<u>162,960.00</u>	<u>—</u>
Total	<u>\$ 1,401,909.11</u>	<u>\$ 553,382.79</u>	<u>\$ 848,526.32</u>

Statement of Income

THE FLYING TIGER LINE INC.

Statement of Income

		May		April, 1948	
	Total		%	Total	%
Revenues:					
Freight	\$ 148,363.82			\$ 126,892.39	
Other	<u>30,463.86</u>			<u>30,183.56</u>	
	\$ 178,827.68			\$ 157,075.95	
Revenue from outside maintenance work	<u>8,715.01</u>			<u>7,422.76</u>	
	\$ 187,542.69			\$ 164,498.71	
Less: Costs of outside maintenance work	<u>7,243.91</u>			<u>6,306.92</u>	
Total	<u>\$ 180,298.78</u>			<u>\$ 158,191.79</u>	
Less:					
Pick-up and delivery costs- Net	\$ 4,062.91			\$ 1,062.70	
Cost of freight carried by others	<u>3,747.94</u>			<u>809.06</u>	
Net Revenues	<u>\$ 172,487.93</u>	<u>100.0</u>		<u>\$ 156,320.03</u>	<u>100.0</u>
Direct Flying Expenses:					
Flying operations - Sched. II	\$ 84,989.78	49.2		\$ 78,254.98	50.0
Direct maintenance - Sched. III	32,369.65	18.8		36,661.04	23.5
Depreciation - Flight equipment - Sched. IV	<u>12,423.94</u>	<u>7.2</u>		<u>12,625.77</u>	<u>8.1</u>
Total direct flying expenses	<u>\$ 129,783.37</u>			<u>\$ 127,541.80</u>	
Percentage to net revenues		<u>75.2</u>			<u>81.6</u>
Indirect Operating Expenses:					
Ground operations - Sched. V	\$ 23,788.97	13.8		\$ 22,145.89	14.2
Ground and indirect maintenance - Sched. VI	3,466.40	2.0		3,397.49	2.2
Traffic and sales - Sched. VII	16,844.51	9.8		14,138.28	9.0
Advertising and publicity - Sched. VIII	257.05	.1		579.44	.3
General and administrative - Sched. IX	28,065.97	16.3		26,365.89	16.9
Depreciation ground equipment - Sched. X	<u>1,521.89</u>	<u>.9</u>		<u>1,501.19</u>	<u>1.0</u>
Total indirect expenses	<u>\$ 73,944.79</u>	<u>42.9</u>		<u>\$ 68,128.18</u>	<u>43.6</u>
Total operating expenses	<u>\$ 203,728.16</u>			<u>\$ 195,669.98</u>	
Percentage to net revenue		<u>118.1</u>			<u>125.2</u>
Operating Profit (loss)	\$ (31,240.23)			\$ (39,349.95)	
Other deductions from income - Sched. XI	572.38			751.70	
	<u>\$ (31,812.61)</u>			<u>\$ (40,101.65)</u>	
Non-operating income - Sched. XI	<u>(105.95)</u>			<u>1,161.86</u>	
Net Profit (loss)	<u>\$ (31,918.56)</u>			<u>\$ (38,939.79)</u>	
Percentage to Net Revenues		<u>18.5</u>			<u>25.0</u>

Cost Analysis of Direct Flying Expenses
for the Month Ending May 31, 1948

	<u>Total</u>	<u>C-47</u> <u>Per Hour</u>	<u>Total</u>	<u>C-54</u> <u>Per Hour</u>
<u>Flying Operations:</u>				
Pilots and co-pilots	\$ 2,935.54	\$ 12.29	\$ 12,566.92	\$ 13.54
Vacation, sick leave and idle time	199.23	.83	772.74	.83
Travel, incidentals and per diem	657.87	2.75	2,103.58	2.27
Aircraft engine fuels and oils	4,509.96	18.89	43,462.70	46.84
Other supplies	--	--	161.80	.17
Insurance-Public Liability Property Damage and General	275.00	1.15	4,300.00	4.63
Insurance-Employees' Welfare and Compensation	213.71	.90	853.04	.92
Rentals	--	--	11,977.69	12.92
	<u>\$ 8,791.31</u>	<u>\$ 36.81</u>	<u>\$ 76,198.47</u>	<u>\$ 82.12</u>

Direct Maintenance - Flight Equipment:

Direct labor - Aircraft	\$ 1,531.31	\$ 6.41	\$ 6,152.50	\$ 6.63
Direct labor - Engines	112.81	.47	3,346.90	3.61
Direct labor - Other	343.30	1.44	3,499.27	3.77
Materials and outside repairs - Aircraft	178.08	.75	938.77	1.01
Materials and outside repairs - Engines	76.15	.32	1,239.76	1.34
Materials and outside repairs - Other	153.02	.64	354.68	.38
Reserve provision - Spare parts	637.60	2.67	2,477.49	2.67
Reserve provision - Engine overhaul	193.21	.81	11,134.80	12.00
	<u>\$ 3,225.48</u>	<u>\$ 13.51</u>	<u>\$ 29,144.17</u>	<u>\$ 31.41</u>

Depreciation - Flight Equipment:

Depreciation - Aircraft	\$ 1,792.44	\$ 7.51	\$ 8,699.19	\$ 9.38
Depreciation - Other flying equipment	1,288.21	5.39	644.10	.69
	<u>\$ 3,080.65</u>	<u>\$ 12.90</u>	<u>\$ 9,343.29</u>	<u>\$ 10.07</u>
Total depreciation - flight equipment	<u>\$ 3,080.65</u>	<u>\$ 12.90</u>	<u>\$ 9,343.29</u>	<u>\$ 10.07</u>
Total Direct Flying Expenses	<u>\$ 15,097.44</u>	<u>\$ 63.22</u>	<u>\$ 113,685.93</u>	<u>\$ 123.60</u>

Hours flown

238.8

927.9

Miles flown - Cost per mile flown *

36.433

\$.4144 *

164.848

\$.6957 *

Schedule IITHE FLYING TIGER LINE INC.Domestic DivisionSchedule II - Flying Operation Expenses

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
Pilots and co-pilots	\$ 15,502.46	\$ 13,360.65	\$ 2,141.81
Vacation, sick leave and idle time	971.97	976.92	(4.95)
Travel, incidentals and per diem	2,761.45	2,151.11	610.34
Special, professional and technical fees and expenses	100.00		100.00
Rentals	11,977.69	11,977.69	—
Aircraft engine fuels	47,972.66	43,667.20	4,305.46
Other supplies	61.80	405.16	(343.36)
Insurance - Public Liability, Property Damage and General	4,575.00	4,631.57	(56.57)
Insurance - Employee welfare and com- pensation	1,066.75	1,084.69	(17.94)
Other expenses	—	—	—
Total	<u>\$ 84,989.78</u>	<u>\$ 78,254.99</u>	<u>\$ 6,734.79</u>

Schedule IIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule III - Direct Maintenance Flight Equipment

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
Direct maintenance labor - Aircraft	\$ 7,683.81	\$ 9,205.86	\$ (1,522.05)
Direct maintenance labor - Engines	3,459.71	2,296.74	1,162.97
Direct maintenance labor - Other	3,842.57	2,306.32	1,536.25
Direct maintenance materials and outside repairs - aircraft	1,116.85	623.73	493.12
Direct maintenance materials and outside repairs - engines	1,315.91	6,518.23	(5,202.32)
Direct maintenance materials and outside repairs - other	507.70	2,440.02	(1,932.32)
Reserve provision - spare parts	3,115.09	2,917.24	197.85
Reserve provision - aircraft engine overhaul	<u>11,328.01</u>	<u>10,352.90</u>	<u>975.11</u>
Total	<u>\$ 32,369.65</u>	<u>\$36,661.04</u>	<u>\$ (4,291.39)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IV - Depreciation Flight Equipment

	<u>May</u> <u>1948</u>	<u>April</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Depreciation - Aircraft	\$ 10,491.63	\$ 10,491.63	\$ --
Depreciation - Other flying equip- ment	<u>1,932.31</u>	<u>2,134.14</u>	<u>201.83)</u>
Total	<u>\$ 12,423.94</u>	<u>\$ 12,625.77</u>	<u>\$ (201.83)</u>

Schedule VTHE FLYING TIGER LINE INC.Domestic DivisionSchedule V - Ground Operations

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ --	\$ 275.00	\$ (275.00)
Local managers and superintendents	2,717.10	2,428.53	234.57
Vacation, sick leave and idle time	328.96	268.71	60.25
Ground service employees	4,710.22	4,602.27	107.95
Communications operators and dispatchers	3,947.14	3,864.85	82.29
Other employees	909.20	697.50	211.70
Travel, incidentals and per diem	129.75	88.44	41.31
Telephone and telegraph services	3,550.92	3,640.87	(89.95)
Light, heat, power and water	8.26	10.41	(2.15)
Other services	51.73	1.82	49.91
Rentals	4,328.00	4,214.34	113.66
Stationery, printing and office supplies	827.77	736.64	91.13
Other supplies	3.60	119.83	(116.23)
Insurance - Public Liability, Property Damage and General	292.20	347.84	(55.64)
Insurance - Passenger and Cargo Liability	1,814.25	636.51	1,177.74
Insurance - Employee Welfare and Com- pensation	83.55	59.83	23.72
Injuries, loss and damage	7.49	69.50	(62.01)
Other expenses	<u>78.83</u>	<u>29.00</u>	<u>49.83</u>
Total	<u>\$ 23,788.97</u>	<u>\$ 22,145.89</u>	<u>\$ 1,643.08</u>

Schedule V-A

THE FLYING TIGER LINE INC.Domestic DivisionSchedule V-A - Ground Operations

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BURBANK</u>	<u>SAN FRANCISCO</u>	<u>TETERBORO</u>	<u>KANSAS CITY</u>	<u>PHILADELPHIA</u>	<u>CHICAGO</u>	<u>ST. LOUIS</u>	<u>CLEVELAND</u>	<u>DETROIT</u>
Local managers and superintendents	\$ 2,717.10	\$ 712.50	\$ 335.00	\$ 600.00	\$ --					
Vacation, sick leave and idle time	328.96	157.65	16.16	55.34	--	\$ --	\$ 400.00	\$ --	\$ 125.00	\$ 544.60
Ground service employees	4,710.22	1,367.21	235.31	27.22	422.88	--	63.78	--	7.91	28.12
Communications operators and dispatchers	3,947.14	2,349.94	150.00	450.00	--	354.47	613.35	--	488.56	1,201.22
Other employees	909.20	300.00	--	310.00	--	--	884.70	--	112.50	--
Travel, incidentals and per diem	129.75	14.00	.80	27.35	--	--	--	--	--	299.20
Telephone and telegraph services	3,550.92	773.03	176.75	885.50	144.80	--	33.00	--	54.60	--
Light, heat, power and water	8.26	--	8.26	--	--	--	695.99	--	--	874.85
Other services	51.73	--	--	--	--	--	--	--	--	--
Rentals	4,328.00	939.12	168.79	638.50	1.25	--	--	--	51.73	--
Stationery, printing and office supplies	827.77	321.58	39.90	213.19	27.97	2.50	1,292.90	683.33	275.61	326.00
Other supplies	3.60	--	3.60	--	--	--	78.70	27.97	27.97	90.49
Insurance - Public Liability, Property Damage and General	292.20	264.90	1.42	18.92	--	--	--	--	--	--
Insurance - Passenger and Cargo Liability	1,814.25	(625.16)	196.04	1,000.67	19.46	--	6.96	--	--	--
Insurance - Employee Welfare and Comp.	83.55	42.17	6.52	15.85	--	--	266.80	39.63	344.29	572.52
Injuries, loss and damage	7.49	--	--	--	7.49	--	12.45	--	--	6.56
Other expenses	78.83	--	--	3.00	--	--	--	--	--	--
							15.83			60.00
TOTALS	\$ 23,788.97	\$ 6,616.94	\$ 1,338.55	\$ 4,245.54	\$ 623.85	\$ 356.97	\$ 4,364.46	\$ 750.93	\$ 1,488.17	\$ 4,003.56

THE FLYING TIGER LINE INC.Domestic DivisionSchedule VI - Ground and Indirect Maintenance

