

FF 000252 CHI-CAN FREIGHT FORWARDING, LTD 1979 1

Freight Forwarders
(Class A)

FF000252

Annual Report Form
F-1

1979

ORIGINAL

Approved by GAO
B-180230 (R0254)
Expires

Due: March 31, 1980

1. CORRECT NAME AND ADDRESS IF DIFFERENT THAN
SHOWN. (See instructions)

FF000252 121018 A U 625
CHI-CAN FREIGHT FORWARDING, Ltd
3600 So. WESTERN AVE
Chicago, IL 60609

NAME AND ADDRESS OF REPORTING CARRIER (A-1)

FF000252 121018 A U 625
CHI-CAN FREIGHT FORWARDING, LTD.
4956 SOUTH WELLES AV
CHICAGO IL 60632

2. State whether respondent is an individual owner, partnership, corporation, association, etc.

Corporation

3. If a partnership, state the names and addresses of each partner including silent or limited, and their interests:

Name	Address	Proportion of Interest

4. If a corporation, association or other similar form of enterprise, give:

(a) Dates and States of incorporation or organization:

4-11-1959 ILLINOIS

(b) Directors' names, addresses, and expiration dates of terms of office:

Name	Address	Term Expires
Donald R Lessig	140 Post Rd. Burr Ridge, IL	

(c) The names and titles of principal general officers:

Name	Title
DONALD R LESSIG	PRESIDENT
GEORGE CHOPLIN	SECRETARY

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MAY 27 1980

5. Give the voting power, elections, and stockholders, as follows:

A. Total voting securities outstanding

	shares	votes
(1) Common	20	
(2) 1st Preferred		
(3) 2nd Preferred		
(4) Other securities		

B. Does any class of securities carry any special privileges in any elections or in the control of corporate action?

NO

If so, describe each such class or issue, showing the character and extent of such privileges.

ICC - P.O. 2040

C. State for each class of stock the total number of stockholders of record at the latest date of closing of stock book or compilation of list of stockholders prior to date of submitting this report:

(1) Common _____ (2) 1st Preferred _____ (3) 2nd Preferred _____
 (4) Other _____ (5) Date of closing stock book 12-31-79

6. Give names of the ten security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent (if within 1 year prior to the actual filing of this report), had the highest voting powers in the respondent, showing for each his address, the number of votes which he would have had a right to cast on that date had a meeting then been in order, and the classification of the number of votes to which he was entitled, with respect to securities held by him. If any such holder held securities in trust, give (in a footnote) the particulars of the trust. If the stock book was not closed or the list of stockholders compiled within such year, show such ten security holders as of the close of the year.

Name of security holder (a)	Address (b)	Number of votes, to which entitled (c)	Number of votes, classified			
			Common (d)	1st Preferred (e)	2nd Preferred (f)	Other securities (g)
DRL INDUSTRIES, INC.	3600 So. Western Ave Chicago, IL 60609	20	20			

7. The respondent is required to send to the Bureau of Accounts, immediately upon preparation two copies of its latest annual report to stockholders.

Check appropriate box:

☒ Two copies are attached to this report.

☐ Two copies will be submitted _____

(date)

☐ No annual report to stockholders is prepared.

8. If the respondent was formed as a result of consolidations or mergers during the year, name all constituent companies, and give specific references to charters or general laws governing each organization; date and authority for each consolidation and each merger received from a regulatory body, and date of consummation.

N/A

9. If the respondent was reorganized during the year, give name of original corporation and the laws under which it was organized, or the name of owner or partners, the reason for the reorganization, and date of reorganization.

N/A

10. If the respondent was subject to a receivership during the year, state:

A. Date of receivership _____

B. Court of jurisdiction under which operations were conducted _____

C. Date when possession under it was required _____

D. Name of receiver, receivers, or trustee _____

N/A

11. If any individual, individuals, association, or corporation held control, as trustee, other than receivership, over the respondent at the close of the year, state--

N/A

- A. Date of trusteeship _____
- B. Authority for trusteeship _____
- C. Name of trustee _____
- D. Name of beneficiary or beneficiaries _____
- E. Purpose of trust _____

12. Give a list of companies under common control with respondent:

INLAND TRANSPORT & TERMINAL, INC.
 BC FORWARDING Co., Ltd.
 INTER-CAN FREIGHT FORWARDING, Ltd.
 MAPLE LEAF EXPRESS, INC.

13. Furnish a complete list of all companies controlled by the respondent, either directly or indirectly, at the close of the year. List under each directly controlled company the companies controlled by it and under each company any others of more remote control. Each step of control should be appropriately indented from the left margin. After each company state the percentage, if any, of the voting power represented by securities owned by the immediately controlling company:

N/A

14. Give a complete list showing companies controlling the respondent, as of the close of the year. Commence with the company which is the most remote and list under each such company the company immediately controlled by it. Each step of control should be appropriately indented from the left margin. After each company state the percentage, if any, of the voting power represented by securities owned by the immediately controlling company. When any company listed is immediately controlled by or through two or more companies jointly, list all such companies and list the controlled company under each of them, indicating its status by appropriate cross references.

PARENT COMPANY - DRL INDUSTRIES, INC. 100%

15. States in which traffic is originated and/or terminated: (check appropriate boxes)

Alabama	Georgia	Maryland	New Jersey	South Carolina
Alaska	Hawaii	Massachusetts	New Mexico	South Dakota
Arizona	Idaho	Michigan	☒ New York	Tennessee
Arkansas	Illinois	☒ Minnesota	☒ North Carolina	Texas
California	☒ Indiana	☒ Mississippi	☒ North Dakota	Utah
Colorado	Iowa	☒ Missouri	☒ Ohio	Vermont
Connecticut	Kansas	Montana	Oklahoma	Virginia
Delaware	Kentucky	☒ Nebraska	Oregon	Washington
District of Columbia	Louisiana	Nevada	Pennsylvania	West Virginia
Florida	Maine	New Hampshire	Rhode Island	Wisconsin ☒
				Wyoming

16. COMPARATIVE BALANCE SHEET STATEMENT - ASSET SIDE

Give the following financial data at the beginning of the year and at the close of the year (omit cents).