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
Local managers and superintendents	\$ 4,424.21	\$ 5,036.69	\$ (612.48)
Direct maintenance labor - Other	981.38	1,080.84	(99.46)
Vacation, sick leave and idle time	863.49	910.25	(46.76)
Stock and stores employees	1,996.73	1,960.79	35.94
Other employees	785.95	1,012.01	(226.06)
Travel, incidentals and per diem	603.20	174.75	428.25
Telephone and telegraph services	374.04	385.94	(11.90)
Light, heat, power and water	356.95	398.18	(41.23)
Special professional and technical fees and expenses	--	--	--
Commissions	--	420.88	(420.88)
Rentals	1,179.29	1,163.29	16.00
Direct maintenance materials and outside repairs - Others	295.53	497.14	(201.61)
Shop and servicing supplies	1,287.21	2,102.90	(815.69)
Stationery, printing and office supplies	44.99	44.72	.27
Other supplies	54.67	574.93	(520.26)
Insurance - Employee Welfare and Compensation	675.48	760.18	(84.70)
Other expenses	32.22	11.12	21.10
Expenses transferred and joint facilities - Credit	<u>(10,488.94)</u>	<u>(13,137.12)</u>	<u>2,648.18</u>
Total	<u>\$ 3,466.40</u>	<u>\$ 3,397.49</u>	<u>\$ 68.91</u>

Schedule VIITHE FLYING TIGER LINE INC.Domestic DivisionSchedule VII - Traffic and Sales

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 550.00	\$ 550.00	\$ —
Local managers and superintendents	1,800.00	1,750.00	50.00
Vacation, sick leave and idle time	363.82	295.97	67.85
Traffic solicitors	7,492.78	5,274.35	2,218.43
Other employees	1,272.08	1,237.20	34.88
Travel, incidentals and per diem	1,573.15	1,573.45	(.30)
Telephone and telegraph service	1,831.42	1,062.46	768.96
Light, heat, power and water	10.16	15.35	(5.19)
Commissions	465.56	827.70	(362.14)
Entertainment	483.59	235.05	248.54
Other services	69.37	56.36	13.01
Rentals	400.84	630.00	(229.16)
Stationery, printing and office supplies	451.12	461.96	(10.84)
Other supplies	1.70	23.05	(21.35)
Insurance - Employee welfare and compensation	28.09	22.48	5.61
Other expenses	6.83	25.62	(18.79)
Tariffs, schedules and time tables	—	16.00	(16.00)
Memberships	<u>44.00</u>	<u>81.28</u>	<u>(37.28)</u>
Total	<u>\$ 16,844.51</u>	<u>\$14,138.28</u>	<u>\$ 2,706.23</u>

Schedule VII A

THE FLYING TIGER LINE INC.

Domestic Division

Schedule VII A - Traffic and Sales

ACCOUNT	TOTAL	BURBANK	SAN FRANCISCO	CHICAGO	NEW YORK	CLEVELAND	DETROIT	ST. LOUIS	KANSAS CITY	PHILADELPHIA
Gen. officers & superintendents	\$ 550.00	\$ 550.00	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Local mgrs. & superintendents	1,800.00	--	3,500.00	--	600.00	350.00	500.00	--	--	--
Vacation and sick leave	363.82	134.06	43.44	18.34	89.46	32.50	25.00	21.02	--	--
Traffic solicitors	7,492.78	2,900.00	753.28	350.00	1,983.86	625.00	250.00	630.64	--	--
Other employees	1,272.08	572.08	100.00	200.00	400.00	--	--	--	--	--
Travel, incidentals and per diem	1,573.15	677.82	148.35	111.00	190.85	190.10	182.80	72.23	--	--
Telephone and telegraph	1,831.42	740.94	45.75	66.05	803.05	31.90	35.22	108.51	--	--
Light, heat, power and water	10.16	--	--	--	10.00	.16	--	--	--	--
Commissions	465.56	31.24	1.42	--	28.94	--	--	--	34.94	369.02
Entertainment	483.59	417.03	14.45	--	7.96	3.75	40.40	--	--	--
Other services	69.37	--	--	1.95	31.67	--	35.75	--	--	--
Rentals	400.84	--	32.50	75.00	150.00	50.00	55.00	38.34	--	--
Stationery, printing and office supplies	451.12	98.43	52.38	78.34	51.65	27.44	97.84	45.04	--	--
Other supplies	1.70	--	--	--	--	1.70	--	--	--	--
Insurance - Employee Welfare and Compensation	28.09	14.75	4.09	.77	6.70	--	.83	.95	--	--
Other expenses	6.83	--	--	1.95	1.38	3.50	--	--	--	--
Memberships	44.00	1.50	17.50	--	--	--	25.00	--	--	--
Totals	<u>\$ 16,844.51</u>	<u>\$ 6,137.85</u>	<u>\$ 1,563.16</u>	<u>\$ 903.40</u>	<u>\$ 4,355.52</u>	<u>\$ 1,316.05</u>	<u>\$ 1,247.84</u>	<u>\$ 916.73</u>	<u>\$ 34.94</u>	<u>\$ 369.02</u>

Schedule VIII

THE FLYING TIGER LINE INC.

Domestic Division

Schedule VIII - Advertising and Publicity

	<u>May</u> <u>1948</u>	<u>April</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Stationery, printing and office supplies	\$ --	\$ --	\$ --
Advertising - Space	94.75	56.75	38.00
Advertising - Other	162.30	469.59	(307.29)
Other promotional and publicity expenses	--	49.50	(49.50)
Other expenses	<u>--</u>	<u>3.60</u>	<u>(3.60)</u>
Total	<u>\$ 257.05</u>	<u>\$ 579.44</u>	<u>\$ (322.39)</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule IX - General and Administrative

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
General officers and superintendents	\$ 2,625.00	\$ 2,625.00	\$ —
Local managers and superintendents	3,287.50	3,237.50	50.00
Vacation, sick leave and idle time	407.67	306.79	100.88
Communications operators and dispatchers	641.63	643.72	(2.09)
Other employees	5,712.29	5,072.39	639.90
Travel, incidentals and per diem	1,666.12	510.64	1,155.48
Telephone and telegraph services	579.97	727.72	(147.75)
Light, heat, power and water	195.62	220.95	(25.33)
Special, professional and technical fees and expenses	4,016.47	3,861.27	155.20
Entertainment	71.74	187.00	(115.26)
Stationery, printing and office supplies	1,729.55	1,789.62	(60.07)
Other supplies	30.35	81.60	(51.25)
Insurance - Public Liability, Property Damage and General	98.31	108.20	(9.89)
Insurance - Employee Welfare and Com- pensation	17.34	14.71	2.63
Memberships	586.49	585.99	.50
Corporate and fiscal expenses	172.35	356.67	(184.32)
Bad debts	1,256.60	1,132.77	123.83
Taxes - Payroll	3,244.41	3,450.12	(205.71)
Taxes - Other	1,221.56	1,346.92	(125.36)
Other expenses	<u>505.00</u>	<u>106.31</u>	<u>398.69</u>
Total	<u>\$ 28,065.97</u>	<u>\$26,365.89</u>	<u>\$ 1,700.08</u>

THE FLYING TIGER LINE INC.Domestic DivisionSchedule X - Depreciation Ground Equipment

	May <u>1948</u>	April <u>1948</u>	Increase (Decrease)
Ground property and equipment de- preciation	\$ 1,521.89	\$ 1,501.19	\$ 20.70
Total	<u>\$ 1,521.89</u>	<u>\$ 1,501.19</u>	<u>\$ 20.70</u>

Schedule XI

THE FLYING TIGER LINE INC.

Domestic Division

Schedule XI - Non-operating Income and Other Deductions From Income

	<u>May</u> <u>1948</u>	<u>April</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 71.52	\$ 97.86	\$ (26.34)
Interest income	49.51	47.91	1.60
Other income	9.15	979.51	(970.36)
Gain on sale of equipment (loss)	<u>(236.13)</u>	<u>36.58</u>	<u>(272.71)</u>
Total	<u>\$ 105.95</u>	<u>\$ 1,161.86</u>	<u>\$ (1,267.81)</u>
<u>Other Deductions from Income:</u>			
Adjustment to Transpac revenues	\$ --	\$ 28.46	\$ (28.46)
Interest expense	68.88	74.94	(6.06)
Other deductions	<u>503.50</u>	<u>648.30</u>	<u>(144.80)</u>
Total	<u>\$ 572.38</u>	<u>\$ 751.70</u>	<u>\$ (179.32)</u>

THE FLYING TIGER LINE INC.

REVENUE STATISTICS - MONTH OF MAY, 1948

<u>From</u>	<u>To</u>	<u>Tons Carried</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
<u>Eastbound</u>						
CG	CV	.29	87.2	\$ 23.18	\$.2658	4
CG	DO	.16	39.3	15.28	.3888	4
CG	NY	5.88	4,225.2	659.20	.1560	37
CV	NY	.03	13.0	5.00	.3846	1
DO	NY	1.53	781.0	131.81	.1688	7
KC	CV	.03	19.7	5.35	.2716	1
KC	NY	3.25	3,652.4	630.28	.1726	6
LA	CG	49.61	90,947.9	12,202.27	.1342	237
LA	CV	13.21	27,614.7	3,928.51	.1423	156
LA	DO	8.46	17,208.6	2,155.03	.1252	71
LA	KC	7.79	11,542.5	2,125.22	.1841	77
LA	LS	21.97	36,795.5	5,625.84	.1529	200
LA	NY	81.48	212,428.7	23,711.99	.1116	660
LA	PG	1.34	3,292.1	243.41	.0739	6
LS	NY	1.72	1,521.2	182.87	.1202	5
SF	CG	9.56	18,099.0	2,434.07	.1345	53
SF	CV	4.96	10,911.4	1,489.96	.1365	51
SF	DO	1.27	2,606.6	381.15	.1462	11
SF	KC	5.66	9,102.0	1,565.64	.1720	86
SF	LS	8.90	16,579.7	2,341.00	.1412	143
SF	NY	3.01	7,888.0	910.21	.1154	21
Total Eastbound		230.11	475,355.7	\$ 60,767.27	\$.1278	1,837

Westbound

CG	KC	.14	54.6	\$ 15.90	\$.2912	2
CG	LA	9.25	16,954.3	2,214.18	.1306	54
CG	SF	11.11	38,219.0	4,484.56	.0757	24
CV	CG	1.76	560.8	117.68	.2098	3
CV	LA	57.44	120,102.8	13,651.81	.1136	93
CV	SF	1.38	3,036.8	420.00	.1383	10
DO	CG	1.82	451.6	92.14	.2040	8
DO	KC	3.17	2,067.1	461.73	.2236	38
DO	LA	86.41	175,762.0	23,232.90	.1322	392
DO	LS	.23	116.5	30.71	.2636	5
DO	SF	7.63	15,717.3	2,127.31	.1353	29
KC	SF	.16	249.2	59.89	.2403	3
LS	LA	5.26	8,802.1	1,163.77	.1322	9
NK	OA	9.60	25,032.8	2,927.54	.1169	1
NY	CG	69.55	50,008.9	6,705.11	.1341	130
NY	CV	1.58	665.8	152.11	.2284	9
NY	DO	17.50	8,923.2	1,459.14	.1635	44
NY	KC	2.57	2,888.6	478.45	.1656	22
NY	LA	56.11	146,291.8	18,001.70	.1230	298
NY	LS	1.27	1,130.4	152.54	.1349	12
NY	SF	15.75	41,236.1	5,607.78	.1360	132
PG	CG	.08	59.1	8.91	.1507	1
PG	LA	1.70	4,178.4	582.70	.1394	19
PG	SF	.38	940.8	136.01	.1445	3
Total Westbound		370.91	663,450.0	\$ 84,284.57	\$.1270	1,341

THE FLYING TIGER LINE INC.REVENUE STATISTICS - MONTH OF MAY, 1948

<u>From</u>	<u>To</u>	<u>Tons Carried</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
<u>North and Southbound</u>						
LA	OA	.04	11.9	\$ 5.00	\$.4201	1
LA	SF	9.55	3,246.3	478.03	.1472	11
SF	LA	1.12	379.9	78.60	.2069	6
	Total	<u>10.71</u>	<u>3,638.1</u>	<u>\$ 561.63</u>	<u>\$.1544</u>	<u>18</u>
GRAND TOTAL		<u>611.73</u>	<u>1,142,443.8</u>	<u>\$ 145,613.47</u>	<u>\$.1275</u>	<u>3,196</u>

THE FLYING TIGER TRANSPORT INC.

BALANCE SHEET - MAY 31, 1948

ASSETS

Current assets:

Cash on hand and in banks	\$ 43,689.53	
Accounts receivable	<u>10,563.15</u>	
Total		<u>\$ 54,252.68</u>

LIABILITIES

Accrued liabilities:

Accounts payable	\$ 2,000.00	
Insurance and taxes	<u>598.17</u>	798.17
Advances: The Flying Tiger Line Inc.		44,304.08

Capital Stock and Surplus:

Capital Stock, par value \$1.00 per share,
issued and outstanding 200 shares \$ 200.00

Capital Surplus	<u>1,800.00</u>	\$2,000.00
Earned Surplus May 31, 1948	<u>7,150.43</u>	<u>9,150.43</u>
Total		<u>\$ 54,252.68</u>

THE FLYING TIGER LINE INC.COMMODITY STATISTICS FOR MONTH OF MAY, 1948

<u>Commodity</u>	<u>CG</u>	<u>CV</u>	<u>DT</u>	<u>KC</u>	<u>LA</u>	<u>STL</u>	<u>NY</u>	<u>SF</u>	<u>PG</u>	<u>Total</u>
<u>First Class (pounds)</u>										
Advertising Displays					336		2,788			3,124
Aircraft Spare Parts and Assemblies	349	4,338			15,922	6,935	6,226	170		33,940
Airplane Engines					15,465					15,465
Automobile Parts	1,163	1,360	172,861		4,544				439	180,367
Building Materials	51						120			171
Candy							10	73		83
Clothing	378	30	287		2,553		142,969	247	514	146,978
Clothing Accessories	20				56		482		401	959
Costume Jewelry							199			199
Drugs and Cosmetics	32,231	176	802		8,371	217	15,335	2,814		59,946
Industrial Machinery	3,090	9,520	4,031		9,175		9,783	3,523	1,119	40,241
Farm Implements		36			26					52
Film - Exposed					3,394		233			3,627
Film - Raw					16		240			256
Foods - Canned or Dried					50		123			173
Furniture - New	2,107				653		5,582			8,342
Greeting Cards and Stationery		344			13,599					13,943
Home Appliances					788	330				1,118
Human Remains					1,116			400		1,516
Jewelry; Silverware	500						127			627
Leather Hides and Furs	2,957						1,905			4,862
Misc. Electrical Products	2,922	793			7,528		1,246	13	485	12,987
Paper Products	2,068	158			108		3,748			6,082
Consolidators' Merchandise	9,479	4,579	9,363	54	20,401	3,086	94,481	995	506	142,944
Motorcycles, Bicycles and Parts					480					480
Electric Motors			308				3,023			3,331
Musical Instruments					65					65
Office Equipment	1,375						34	982	51	2,442
Office Machines		6,355	11,439			1,797	24,253			43,844
Ordnance and Accessories								20		20
Personal Belongings	55				1,607		3,269			4,931
Phonograph Records	1,629				4,742	1,015	1,224	1,565		10,175
Photographic Equipment	42				792		440			1,274
Pottery Ware					100					100
Printed Matter	1,459	50	1,877	1,400	441		594			5,821

THE FLYING TIGER LINE INC.COMMODITY STATISTICS FOR MONTH OF MAY, 1948

<u>Commodity</u>	<u>CG</u>	<u>CV</u>	<u>DT</u>	<u>KC</u>	<u>LA</u>	<u>STL</u>	<u>NY</u>	<u>SF</u>	<u>PG</u>	<u>Total</u>
<u>First Class (pounds)</u>										
Radios and Television Sets	1,256				81	500	7,759			9,596
Plastics					798				268	1,066
Rubber Tires and Tubes			560				118			678
Safety Equipment							1,000			1,000
Shoes	1,460						465			1,925
Slide Fasteners	290	93,074			2,388		155			95,907
Sports Equipment					2,049		8			2,057
Textile Goods	31				25		6,487		542	7,085
Toys and Novelties		345			325		19			689
Hardware	34	28			147			42		251
Vending Machines		30			23,020		14,716			37,766
Dairy Products	6,823							2,070		8,893
Flowers					182,874			50,173		233,047
Fresh Fruits								3,850		3,850
Meats				3,838						3,838
Plants with Roots				1,261	254					1,515
Sea Food							140	20		160
Chicks			75							75
Live Stock				310						310
Pet Stock					794	60				854
Total First Class	<u>71,769</u>	<u>121,216</u>	<u>201,603</u>	<u>6,863</u>	<u>325,083</u>	<u>13,940</u>	<u>349,301</u>	<u>66,957</u>	<u>4,325</u>	<u>1,161,057</u>
<u>Deferred (pounds)</u>										
Aircraft Parts					23,026			1,261		24,287
Phonograph Records					32,573			731		33,304
Vending Machines					4,795					4,795
Total Deferred					<u>60,394</u>			<u>1,992</u>		<u>62,386</u>
GRAND TOTAL	<u>71,769</u>	<u>121,216</u>	<u>201,603</u>	<u>6,863</u>	<u>385,477</u>	<u>13,940</u>	<u>349,301</u>	<u>68,949</u>	<u>4,325</u>	<u>1,223,443</u>

THE FLYING TIGER LINE INC.

COMPARATIVE TABULATION
OF
SELECTED STATISTICS

<u>Month</u>	<u>Freight Income</u>	<u>Freight Expense</u>	<u>Freight T/M</u>	<u>Freight Per T/M</u>		<u>Loss Per T/M</u>	<u>Freight Load Factor %</u>	<u>% Freight Loss to Fr. Income</u>	<u>Utiliza- tion DC-4 (Hours)</u>	<u>Freight Loss</u>	<u>Cost Per Avail- able T/M</u>
Dec. 1947	\$ 87,800.00	\$137,417	681,155	\$.2617	\$.1155	\$ 8.62	63.8	56.5	5.1	\$ 49,617.00	\$.1287
Jan. 1948	90,586.00	134,575	725,280	.1855	.1157	6.98	74.8	48.5	5.1	43,989.00	.1387
February	105,309.00	146,282	800,710	.1826	.1192	6.34	69.2	38.9	6.6	40,973.00	.1264
March	148,509.00	182,378	1,181,000	.1544	.1179	3.65	83.3	22.8	5.3	33,859.00	.1285
April	125,020.00	164,812	1,045,005	.1577	.1199	3.78	75.5	31.8	5.5	39,792.00	.1190
May	148,364.00	174,788	1,118,598	.1564	.1275	2.36	77.5	17.8	6.8	26,424.00	.1211

THE FLYING TIGER LINE INC.

FINANCIAL STATEMENTS

July 31, 1948

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August 19, 1948

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

Dear Sir:

The financial reports of The Flying Tiger Line Inc. and certain financial information and comments relating thereto for the month ending July 31, 1948, are presented herewith:

Statement of Income

The operations for the months of July and June 1948 are summarized as follows:

	July <u>1948</u>	June <u>1948</u>
Revenues - Net	\$ 219,793.20	\$ 161,896.52
Operating Costs	<u>231,894.94</u>	<u>203,423.45</u>
Operating Loss	\$ 12,101.74	\$ 41,526.93
Non-operating loss (income)	<u>87.17</u>	<u>(6,217.27)</u>
Net Loss	<u>\$ 12,188.91</u>	<u>\$ 35,309.66</u>

Freight revenue increased from \$120,411.⁶⁰ in June, 1948 to \$149,264.20 in July. The return per ton mile carried increased from \$.1229 per ton mile in June to \$.1522 per ton mile in July. This increase in freight revenue as well as return per ton mile carried may be attributed to the following factors:

- (a) As of July 1, 1948 the new Airfreight Tariff filed by the company went into effect. This tariff had an approximate increase of 10% of the first class rates and eliminated the deferred and depressed commodity rates.
- (b) Effective July 1, 1948 the "Great Circle" Mileage was used for all statistical purposes, including the computation of ton miles carried. The difference in the mileages used heretofore and the "Great Circle" Mileage used in July is that the "Great Circle" mileages are approximately 2 $\frac{1}{2}$ % less than the mileages used in previous months. The minimum rate order issued by the C.A.B. during June, specifies that the "Great Circle" mileages shall be used in computing rates and therefore, for uniformity purposes, all mileages for statistical purposes were based upon "Great Circle" mileages effective July 1, 1948.

During July, 1948 the company carried 943,207 ton miles distributed as follows:

	July <u>1948</u>	June <u>1948</u>	Increase (Decrease)
Westbound	563,843	559,606	4,237
Eastbound	373,750	411,320	(37,570)
North and South	<u>5,614</u>	<u>(2,964)</u>	<u>8,578</u>
	<u>943,207</u>	<u>967,962</u>	<u>(24,755)</u>

Taking into consideration the 2 $\frac{1}{2}$ % difference in base mileages between July and June 1948, the ton miles carried in July are about equal to the ton miles carried in June, 1948.

The overall load factor dropped in July, 1948 to 68.6% while June 1948 showed an overall load factor of 77.7%. The principal reason for the drop in load factors during July is due to the elimination of deferred and depressed commodity rates effective July 1, 1948. A majority of the deferred and depressed rate freight was used heretofore as top-off freight, thereby increasing the load factors. However, since the minimum Rate order issued by the C.A.B. disallowed deferred and depressed commodity rates, effective July 1, 1948 the top-off freight was eliminated with a resulting decrease in load factors.

Other Revenue totaling \$75,220.35 in July consisted chiefly of income from equipment leased to Irregular Air Carriers. Of the 392.4 hours of flying for the total "Other Revenue", 258.6 hours represents Air America, Inc.

As set forth in the Cost Analysis Statement, even though certain costs increased during July, namely insurance and engine overhaul, the direct flying costs per hour and per mile decreased during July, 1948 as follows:

	<u>July</u> <u>1948</u>	<u>June</u> <u>1948</u>
Direct flying costs per mile -		
C-47	\$.3749	\$.4015
C-54	<u>.6756</u>	<u>.7230</u>

The reason for the decrease in the direct flying costs per C-54 mile is that the hours flown during July, 1948 were 1,123.4 against 797.1 hours in June, 1948. The above increase in flying hours had the following effect on the fixed costs:

	<u>July</u>		<u>June</u>	
	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
Insurance	\$ 5,751.04	\$ 5.12	\$ 4,937.48	\$ 6.19
Rentals	11,977.69	10.66	11,977.69	15.03
Depreciation	<u>8,699.19</u>	<u>7.74</u>	<u>8,699.19</u>	<u>10.91</u>

The cost per mile flown for the C-47 equipment decreased from \$.4015 in June to \$.3749 in July due to the reduction of the reserve for engine overhaul. All C-47 equipment now has R-1830-65 engines and the R-1830-92 engines have been removed resulting in a decrease in the engine reserve provision.

The following schedule represents a comparison of the payrolls between June and July, 1948.

	<u>July</u> <u>1948</u>	<u>June</u> <u>1948</u>	<u>Increase</u> <u>(Decrease)</u>
Flying operations	\$ 15,608.82	\$ 13,766.14	\$ 1,842.68
Ground operations	8,282.52	8,855.54	(573.02)
Flight equipment maintenance	16,331.88	15,628.42	703.46
Ground and indirect maintenance	8,989.05	10,924.58	(1,935.53)
Traffic and sales	11,451.34	11,147.57	303.77
General and administrative	<u>11,692.87</u>	<u>12,090.70</u>	<u>(397.83)</u>
Total	\$ 72,356.48	\$ 72,412.95	\$ (56.47)
Modification and outside work	<u>4,647.81</u>	<u>9,192.47</u>	<u>(4,544.66)</u>
Total	<u>\$ 77,004.29</u>	<u>\$ 81,605.42</u>	<u>(4,601.13)</u>

The operations for the month of July, 1948 resulted in a cash profit of \$ 4,046.54.

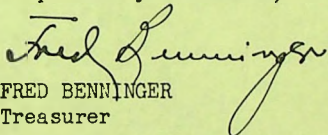
BALANCE SHEET

Cash on hand and in bank decreased to \$153,709.78 as of July 31, 1948 due to the payment of current liabilities, reducing such liabilities to \$240,452.37 as of July 31, 1948 from \$300,584.23 on June 30, 1948.

The Balance Sheet as of July 31, 1948 reflects the adjustments made by the independent auditors as of June 30, 1948.

Further details of funds provided and applied are found in the Statement of Application of Funds.

Respectfully submitted,


 FRED BENNINGER
 Treasurer

THE FLYING TIGER LINE INC.

BALANCE SHEET - JULY 31, 1948

ASSETS

Current Assets

Cash on hand and in banks	\$ 153,709.78	
Accounts Receivable:		
Charters	\$ 34,858.46	
Shippers	199,315.32	
Gas tax refunds	30,642.32	
Advances to employees	5,828.92	
Miscellaneous	<u>107,655.19</u>	
	\$ 378,300.21	
Less: Reserve for doubtful accts.	<u>20,119.38</u>	358,180.83
Notes Receivable:		
Shippers	\$ 25,000.00	
Others	<u>1,302.65</u>	26,302.65
Materials and supplies	<u>81,976.53</u>	
Total current assets		\$ 620,169.79
Fixed Assets - Net (Schedule 1)		609,533.18
Deferred Charges:		
Prepaid Insurance	\$ 81,094.90	
Prepaid taxes	7,350.75	
Other items	<u>10,825.74</u>	
Total deferred charges		<u>99,271.39</u>

\$ 1,328,974.36

Current Liabilities:

Notes payable		\$ 49,322.43
Accounts payable - Trade		100,241.72
Accrued Liabilities:		
Accrued payroll	\$ 35,618.84	
Transportation taxes	4,259.39	
Payroll taxes	4,967.15	
Other items	22,150.21	
Accrued insurance	5,015.56	
Accrued interest	212.84	
Income tax withheld from employees	<u>6,859.51</u>	79,083.50
C.O.D. shipments		<u>11,804.72</u>
Total current liabilities		\$ 240,452.37
Unissued stock liability		34,000.00
Reserve for sick leave and vacation		8,709.28
Reserve for aircraft overhaul		8,350.00
Capital stock and surplus:		
Capital stock \$1.00 par value, authorized 1,000,000 shares, issued and outstanding 726,000 shares		\$ 726,000.00
Capital surplus		<u>1,637,639.31</u>
		\$ 2,363,639.31
Deficit:		
Balance - June 30, 1948	\$ 1,313,987.69	
Net loss for month ending July 31, 1948		<u>12,188.91</u>
		<u>1,326,176.60</u>

1,037,462.71

\$ 1,328,974.36

Application of Funds

THE FLYING TIGER LINE INC.

Statement of Application of Funds
For the Month Ended July 31, 1948

Funds were provided by:

Collection of Accounts Receivable -

United States Government	\$ 1,987.06
Miscellaneous	12,551.39

Collection of Notes Receivable -

Shippers	2,000.00
Employees	25.00

Decreases as Follows -

Cash on hand and in banks	48,124.45
Raw materials and supplies	3,208.07
Deferred charges	3,772.28

Returned premium on insurance policies	10,247.79
Increase in reserve for engine overhaul	8,465.48
Net cash profit for the month	4,046.54

Net Decrease in Fixed Assets -

Spare parts and assemblies - Decrease	\$ 1,273.10	
Miscellaneous equipment - Decrease	64.07	
Hangar shop and ramp equipment - Increase	97.58	
Motorized vehicles - Increase	<u>683.44</u>	556.15

Sale of Fixed Assets -

Hangar and shop equipment	\$ 85.49	
Motor truck	717.50	
Furniture and fixtures	152.45	
Miscellaneous flight equipment	<u>96.31</u>	1,051.75

Total funds provided \$ 96,035.96

Funds were applied to:

Increases as follows -

Accounts receivable - Shippers	\$ 30,144.87
Gasoline tax refunds receivable	4,591.98
Accounts receivable - Employees	139.01
Decrease in reserve for overhaul - Spare parts	106.26

Payment of Liabilities as Follows:

Accounts payable	28,753.79
Notes payable	7,000.00
Accrued items payable	<u>25,300.05</u>

Total funds applied \$ 96,035.96

Schedule ITHE FLYING TIGER LINE INC.Schedule of Fixed Assets and ReservesJuly 1948

	<u>Cost</u>	<u>Accrued Depreciation</u>	<u>Net</u>
Aircraft C-47	\$ 79,977.89	\$ 46,403.43	\$ 33,574.46
Aircraft C-54	455,536.21	98,099.46	357,436.75
Aircraft RB-1 Budd	6,000.00	--	6,000.00
Engines	177,852.50	104,439.28	66,890.15
Miscellaneous flight equipment	28,193.09	12,741.60	15,451.49
Flight equipment, spare parts and assemblies	58,604.72	34,043.24	31,084.55
Motorized vehicles	34,239.53	11,451.64	22,787.89
Furniture, fixtures and office equipment	39,464.95	15,891.69	23,573.26
Medical equipment	174.60	161.51	13.09
Engineering equipment	667.58	437.49	230.09
Miscellaneous equipment	1,185.62	50.02	1,135.60
Buildings and improvements on land not owned	171,162.01	165,832.80	5,329.21
Hangar, shop and ramp equipment	<u>117,295.27</u>	<u>71,268.63</u>	<u>46,026.64</u>
Total	<u>\$ 1,170,353.97</u>	<u>\$ 560,820.79</u>	<u>\$ 609,533.18</u>

Statement of Income

THE FLYING TIGER LINE INC.

Statement of Income

	July 1948	June 1948	Year to Date
<u>Revenues:</u>			
Freight	\$ 149,264.20	\$ 120,411.60	\$ 149,264.20
Other	75,220.35	36,630.35	75,220.35
	<u>\$ 224,484.55</u>	<u>\$ 157,041.95</u>	<u>\$ 224,484.55</u>
Revenue from outside maintenance work	12,415.14	12,908.04	12,415.14
	<u>\$ 236,899.69</u>	<u>\$ 169,949.99</u>	<u>\$ 236,899.69</u>
Less: Costs of outside maintenance work	9,601.49	9,510.80	9,601.49
Total	<u>\$ 227,298.20</u>	<u>\$ 160,439.19</u>	<u>\$ 227,298.20</u>
<u>Less:</u>			
Pick-up and delivery costs - Net	\$ 3,110.00	\$ (3,305.90)	\$ 3,110.00
Cost of freight carried by others	4,395.00	1,848.57	4,395.00
Net Revenues	<u>\$ 219,793.20</u>	<u>\$ 161,896.52</u>	<u>\$ 219,793.20</u>
<u>Direct Flying Expenses:</u>			
Flying operations - Schedule II	\$ 92,153.31	\$ 77,894.60	\$ 92,153.31
Direct maintenance - Schedule III	47,425.15	32,542.86	47,425.15
Depreciation - Flight equipment - Sched. IV	12,402.94	12,401.74	12,402.94
Total Direct Flying Expenses	<u>\$ 151,981.40</u>	<u>\$ 122,839.20</u>	<u>\$ 151,981.40</u>
<u>Indirect Operating Expenses:</u>			
Ground operations - Schedule V	\$ 25,276.44	\$ 23,682.87	\$ 25,276.44
Ground and indirect maintenance - Schedule VI	10,608.43	10,659.47	10,608.43
Traffic and sales - Schedule VII	15,764.98	17,330.53	15,764.98
Advertising and publicity - Schedule VIII	176.39	162.28	176.39
General and administrative - Schedule IX	25,751.00	27,214.55	25,751.00
Depreciation ground equipment - Schedule X	2,336.30	1,534.55	2,336.30
Total indirect expenses	<u>\$ 79,913.54</u>	<u>\$ 80,584.25</u>	<u>\$ 79,913.54</u>
Total operating expense	<u>\$ 231,894.94</u>	<u>\$ 203,423.45</u>	<u>\$ 231,894.94</u>
Operating Profit (loss)	\$ (12,101.74)	\$ (41,526.93)	\$ (12,101.74)
Other deductions from income - Sched. XI	523.32	1,361.42	523.32
	<u>\$ (12,625.06)</u>	<u>\$ 42,888.35</u>	<u>\$ (12,625.06)</u>
Non-operating income - Schedule XI	436.15	7,578.69	436.15
Net Profit (Loss)	<u>\$ (12,188.91)</u>	<u>\$ (35,309.66)</u>	<u>\$ (12,188.91)</u>

Cost Analysis of Direct Flying Expenses
for the Month Ending July 31, 1948

	<u>C-47</u>		<u>C-54</u>	
	<u>Total</u>	<u>Per Hour</u>	<u>Total</u>	<u>Per Hour</u>
<u>Flying operations:</u>				
Pilots and co-pilots	\$ 1,835.41	\$ 8.01	\$ 12,716.12	\$ 11.32
Vacation, sick leave and idle time	179.74	.78	877.55	.78
Travel, incidentals and per diem	494.99	2.16	2,156.21	1.92
Aircraft engine fuels and oils	4,845.06	21.14	49,236.77	43.83
Other supplies	—	—	195.88	.17
Insurance - Public Liability, Property Damage and General	423.87	1.85	5,751.04	5.12
Insurance - Employees' Welfare and Compensation	199.12	.87	972.19	.87
Rentals	291.67	1.27	11,977.69	10.66
Total flying operations	<u>\$ 8,269.86</u>	<u>\$ 36.08</u>	<u>\$ 83,883.45</u>	<u>\$ 74.67</u>
<u>Direct Maintenance - Flight Equipment:</u>				
Direct labor - Aircraft	\$ 714.21	\$ 3.12	\$ 8,746.04	\$ 7.79
Direct labor - Engines	—	—	3,939.64	3.51
Direct labor - Other	171.17	.75	2,533.08	2.25
Materials and outside repairs - Aircraft	232.68	1.02	2,874.20	2.56
Materials and outside repairs - Engines	845.39	3.69	6,499.10	5.79
Materials and outside repairs - Other	149.42	.65	1,228.53	1.08
Reserve provision - Spare parts	611.96	2.67	2,999.48	2.67
Reserve provision - Engine overhaul	152.65	.65	15,727.60	14.00
Total direct maintenance - flight equipment	<u>\$ 2,877.48</u>	<u>\$ 12.55</u>	<u>\$ 44,547.67</u>	<u>\$ 39.65</u>
<u>Depreciation - Flight Equipment:</u>				
Depreciation - Aircraft	\$ 1,666.20	\$ 7.27	\$ 8,699.19	\$ 7.74
Depreciation - Other flying equipment	679.19	2.97	1,358.36	1.22
Total depreciation - flight equipment	<u>\$ 2,345.39</u>	<u>\$ 10.24</u>	<u>\$ 10,057.55</u>	<u>\$ 8.96</u>
Total Direct Flying Expenses	<u>\$13,492.73</u>	<u>\$ 58.87</u>	<u>\$138,488.67</u>	<u>\$ 123.28</u>
Hours flown		<u>229.2</u>		<u>1,123.4</u>
Miles flown - cost per mile flown *	<u>35,995</u>	<u>\$.3749*</u>	<u>204,991</u>	<u>\$.6756*</u>

THE FLYING TIGER LINE INC.Schedule II - Flying Operation Expenses

	<u>July</u> <u>1948</u>	<u>June</u> <u>1948</u>	<u>Year to</u> <u>Date</u>
Pilots and co-pilots	\$ 14,551.53	\$12,780.69	\$ 14,551.53
Vacation, sick leave and idle time	1,057.29	985.45	1,057.29
Travel, incidentals and per diem	2,651.20	1,982.31	2,651.20
Special, professional and technical fees and expenses	100.00	100.00	100.00
Rentals	12,269.36	11,977.69	12,269.36
Aircraft engine fuels	54,081.83	43,324.27	54,081.83
Other supplies	95.88	342.90	95.88
Insurance - Public Liability, Property Damage and General	6,174.91	5,322.93	6,174.91
Insurance - Employee Welfare and Compensation	<u>1,171.31</u>	<u>1,078.36</u>	<u>1,171.31</u>
Total	<u>\$ 92,153.31</u>	<u>\$77,894.60</u>	<u>\$ 92,153.31</u>

Schedule III

THE FLYING TIGER LINE INC.

Schedule III - Direct Maintenance Flight Equipment

	<u>July</u> <u>1948</u>	<u>June</u> <u>1948</u>	<u>Year to</u> <u>Date</u>
Direct maintenance labor - Aircraft	\$ 9,460.25	\$ 7,888.92	\$ 9,460.25
Direct maintenance labor - Engines	3,939.64	3,170.91	3,939.64
Direct maintenance labor - Other	2,704.25	4,568.59	2,704.25
Direct maintenance materials and outside repairs - Aircraft	3,106.88	999.04	3,106.88
Direct maintenance materials and outside repairs - Engines	7,344.49	274.64	7,344.49
Direct maintenance materials and outside repairs - Other	1,377.95	2,349.96	1,377.95
Reserve provision - Spare parts	3,611.44	2,906.30	3,611.44
Reserve provision - Aircraft engine overhaul	<u>15,880.25</u>	<u>10,384.50</u>	<u>15,880.25</u>
Total	<u>\$ 47,425.15</u>	<u>\$ 32,542.86</u>	<u>\$ 47,425.15</u>

THE FLYING TIGER LINE INC.

Schedule IV - Depreciation Flight Equipment

	<u>July</u> <u>1948</u>	<u>June</u> <u>1948</u>	<u>Year to</u> <u>Date</u>
Depreciation - Aircraft	\$ 10,365.39	\$ 10,491.63	\$ 10,365.39
Depreciation - Other flying equipment	<u>2,037.55</u>	<u>1,910.11</u>	<u>2,037.55</u>
Total	<u>\$ 12,402.94</u>	<u>\$ 12,401.74</u>	<u>\$ 12,402.94</u>

THE FLYING TIGER LINE INC.Schedule V - Ground Operations

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
Local managers and superintendents	\$ 2,718.06	\$ 2,810.00	\$ 2,718.06
Vacation, sick leave and idle time	276.06	597.25	276.06
Ground service employees	5,287.97	4,054.46	5,287.97
Communications operators and dispatchers	3,700.92	4,138.96	3,700.92
Other employees	882.08	1,263.97	882.08
Travel, incidentals and per diem	380.70	262.86	380.70
Telephone and telegraph services	3,015.58	3,317.49	3,015.58
Light, heat, power and water	41.23	50.50	41.23
Other services	118.75	269.73	118.75
Rentals	4,362.69	3,436.32	4,362.69
Stationery, printing and office supplies	375.52	822.35	375.52
Other supplies	94.39	322.31	94.39
Insurance - Public Liability, Property Damage and General	282.20	282.28	282.20
Insurance - Passenger and Cargo Liability	2,059.46	1,954.71	2,059.46
Insurance - Employee Welfare and Compensation	58.64	62.64	58.64
Injuries, loss and damage	1,600.16	28.09	1,600.16
Other expenses	<u>22.03</u>	<u>8.95</u>	<u>22.03</u>
Total	<u>\$ 25,276.44</u>	<u>\$23,682.87</u>	<u>\$ 25,276.44</u>

THE FLYING TIGER LINE INC.

Schedule V-A - Ground Operations

	<u>TOTAL</u>	<u>BU</u>	<u>SF</u>	<u>TT</u>	<u>KC</u>	<u>PG</u>	<u>CG</u>	<u>STL</u>	<u>GV</u>	<u>DT</u>
Local mgrs. and superintendents	\$ 2,718.06	\$ 550.00	\$ 335.00	\$ 600.00	\$ --	\$ --	\$ 550.00	\$ --	\$ 400.00	\$ 283.06
Vacation, sick leave and idle time	276.06	116.89	18.36	47.98	--	--	49.36	--	27.61	15.86
Ground service employees	5,287.97	335.37	490.79	2,032.83	417.86	--	642.79	324.30	386.78	657.25
Communications operators and dis- patchers	3,700.92	2,321.36	216.50	450.00	--	--	288.06	--	425.00	--
Other employees	882.08	300.00	--	389.58	--	--	--	--	--	192.50
Travel, incidentals and per diem	380.70	63.00	6.15	120.40	--	--	86.80	50.90	53.45	--
Telephone and telegraph services	3,015.58	670.97	271.71	869.68	98.17	--	267.20	8.55	362.76	466.54
Light, heat, power and water	41.23	--	36.23	--	--	--	--	--	5.00	--
Other services	118.75	--	--	7.50	--	--	38.62	--	51.73	20.70
Rentals	4,362.69	727.08	171.79	940.00	1.75	--	2,008.90	201.33	311.84	--
Stationery, printing and office supplies	375.52	72.93	15.48	222.17	--	--	50.37	--	2.25	12.32
Other supplies	94.39	1.55	28.92	19.15	--	--	.45	--	44.32	--
Insurance - Public Liability, Property Damage and General	282.20	255.00	1.42	18.86	--	--	6.92	--	--	--
Insurance - Passenger and Cargo Liability	2,059.46	337.69	274.65	729.36	17.60	--	157.62	23.50	113.62	405.42
Insurance - Employee Welfare and Compensation	58.64	19.44	6.59	15.30	--	--	13.87	--	--	3.44
Injuries, loss and damage	1,600.16	324.67	5.00	169.32	--	--	961.50	--	61.67	78.00
Other expenses	22.03	--	--	9.28	--	--	12.75	--	--	--
Total	\$ 25,276.44	\$6,095.95	\$1,878.59	\$6,641.41	\$535.38		\$ 5,135.41	\$ 608.58	\$2,246.03	\$2,135.09

Schedule VITHE FLYING TIGER LINE INC.Schedule VI - Ground and Indirect Maintenance

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
Local managers and superintendents	\$ 4,500.44	\$ 5,048.67	\$ 4,500.44
Direct maintenance labor - Other	628.46	2,021.95	628.46
Vacation, sick leave and idle time	1,707.51	1,836.63	1,707.51
Stock and stores employees	1,605.88	2,020.13	1,605.88
Other employees	578.82	667.77	578.82
Travel, incidentals and per diem	149.86	68.65	149.86
Telephone and telegraph services	335.52	326.03	335.52
Light, heat, power and water	333.22	353.38	333.22
Rentals	1,143.29	1,153.29	1,143.29
Direct maintenance materials and outside repairs - Others	2,408.91	1,038.00	2,408.91
Shop and servicing supplies	347.14	2,001.72	347.14
Stationery, printing and office supplies	10.42	13.27	10.42
Other supplies	501.90	320.65	501.90
Insurance - Employee welfare and compensation	219.87	615.27	219.87
Other expenses	--	80.29	--
Expenses transferred and joint facilities - Credit	<u>(3,862.81)</u>	<u>(6,906.23)</u>	<u>(3,862.81)</u>
Total	<u>\$ 10,608.43</u>	<u>\$ 10,659.47</u>	<u>\$ 10,608.43</u>

Schedule VIITHE FLYING TIGER LINE INC.Schedule VII - Traffic and Sales

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
General officers and superintendents	\$ 673.39	\$ 550.00	\$ 673.39
Local managers and superintendents	1,700.00	1,700.00	1,700.00
Vacation, sick leave and idle time	381.70	371.57	381.70
Traffic solicitors	7,737.50	7,532.12	7,737.50
Other employees	1,240.45	1,265.45	1,240.45
Travel, incidentals and per diem	1,187.58	1,816.44	1,187.58
Telephone and telegraph service	876.35	1,262.48	876.35
Light, heat, power and water	11.16	11.00	11.16
Commissions	481.58	1,444.91	481.58
Entertainment	210.84	207.37	210.84
Other services	65.80	57.75	65.80
Rentals	377.50	410.00	377.50
Stationery, printing and office supplies	340.21	409.12	340.21
Other supplies	9.01	7.06	9.01
Insurance - Employee Welfare and Compensation	29.17	27.93	29.17
Other expenses	67.62	77.37	67.62
Memberships	72.62	179.96	72.62
Tariffs, schedules and time tables	<u>302.50</u>	<u>--</u>	<u>302.50</u>
Total	<u>\$ 15,764.98</u>	<u>\$ 17,330.53</u>	<u>\$15,764.98</u>

THE FLYING TIGER LINE INC.

Schedule VII-A - Traffic and Sales

<u>ACCOUNT</u>	<u>TOTAL</u>	<u>BU</u>	<u>SF</u>	<u>CG</u>	<u>NY</u>	<u>CV</u>	<u>DT</u>	<u>STL</u>	<u>KC</u>
General officers and superintendents	\$ 673.39	\$ 673.39	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Local mgrs. and superintendents	1,700.00	--	350.00	--	500.00	350.00	500.00	--	--
Vacation and sick leave	381.70	136.82	46.67	42.16	98.55	22.50	25.00	10.00	--
Traffic solicitors	7,737.50	2,925.00	850.00	1,065.00	2,022.50	325.00	250.00	300.00	--
Other employees	1,240.45	506.45	100.00	200.00	434.00	--	--	--	--
Travel, incidentals and per diem	1,187.58	329.06	176.75	91.03	263.98	150.75	176.01	--	--
Telephone and telegraph	876.35	641.13	(4.01)	95.96	48.15	70.98	24.14	--	--
Light, heat, power and water	11.16	--	--	--	10.00	1.16	--	--	--
Commissions	481.58	147.69	6.54	--	309.07	--	--	--	18.28
Entertainment	210.84	68.98	69.16	18.00	16.20	16.00	22.50	--	--
Other services	65.80	--	--	--	4.80	10.50	50.50	--	--
Rentals	377.50	--	32.50	75.00	150.00	50.00	70.00	--	--
Stationery, printing and office supplies	340.21	88.15	8.73	31.79	107.29	80.05	20.60	3.60	--
Other supplies	9.01	--	--	1.95	5.36	1.70	--	--	--
Insurance - Employee Welfare and Comp.	29.17	14.93	4.55	2.02	6.39	--	.83	.45	--
Tariffs, schedules and time tables	302.50	81.68	42.35	18.15	96.80	12.10	45.38	3.02	3.02
Other expenses	67.62	1.37	--	20.05	46.20	--	--	--	--
Memberships	72.62	1.50	--	--	14.62	7.50	49.00	--	--
Total	\$15,764.98	\$5,616.15	\$1,683.24	\$1,661.11	\$4,133.91	\$1,098.24	\$1,233.96	\$ 317.07	\$ 21.30

Schedule VIII

THE FLYING TIGER LINE INC.

Schedule VIII - Advertising and Publicity

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
Advertising - Space	\$ 75.50	\$ 61.00	\$ 75.50
Advertising - Other	<u>100.89</u>	<u>101.28</u>	<u>100.89</u>
Total	<u>\$ 176.39</u>	<u>\$ 162.28</u>	<u>\$ 176.39</u>

Schedule IXTHE FLYING TIGER LINE INC.Schedule IX - General and Administrative

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
General officers and superintendents	\$ 2,550.00	\$ 2,625.00	\$ 2,550.00
Local managers and superintendents	2,884.28	3,100.00	2,884.28
Vacation, sick leave and idle time	389.76	403.02	389.76
Communications operators and dispatchers	589.49	720.72	589.49
Other employees	5,669.10	5,644.98	5,669.10
Travel, incidentals and per diem	797.19	623.53	797.19
Telephone and telegraph services	562.78	602.12	562.78
Light, heat, power and water	158.08	188.16	158.08
Special, professional and technical fees and expenses	4,754.64	3,937.65	4,754.64
Entertainment	162.80	308.94	162.80
Stationery, printing and office supplies	1,650.63	2,293.12	1,650.63
Other supplies	38.00	20.31	38.00
Insurance - Public Liability, Property Damage and General	58.31	58.31	58.31
Insurance - Employee Welfare and Com- pensation	19.71	22.73	19.71
Memberships	599.65	599.69	599.65
Corporate and fiscal expenses	78.12	321.06	78.12
Bad debts	1,280.94	1,146.76	1,280.94
Taxes - Payroll	2,751.80	3,163.12	2,751.80
Taxes - Other	670.32	1,215.94	670.32
Other expenses	<u>85.40</u>	<u>219.39</u>	<u>85.40</u>
Total	<u>\$ 25,751.00</u>	<u>\$ 27,214.55</u>	<u>\$ 25,751.00</u>

Schedule X

THE FLYING TIGER LINE INC.

Schedule X - Depreciation Ground Equipment

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
Ground property and equipment depreciation	\$ <u>2,336.30</u>	\$ <u>1,534.55</u>	\$ <u>2,336.30</u>
Total	\$ <u>2,336.30</u>	\$ <u>1,534.55</u>	\$ <u>2,336.30</u>

Schedule XI

THE FLYING TIGER LINE INC.

Schedule XI - Non-Operating Income
and Other Deductions from Income

	July <u>1948</u>	June <u>1948</u>	Year to <u>Date</u>
<u>Non-Operating Income:</u>			
Cash discounts	\$ 46.87	\$ 41.61	\$ 46.87
Interest income	44.41	66.35	44.41
Other income	274.26	863.89	274.26
Gain on sale of equipment (loss)	<u>70.61</u>	<u>6,606.84</u>	<u>70.61</u>
Total	<u>\$ 436.15</u>	<u>\$7,578.69</u>	<u>\$ 436.15</u>
<u>Other Deductions from Income:</u>			
Adjustment to Transpac revenues	\$ --	\$ 62.17	\$ --
Interest expense	127.28	66.66	127.28
Other deductions	<u>396.04</u>	<u>1,232.59</u>	<u>396.04</u>
Total	<u>\$ 523.32</u>	<u>\$1,361.42</u>	<u>\$ 523.32</u>

Revenue Statistics

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THE FLYING TIGER LINE INC.

REVENUE STATISTICS - MONTH OF JULY 1948

<u>From</u>	<u>To</u>	<u>Tons Carried</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
<u>Eastbound</u>						
CG	CV	.40	122.8	\$ 31.75	\$.2585	3
CG	DO	--	--	(32.60)	--	5
CG	NY	6.04	4,302.9	756.15	.1757	28
CV	NY	.54	212.7	53.18	.2500	3
DO	NY	.41	192.5	35.68	.1853	4
KC	NY	.43	463.2	86.07	.1858	2
LA	CG	28.04	48,921.9	7,854.46	.1605	269
LA	CV	9.31	19,171.4	2,985.80	.1557	80
LA	DO	6.30	12,499.8	1,907.67	.1526	67
LA	KC	8.97	12,150.4	2,429.24	.1999	73
LA	LS	23.26	36,965.7	5,833.12	.1578	121
LA	NY	53.20	129,798.2	18,484.99	.1424	535
LS	CG	2.94	770.6	212.31	.2755	4
LS	DO	2.40	1,090.6	177.38	.1626	1
LS	NY	.09	84.2	14.48	.1720	1
SF	CG	9.50	17,647.2	2,644.34	.1498	34
SF	CV	11.87	25,702.8	4,065.72	.1582	88
SF	KC	8.62	12,980.2	2,339.08	.1802	24
SF	LS	25.48	44,435.3	6,967.32	.1568	106
SF	NY	7.18	18,370.5	2,686.01	.1462	27
Total Eastbound		<u>204.98</u>	<u>385,882.9</u>	<u>\$59,532.15</u>	<u>\$.1543</u>	<u>1,475</u>

Revenue Statistics

(Page 2 of 2)

THE FLYING TIGER LINE INC.

REVENUE STATISTICS - MONTH OF JULY 1948

<u>From</u>	<u>To</u>	<u>Tons Carried</u>	<u>Ton Miles Carried</u>	<u>Revenue</u>	<u>Revenue Per Ton Mile</u>	<u>Number of Shipments</u>
<u>Westbound</u>						
CG	KC	1.32	544.5	\$ 96.53	\$.1773	2
CG	LA	11.01	19,212.4	3,007.18	.1565	66
CG	SF	13.69	25,444.3	3,645.88	.1433	30
CV	CG	1.85	570.5	127.06	.2227	3
CV	KC	.11	77.0	16.72	.2171	1
CV	LA	20.43	41,869.2	6,313.70	.1508	68
CV	SF	1.76	3,808.9	540.24	.1418	2
DO	KC	5.32	3,431.0	720.61	.2100	58
DO	LA	61.04	121,037.3	18,641.08	.1540	268
DO	LS	.20	89.6	16.26	.1815	3
DO	SF	8.60	17,992.0	2,804.79	.1559	32
KC	LA	.01	14.9	6.00	.4027	2
KC	SF	1.20	1,807.2	273.60	.1514	1
LS	LA	1.32	2,101.4	342.21	.1628	4
NY	CG	20.80	14,809.2	2,710.34	.1830	139
NY	CV	1.27	504.1	127.68	.2533	6
NY	DO	9.91	4,686.0	975.39	.2081	32
NY	KC	.99	1,073.6	217.42	.2025	21
NY	LA	116.01	283,071.7	40,658.96	.1436	341
NY	LS	.22	189.8	42.23	.2225	7
NY	SF	14.70	37,637.1	5,934.68	.1577	137
PG	LA	<u>2.43</u>	<u>5,828.1</u>	<u>827.73</u>	<u>.1420</u>	<u>1</u>
<u>Total Westbound</u>		<u>294.19</u>	<u>585,799.8</u>	<u>\$ 88,046.29</u>	<u>\$.1503</u>	<u>1,224</u>
<u>North and Southbound</u>						
LA	SF	9.55	3,313.8	\$ 618.93	\$.1868	21
SF	LA	<u>12.56</u>	<u>4,358.6</u>	<u>889.03</u>	<u>.2040</u>	<u>22</u>
<u>Total North and Southbound</u>		<u>22.11</u>	<u>7,672.4</u>	<u>\$ 1,507.96</u>	<u>\$.1965</u>	<u>43</u>
<u>Grand Total</u>		<u>521.28</u>	<u>979,355.1</u>	<u>\$149,086.40</u>	<u>\$.1522</u>	<u>2,742</u>

THE FLYING TIGER LINE INC.

STATISTICS - JULY 1948

		<u>July 1948</u>	<u>June 1948</u>	<u>Year to Date</u>
<u>Hours Flown -</u>				
<u>Freight</u>	C-47	228.9	273.8	228.9
	C-54	<u>689.1</u>	<u>612.2</u>	<u>689.1</u>
	Total	<u>918.0</u>	<u>886.0</u>	<u>918.0</u>
<u>Leases</u>	C-47	--	16.5	--
	C-54	<u>392.4</u>	<u>181.9</u>	<u>392.4</u>
	Total	<u>392.4</u>	<u>198.4</u>	<u>392.4</u>
<u>Non-Revenue</u>	C-47	.3	7.8	.3
	C-54	<u>41.9</u>	<u>3.0</u>	<u>41.9</u>
	Total	<u>42.2</u>	<u>10.8</u>	<u>42.2</u>
<u>Total</u>	C-47	229.2	298.1	229.2
	C-54	<u>1,123.4</u>	<u>797.1</u>	<u>1,123.4</u>
	Total	<u>1,352.6</u>	<u>1,095.2</u>	<u>1,352.6</u>
<u>Miles Flown -</u>				
<u>Freight</u>	C-47	35,948	43,254	35,948
	C-54	<u>124,026</u>	<u>108,406</u>	<u>124,026</u>
	Total	<u>159,974</u>	<u>151,659</u>	<u>159,974</u>
<u>Leases</u>	C-47	--	2,689	--
	C-54	<u>74,192</u>	<u>34,774</u>	<u>74,192</u>
	Total	<u>74,192</u>	<u>37,463</u>	<u>74,192</u>
<u>Non-Revenue</u>	C-47	47	1,311	47
	C-54	<u>6,773</u>	<u>485</u>	<u>6,773</u>
	Total	<u>6,820</u>	<u>1,796</u>	<u>6,820</u>
<u>Total</u>	C-47	35,995	47,253	35,995
	C-54	<u>204,991</u>	<u>143,665</u>	<u>204,991</u>
	Total	<u>240,986</u>	<u>190,918</u>	<u>240,986</u>
<u>Load Factors -</u>				
	C-47	58.7%	64.5%	58.7%
	C-54	69.6%	79.6%	69.6%
	Westbound	81.4%	86.5%	81.4%
	Eastbound	61.3%	76.8%	61.3%
	Total	<u>68.6%</u>	<u>77.7%</u>	<u>68.6%</u>
<u>Average Airplane Utilization</u>				
	C-47	2.5 hrs.	3.2 hrs.	2.5 hrs.
	C-54	<u>8.8 hrs.</u>	<u>6.6 hrs.</u>	<u>8.8 hrs.</u>
<u>Revenue Per Ton Mile Carried -</u>				
	Westbound	\$.1507	\$.1263	\$.1503
	Eastbound	.1543	.1200	.1543
	Total	<u>.1522</u>	<u>.1229</u>	<u>.1522</u>

THE FLYING TIGER LINE INC.

Commodity Statistics
(Page 1 of 2)

COMMODITY STATISTICS FOR MONTH OF JULY, 1948

<u>COMMODITY</u>	<u>CG</u>	<u>CV</u>	<u>DT</u>	<u>KC</u>	<u>LA</u>	<u>STL</u>	<u>NY</u>	<u>SF</u>	<u>PG</u>	<u>TOTAL</u>
<u>First Class (pounds)</u>										
Advertising Display Figures			(140)					7		(133)
Aircraft Spare Parts and Assemblies	141	4,427	104	29	33,896	2,596	1,366	6,328		48,887
Airplane Engines		2,700			4,105					6,805
Automobile Parts	1,525	1,365	145,365		13,813	4,794	343	7		167,212
Building Materials	807		1,783				305		4,869	7,764
Candy and Confectionery Products							63			63
Chemicals Not Otherwise Indexed by Name					150					150
Clothing	1,182	637			1,370		12,230	6,821		22,240
Clothing Accessories	630						240			870
Drugs and Cosmetics			524		5,621		20,212	258		26,615
Electric Lamps					143					143
Industrial Machinery, Equip. & Parts	6,639	10,259	60		6,693		12,426	1,981		38,058
Farm Implements				10						10
Film Exposed		1,160			215		410			1,785
Film Raw						193				193
Foods Canned or Dried		30								30
Furniture New	8,888				4,655		6,235			19,778
Greeting Cards and Stationery					9,316					9,316
Home Appliances, Washing Machines, Stoves					100		60			160
Human Remains					8,405			1,270		9,675
Leather Hides, Furs	315				570		5,768	130		6,783
Misc. Electrical Products	4,656	562	226		4,920		1,409	272		12,045
Paper Products	8,655				21		2,866	1,060		12,602
Minerals, ore concentrates, etc.								17		17
Misc. Merchandise Consolidated	15,853	2,071	834		61,202		217,767	2,588		300,315
Motorcycles, Bicycles and Parts					2,276					2,276
Motors, Ground Equipment, Electric		30			397		380	23		830
Musical Instruments					(465)					(465)
Office Machines, Calculators Tabu- lators, Typewriters							24,802			24,802
Optical Equip. Eyeglasses, Lenses, Etc.							343			343
Personal Belongings, Baggage, Etc.	233	3,260			359		80			3,932
Paints, Lacquers, Thinners, Etc.	506									506
Phonograph Records	1,035				35,736		525	121		37,417
Photographic Equipment					252			386		638

THE FLYING TIGER LINE INC.

Commodity Statistics
(Page 2 of 2)

COMMODITY STATISTICS FOR MONTH OF JULY, 1948

<u>COMMODITY</u>	<u>CG</u>	<u>CV</u>	<u>DT</u>	<u>KC</u>	<u>LA</u>	<u>STL</u>	<u>NY</u>	<u>SF</u>	<u>PG</u>	<u>TOTAL</u>
<u>First Class (pounds)</u>										
Pottery Ware					196			33		229
Printed Matter, N.O.I.B.N.			604		845		88	340		1,877
Radios, Home and Television Receivers	2,577				144		4,327	1,450		8,498
Plastics	10				504					514
Rubber Tires and Tubes			1,771		210					1,981
Safety Equipment	292				20		210			522
Scales and Balances					120					120
Shoes					188		799			987
Slide Fasteners, Metal or Plastic		22,449			132		987			23,568
Sports Equipment All Kinds	100				1,400	49	293	175		2,017
Textile Goods		257					5,062	5,034		10,353
Hardware, Hand Tools, Bolts, Nuts, Nails, Etc.						5,883				5,883
Vending and Amusement Machines, Coin Operated	(2,885)				1,336		7,330			5,781
X-Ray and Therapeutic Apparatus		205			197		1,080			1,482
Dairy Products	11,628									11,628
Flowers	60				74,992			122,045		197,097
Fruits Fresh					69					69
Meats				821						821
Plants With Roots							122	15		137
Sea Food					1,697		422			2,119
Chicks				2,412						2,412
Pet Stock, Dogs, Cats, Etc.	55				233		30	38		356
Total	62,932	49,382	151,131	3,272	276,033	13,515	328,580	150,399	4,869	1,040,113

Traffic

THE FLYING TIGER LINE INC.

JULY - 1948

	<u>July - 1948</u>		<u>June - 1948</u>		<u>Year to Date</u>	
	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>	<u>Dollars</u>	<u>Tons</u>
<u>Origination of Freight</u>						
Chicago	\$ 7,504.89	31.2	\$ 5,372.26	26.4	\$ 7,504.89	31.2
Cleveland	7,050.90	24.7	8,895.28	36.6	7,050.90	24.7
Detroit	22,218.42	75.6	17,181.58	66.9	22,218.42	75.6
Kansas City	365.67	1.6	691.36	3.3	365.67	1.6
Los Angeles	40,114.21	138.7	34,371.09	139.7	40,114.21	138.7
New York	50,666.70	163.9	39,249.02	216.9	50,666.70	163.9
Philadelphia	827.73	2.4	780.04	2.4	827.73	2.4
San Francisco	19,591.50	75.2	13,866.20	52.4	19,591.50	75.2
St. Louis	746.38	6.8	1,335.01	13.2	746.38	6.8
Miscellaneous	---	---	(910.44)	---	---	---
Total	<u>\$149,086.40</u>	<u>520.1</u>	<u>\$120,831.40</u>	<u>557.8</u>	<u>\$149,086.40</u>	<u>520.1</u>

<u>Destination of Freight</u>						
Chicago	\$ 13,543.51	63.1	\$ 15,551.24	134.6	\$ 13,543.51	63.1
Cleveland	7,210.95	22.8	4,918.23	20.5	7,210.95	22.8
Detroit	3,027.84	17.4	2,293.35	18.5	3,027.84	17.4
Kansas City	5,819.60	25.3	6,504.74	27.1	5,819.60	25.3
Los Angeles	70,685.89	224.8	45,155.39	161.8	70,685.89	224.8
St. Louis	12,858.93	49.3	11,625.42	54.3	12,858.93	49.3
New York	22,116.56	67.9	20,492.87	88.4	22,116.56	67.9
Philadelphia	---	---	330.30	1.8	---	---
San Francisco	13,818.12	49.5	14,870.25	50.8	13,818.12	49.5
Miscellaneous	---	---	(910.44)	---	---	---
Total	<u>\$ 149,086.40</u>	<u>520.1</u>	<u>\$ 120,831.40</u>	<u>557.8</u>	<u>\$ 149,086.40</u>	<u>520.1</u>

T. C. HAYWOOD

The Flying Tiger Line Inc.

ANNUAL REPORT

For The Year Ended June 30, 1949



LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA



President's Letter

Introduction

In previous annual reports we have described the many problems which confronted us, both financial and political. While many of these are yet unsolved, we can for the first time report some very favorable developments for your Company.

These are discussed under three general headings, as follows:

- I. CERTIFICATION
- II. FINANCIAL OUTCOME FOR THE PAST YEAR
- III. PROSPECTS FOR THE FUTURE.

I. CERTIFICATION

We can at long last announce the final decision of the Civil Aeronautics Board upon our application for a Certificate of Convenience and Necessity for the carriage of property only on domestic routes within the United States. The application was filed on August 6, 1946. On August 2, 1949, exactly three years later, the Board reaffirmed its tentative decision in the Air Freight Case in which your Company was awarded its certificate. The Board decision on the certificate is reprinted for you elsewhere in this report and we have also produced a map showing the cities which we are permitted to serve. The certificate is for a five-year period. In this connection it should be pointed out that the Board rarely, if ever, awards a permanent certification on its first decision. Most new certificate awards have been on a three-year basis. Our route will be known as Route 100. We did not apply for and were not awarded any mail pay or mail carriage authorization.

One rather surprising development which greatly disappointed us was the condition of the certificate excluding our Company from doing business with the Railway Express Agency which handles air express. We had hoped that cooperation between the Railway Express Agency and the all-cargo carriers would greatly enhance the future development of the carriage of property by air since both the Express Agency and the cargo carriers are dealing in the carriage of property only. However, as it develops, the Railway Express Agency can deal only with the passenger airlines and the cargo carriers are excluded. Admittedly, our future development and expansion will be difficult because we will have the passenger lines competing against us. They are not only subsidized but also have the additional advantages of the vast facilities of the Railway Express Agency for a ground-and-air combination movement.

II. FINANCIAL OUTCOME FOR THE PAST YEAR

We are very happy to be able to report to you that in this, our fourth year of business, we have operated profitably for the first time. There are three factors which are chiefly responsible for this improved financial condition:

A. During the entire preceding year there existed a rate war in the airfreight industry. Rates were depressed to a point which made a sustaining operation all but impossible in the face of rising costs. The heavily-subsidized passenger-carrying segment of the air transport industry made a concerted attempt to eliminate those of us in the all-cargo field before we could complete our case for certification before the Civil Aeronautics Board. They were successful in wiping out the all-cargo carriers in all but a few cases. Your Company was one of the fortunate exceptions that survived.

The result of the Civil Aeronautics Board decision in the rate war case was a minimum rate order effective on July 1, 1948. By coincidence this was the beginning of our past fiscal year. Prior to the minimum rate order we were receiving an average of 11½ cents per ton-mile for the carriage of freight. Since July 1, 1948, our income has been 15 cents per ton-mile, a difference of 3½ cents a

ton-mile. Multiplying the 3½ cents times the 13,000,000 ton-miles flown in the past year gives us a net gain of \$455,000 for the same amount of service performed. The difference in the outcome for the past year as against the previous year was a profit of \$123,000 versus a loss of \$349,000, or a total gain of \$472,000. This is very close to the net gain referred to above which resulted from the minimum rate order.

B. In addition to the improved unit return another important factor contributed to our improvement. Although there was an increase in our volume of business, the gross income figures in our profit and loss statement do not reflect it, since they are slightly less than those for last year. The explanation is that the 1948 figures reflected the termination charges and income on the Air Transport Command contract that began in January of 1947. This contract was terminated in November, 1947, and, therefore, all termination costs and revenues were reflected in last year's report. This year, however, our entire gross income was from commercial operations.

C. Like most other businesses, your Company has faced continued rising costs, both in labor and materials. Increases in gasoline prices alone have amounted to about \$10,000 per month for this past year. We have been able to offset these increased unit costs to some extent by increasing our general efficiency.

It will be remembered that your Company, since its inception, has had to cut its own pattern, pioneering a new field in which there was no established model in existence. True, there have been extended airline passenger operations in this country for the past twenty years. However, we frankly feel that the only thing common to the two fields is that we both use airplanes. Our sales approach is different, our scheduling problems are different, our cost problems are different and our traffic handling problems are different. The economies that should be inherent in an air trucker's business are being slowly and painfully dug out and put to use. Many savings we know can be made have not yet been accomplished because until now we have not been able to do any permanent, long-range planning. Now that our Certificate Case has finally been settled and we know what places we may serve and under what conditions we can go forward.

D. A very important contribution to our great increase in commercial operations can be attributed to the activities of the airfreight forwarders who were granted exemption authorization to operate in the airfreight field in August, 1948. We expect a continuing healthy increase of business promoted by these forwarders.

III. PROSPECTS FOR THE FUTURE

While we have been serving eight cities on a regular basis for the past two years, we now have the duty under our certificate of serving the forty-three cities listed therein. We will probably never serve all of these cities daily on a year-round basis since many of them were included in the certificate for the purposes of being served on a seasonal basis for the movement of perishable agricultural products.

It is your Management's intention to proceed on this expansion program on a very cautious basis. Our first points of expansion will be a new route leading into the New England area including Boston, Hartford and Buffalo, with intermediate points. We expect to be serving this route by the end of September. While our present financial condition is comparatively good, we obviously do not have the financial resources to develop fully all the routes and cities listed. Therefore, it will be imperative sometime in the future to raise additional capital.

Another growing source of income to the Company is our Maintenance Sales program. We have sufficient capacity in our shops to handle much more maintenance work than our freight operations presently require. We have therefore been soliciting outside maintenance. During this past fiscal period this source of revenue has amounted to \$218,000. Competition within this field is keen, but I consider our possibilities for a continuance of this type of revenue as good. We have been inspected and approved for this type of work by the United States Coast Guard, the United States Navy and the Army Air Forces and we are in contact with all foreign air attaches in Washington. Every possible avenue for securing this kind of business is being aggressively pursued.

Changes in Officers and Directors

There were no changes in officers during the past year. Mr. F. Stuart Roussel resigned as a Director and Mr. Houston Rehrig was elected to the Board at the Stockholder Meeting in September, 1948.

Return Reply Postal Cards

We have been gratified at the response we received before on the postal cards with the leads for more business. We are repeating that program this year and will appreciate information from any stockholder who may direct us to more new business, either in aircraft maintenance or in additional freight tonnage.

Conclusion

As stated previously, the results of the past year have been very satisfactory. We repeat once again that without the loyal assistance of our stockholders and friends throughout the country and the efficient cooperation of our employees the long, hard fight for recognition of the airfreight industry could not have been brought to such a successful completion. Our thanks to all of you for your faith and support during the past several years.

For the Board of Directors

ROBERT W. PRESCOTT

President

Burbank, California

August 25, 1949

OFFICERS

President - - - - - ROBERT W. PRESCOTT
Executive Vice-President - - - - GEORGE T. CUSSEN
Vice-President - - - - - ROBERT P. HEDMAN
Vice-President - - - - - WILLIAM E. BARTLING
Secretary-Treasurer - - - - - FRED BENNINGER
Assistant Secretaries - - - - - NORMAN L. MEYERS and
RICHARD H. KEATINGE

DIRECTORS

SAMUEL B. MOSHER, *Chairman of the Board*

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

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

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

612 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, 1949 and the related statements of revenues and expenses and deficit account for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously had made a similar examination of the financial statements of The Flying Tiger Line Inc. and its subsidiary, Flying Tiger Transport Inc., for the year ended June 30, 1948.

In our opinion, the accompanying balance sheet and statements of revenues and expenses and deficit account present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1949 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 9, 1949.

ASSETS

	June 30, 1949	June 30, 1948
CURRENT ASSETS:		
Cash.....	\$ 208,162.87	\$ 201,834.23
Receivables—		
Customers (including notes of \$20,000 and \$27,000 at respective dates).....	\$ 279,651.91	\$ 238,126.10
Refunds on insurance premiums.....	—	46,863.50
Loss claims against insurance companies.....	10,597.66	32,173.77
Due on sale of aircraft.....	—	29,606.15
Gasoline tax refunds.....	25,526.18	26,050.34
Other (including \$8,217.33 and \$7,017.56 from officers and employees at respective dates).....	44,273.38	28,710.76
	<u>\$ 360,049.13</u>	<u>\$ 401,530.62</u>
Less—Reserve for bad debts.....	31,957.62	19,000.00
	<u>\$ 328,091.51</u>	<u>\$ 382,530.62</u>
Inventories, at cost not in excess of market—		
Materials and supplies.....	\$ 92,917.96	\$ 85,184.60
Outside maintenance jobs in process (less progress payments of \$92,828.10 at June 30, 1949).....	98,013.51	2,217.06
	<u>\$ 190,931.47</u>	<u>\$ 87,401.66</u>
Total current assets.....	<u>\$ 727,185.85</u>	<u>\$ 671,766.51</u>
PREPAID EXPENSES:		
Unexpired insurance premiums.....	\$ 8,576.58	\$ 79,319.01
Taxes.....	9,347.44	8,019.07
Other.....	6,252.37	7,243.34
	<u>\$ 24,176.39</u>	<u>\$ 94,581.42</u>
PROPERTY AND EQUIPMENT (Note 3):		
Cost (includes items totaling approximately \$290,000 at June 30, 1949 which are fully depreciated)—		
Aircraft and other flight equipment (in part pledged as security to notes payable at June 30, 1949, per contra).....	\$ 831,526.13	\$ 582,976.01
Hangar, shop and ramp equipment.....	120,332.34	117,395.01
Other equipment.....	78,438.41	76,611.93
Buildings and improvements on leased land.....	174,611.81	171,162.01
	<u>\$1,204,908.69</u>	<u>\$ 948,144.96</u>
Less—Reserve for depreciation.....	553,250.59	444,962.12
	<u>\$ 651,658.10</u>	<u>\$ 503,182.84</u>
Modification costs of leased aircraft, in process of amortization.....	84,933.44	45,818.20
Aircraft engines at residual value plus unflown hours at cost.....	92,717.06	59,128.80
Surplus aircraft and engines at residual value.....	5,750.00	14,750.00
	<u>\$ 835,058.60</u>	<u>\$ 622,879.84</u>
	<u>\$1,586,420.84</u>	<u>\$1,389,227.77</u>

The accompanying notes are an in-

LIABILITIES

	<u>June 30, 1949</u>	<u>June 30, 1948</u>
CURRENT LIABILITIES:		
Notes payable—		
Current maturities of note for purchase of airplane—see below.....	\$ 86,319.66	\$ —
Bank.....	—	44,322.43
Trade.....	—	12,000.00
	<u>\$ 86,319.66</u>	<u>\$ 56,322.43</u>
Accounts payable.....	\$ 138,783.31	\$ 147,897.42
Accrued liabilities—		
Payroll, vacations and sick leave.....	\$ 76,563.84	\$ 51,390.47
Property, payroll and other taxes.....	34,390.83	23,147.85
Insurance, rent, etc.....	17,862.34	27,921.35
	<u>\$ 128,817.01</u>	<u>\$ 102,459.67</u>
Amount withheld from employees for income taxes.....	\$ 10,509.65	\$ 11,896.63
Total current liabilities.....	<u>\$ 364,429.63</u>	<u>\$ 318,576.15</u>

LONG-TERM DEBT:

Note payable (for purchase of airplane) secured by pledge of two airplanes carried at cost of \$402,340.82, per contra—interest rate 5 per cent—		
Balance payable in monthly installments of \$7,500 including interest.....	\$ 112,812.36	\$ —
Less—Current maturities shown above.....	86,319.66	—
	<u>\$ 26,492.70</u>	<u>\$ —</u>
Balance due on purchase of modification costs of leased aircraft (paid through issuance of capital stock).....	—	34,000.00
	<u>\$ 26,492.70</u>	<u>\$ 34,000.00</u>

CONTINGENT LIABILITIES AT JUNE 30, 1949:

Under pending litigation, etc., approximately \$8,000

CAPITAL STOCK EQUITY:

Capital stock of \$1.00 par value (Note 4)—		
Authorized—1,000,000 shares		
Issued and outstanding—761,227 shares and 726,000 shares at respective dates.....	\$ 761,227.00	\$ 726,000.00
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.....	1,203,367.80	1,326,987.69
	<u>\$1,195,498.51</u>	<u>\$1,036,651.62</u>
	<u>\$1,586,420.84</u>	<u>\$1,389,227.77</u>

al part of the above balance sheets.

The Flying Tiger Line Inc.

STATEMENTS OF DEFICIT ACCOUNT FOR THE YEARS ENDED JUNE 30, 1949 AND 1948

	Year Ended June 30	
	1949	1948
Balance at beginning of year.....	\$1,326,987.69	\$ 977,724.46
Net income or <i>loss</i> per accompanying statements of revenues and expenses.....	123,619.89	349,263.23
Balance at end of year.....	\$1,203,367.80	\$1,326,987.69

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

STATEMENTS OF REVENUES AND EXPENSES FOR THE YEARS ENDED JUNE 30, 1949 AND 1948

	Year Ended June 30	
	1949	1948
OPERATING REVENUES:		
From domestic operations (freight, rentals and service sales).....	\$2,962,182.80	\$1,511,767.00
From trans-Pacific operations (to November 30, 1947 when contract terminated).....	—	1,770,047.91
Total.....	\$2,962,182.80	\$3,281,814.91
OPERATING EXPENSES:		
Flying operations.....	\$1,153,588.86	\$1,401,650.51
Ground operations.....	292,970.77	280,717.08
Maintenance.....	643,350.23	1,094,610.97
Traffic, sales, advertising and publicity.....	274,046.04	176,569.29
General and administrative.....	329,147.72	419,601.64
Depreciation and amortization (Note 3).....	134,139.10	285,381.32
Total.....	\$2,827,242.72	\$3,658,530.81
Deduct—Portion of above charged to reserve for contract termination costs created in the preceding year.....	—	50,000.00
Net operating expenses.....	\$2,827,242.72	\$3,608,530.81
Net income or <i>loss</i> from operations.....	\$ 134,940.08	\$ 326,715.90
OTHER CHARGES (net):		
Loss on sale of aircraft, engines and other equipment.....	\$ 2,685.80	\$ 8,764.66
Write-down of surplus engines to residual value.....	—	8,456.25
Interest on notes payable.....	6,328.00	2,330.18
California franchise tax.....	4,250.00	—
Miscellaneous (net).....	1,943.61	2,996.24
Total.....	\$ 11,320.19	\$ 22,547.33
Net income or <i>loss</i> for the year (Note 1).....	\$ 123,619.89	\$ 349,263.23

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

The Flying Tiger Line Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1949 AND 1948

(1) No accrual is required for Federal income taxes for the year ended June 30, 1949 by reason of the carry-forward provisions of the Internal Revenue Code. Without the benefit of these provisions, such taxes, computed on net income for the fiscal year 1949, would amount to approximately \$55,000, and would reduce net income for the year from \$123, 619.89 to \$68, 619.89.

(2) The financial statements for the year ended June 30, 1948 are consolidations of The Flying Tiger Line Inc. and its wholly owned subsidiary, Flying Tiger Transport Inc. As of July 1, 1948 the assets and liabilities of the subsidiary were transferred to the parent company and the subsidiary's charter has been allowed to expire.

(3) At June 30, 1949, the company was operating a fleet of 3 DC-3 and 6 DC-4 aircraft, three of the latter being rented from the United States Government under leases, the expiration dates of which were in process of being extended to December 31, 1954, but which may be terminated by either party at will. As a result of the extension of the expiration dates of these leases and because the company has received its Certificate of Convenience and Necessity from the Civil Aeronautics Board, the estimated service lives of DC-4 aircraft used for depreciation and amortization purposes were extended, effective July 1, 1948, so that such aircraft will be depreciated to their residual values at December 31, 1954. Had the estimated service lives used in preceding years been continued in the current year, the depreciation and amortization provision for such year would have been \$126,226.87 more than is included in the accompanying statement of revenues and expenses.

At June 30, 1948, the company carried its aircraft engines on the basis of cost less depreciation based on estimated flyable hours. During the current year, the basis of recording the cost of engines was changed to residual value plus costs applicable to the remaining number of flyable hours. This change did not materially affect the results of operations for the year.

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

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. No warrant or option will be issued exercisable at a price less than \$5.00 per share.

Copy

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 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., Brawley-El Centro, Calif., Fresno, Calif., Long Beach, Calif., Oakland, Calif., Sacramento, Calif., Salinas-Monterey, Calif., San Diego, Calif., San Francisco, Calif., Santa Barbara, Calif., Stockton, Calif., and Thermal, Calif.;
 2. The intermediate points Longview, Wash., Portland, Oreg., Seattle, Wash., Wenatchee, Wash., and Yakima, Wash.
 3. The intermediate point Minneapolis-St. Paul, Minn.;
 4. The intermediate point Denver, Colo.;
 5. The intermediate points Des Moines, Iowa, and Omaha, Nebr.;
 6. The intermediate points Akron, Ohio, Chicago, Ill., Cleveland, Ohio, Detroit, Mich., Fort Wayne, Ind., Grand Rapids, Mich., Milwaukee, Wis., South Bend, Ind., and Toledo, Ohio;
 7. The intermediate points Albany, N. Y., Binghamton, N. Y., Boston, Mass., Buffalo, N. Y., Hartford, Conn., New York, N. Y., Newark, N. J., Philadelphia, Pa., Providence, R. I., and Rochester, N. Y.;
 8. The intermediate point Rockland, Maine, and the terminal point Portland, Maine;
- to be known as Route No. 100.

The service herein authorized is subject to the following terms, conditions, and limitations:

- (1) The holder shall render service to and from each of the points named herein, except as temporary suspensions of service may be authorized by the Board, and may begin or terminate, or begin and terminate, trips at points short of terminal points;
- (2) The holder may render a scheduled nonstop service between any two points not consecutively named herein between which service is authorized hereby, without compliance with the provisions of Part 202 of the Economic Regulations;
- (3) Upon compliance with such procedure relating thereto as may be prescribed by the Board, the holder may regularly serve a point named herein through any airport convenient thereto;
- (4) The holder may transport, at the expense of the shipper, one or more attendants with each shipment of live animals, live birds, and live reptiles when necessary for the protection of the shipment, other cargo, or the aircraft or its crew. Such attendant may be transported only when actually accompanying 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. 941, dated March 13, 1941, as amended by Order Serial No. 5149, dated September 3, 1946.

The exercise of the privileges 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 prescribed 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 hereto, attested by the Secretary of the Board, on the 29th day of July, 1949

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

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

AIR FREIGHT ROUTE 100

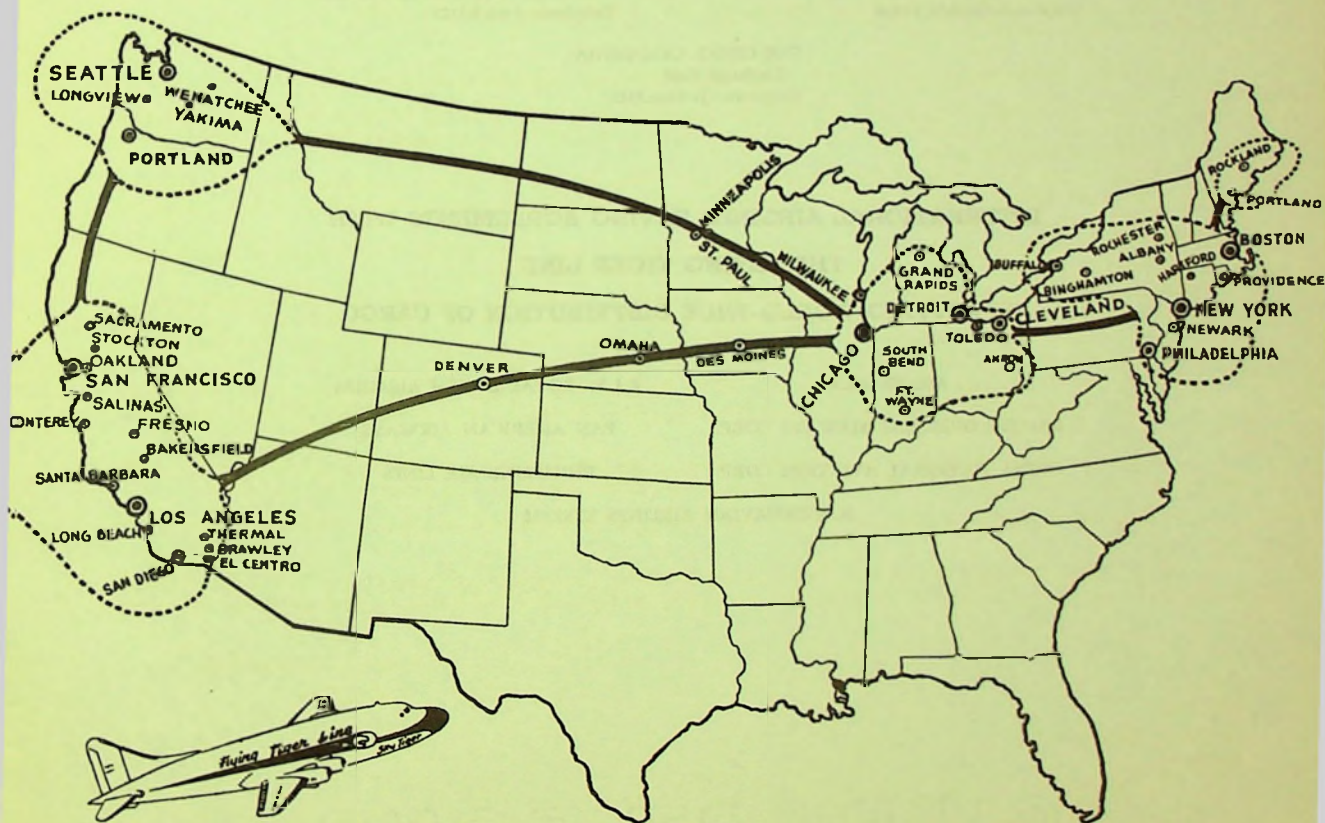
Certificated to

The Flying Tiger Line Inc.

by the

Civil Aeronautics Board

August 12, 1949



SALES OFFICES

NEW YORK CITY, N. Y.
Suite 802, 247 Park Avenue
Telephone—Plaza 3-2891

DETROIT, MICHIGAN
Suite 424, Book Building
Telephone—Woodward 1-9704

CLEVELAND, OHIO
Municipal Airport
Telephone—Orchard 5777

CHICAGO, ILLINOIS
Suite 556, 35 E. Wacker Drive
Telephone—Andover 3-7071

SAN FRANCISCO, CALIFORNIA
Room 403, 406 Sutter St.
Telephone—Garfield 1-6239

OPERATIONS OFFICES

NEWARK, NEW JERSEY
Newark Airport
Telephone—Whitcomb 3-6644

DETROIT, MICHIGAN
Detroit Wayne Major Airport
Telephone—Logan 2-9700

CLEVELAND, OHIO
Municipal Airport
Telephone—Orchard 5777

CHICAGO, ILLINOIS
Municipal Airport, 6054 S. Cicero
Telephone—Portsmouth 7-2406

SAN FRANCISCO, CALIFORNIA
Municipal Airport, So. San Francisco
Telephone—Juno 8-3122

SAN DIEGO, CALIFORNIA
Lindbergh Field
Telephone—Jackson 6321

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