Line No.	Balance at beginning of year (a)	Item (b)	Balance at close of year (c)
		I. CURRENT ASSETS	
1	619,656	(100) Cash	1,077,966
2		(101) Special cash deposits (Sec. 18)	30,745
3		(102) Temporary cash investments	
4	XXXXXX	1. Pledged \$	XXXXXX
5		2. Unpledged \$	
6	XXXXXX	(103) Working advances	XXXXXX
7	XXXXXX	(104) Notes receivable \$ 8,108	XXXXXX
8	1,374,114	(105) Accounts receivable 1,730,415	XXXXXX
9		(106) Less: Reserve for doubtful accounts \$ -	1,738,523
10		(107) Accrued accounts receivable	
11	34,419	(108) Materials and supplies	29,515
12		(109) Other current assets	
13	2,028,189	(110) Deferred income tax charges (Sec. 19)	2,876,749
		Total current assets	
		II. SPECIAL FUNDS AND DEPOSITS	
14	XXXXXX	(120) Sinking and other funds \$	XXXXXX
15		Less: Nominally outstanding \$	
16	XXXXXX	(121) Special deposits \$	XXXXXX
17		Less: Nominally outstanding \$	
18		Total special funds	
		III. INVESTMENT SECURITIES AND ADVANCES	
19		(130) Investments in affiliated companies (Sec. 20)	
20	XXXXXX	1. Pledged \$	XXXXXX
21		2. Unpledged \$	
22	171,201	Undistributed earnings from certain investments in affiliated companies (Sec. 21)	77,702
23	XXXXXX	(131) Other investments (Sec. 20)	XXXXXX
24		1. Pledged \$	
25		2. Unpledged \$	
26	171,201	(132) Less: Reserve for adjustment of investments in securities	77,702
		(133) Allowance for net unrealized loss on noncurrent marketable equity securities	
		Total investment securities and advances	
		IV. TANGIBLE PROPERTY	
27	XXXXXX	(140) Transportation property (Sec. 22-A) \$ 697,984	XXXXXX
28	558,042	(149) Less: Depreciation and amortization reserve	
		Transportation property (Sec. 22-B) 104,783	593,201
29	XXXXXX	(160) Nontransportation property (Sec. 23) \$	XXXXXX
30		(161) Less: Depreciation reserve	
		Nontransportation property (Sec. 23)	
31	558,042	Total tangible property	593,201
		V. INTANGIBLE PROPERTY	
32	3,986	(165) Organization	3,986
33	29,432	(166) Other intangible property	36,936
34	33,418	Total intangible property	
		VI. DEFERRED DEBITS AND PREPAID EXPENSES	
35	2,575	(170) Prepayments	-
36	8,555	(172) Other deferred debits	
37		(173) Accumulated deferred income tax charges (Sec. 19)	
38	11,130	Total deferred debits and prepaid expenses	
		VII. REACQUIRED AND NOMINALLY ISSUED SECURITIES	
39	XXXXXX	(190) Reacquired and nominally issued long-term debt \$	XXXXXX
40	XXXXXX	Reacquired 1. Pledged \$	XXXXXX
41	XXXXXX	2. Unpledged \$	XXXXXX
42	XXXXXX	Nominally issued 1. Pledged \$	XXXXXX
43	XXXXXX	Unpledged \$	XXXXXX
44	XXXXXX	(191) Nominally issued capital stock \$	XXXXXX
45		1. Pledged \$	
46	2,801,980	2. Unpledged \$	3,584,588
		TOTAL ASSETS	
47	NONE	Contingent assets (not included above)	NONE

For compensating balances not legally restricted, see Sec. 17.

COMPARATIVE BALANCE SHEET STATEMENT—LIABILITY SIDE

Line No.	Balance at beginning of year (a)	Item (b)	Balance at close of year (c)
	\$	VIII. CURRENT LIABILITIES	\$
48	6,000	(200) Notes payable	7,300
49	1,402,969	(201) Accounts payable	1,630,726
50		(202) Accrued interest	
51		(203) Dividends payable	
52	93,709	(204) Accrued taxes	181,068
53	100,163	(205) Accrued accounts payable	217,425
54		(208) Deferred income tax credits (Sec. 19)	
55	25,473	(209) Other current liabilities	
56	1,628,314	Total current liabilities	2,036,519
		IX. LONG-TERM DEBT	
		(b1) Less—Nominally outstanding (b2) Less—Nominally issued	
57	321,833	(210) Funded debt (Sec. 29) \$ \$	313,801
58		(210.5) Capitalized leased obligations	
59		(211) Receivers' and trustees' securities (Sec. 29)	
60		(212) Amounts payable to affiliated companies (Sec. 30)	
61		(213) Long-term debt in default (Sec. 29)	
62		(218) Discount on long-term debt	
63		(219) Premium on long-term debt	
64	321,833	Total long-term debt	313,801
		X. RESERVES	
65		(220) Insurance reserves	
66		(221) Provident reserves	
67		(222) Other reserves	
68		Total reserves	
		XI. DEFERRED CREDITS	
69		(231) Other deferred credits	
70		(232) Accumulated deferred income tax credits (Sec. 19)	
71		Total deferred credits	
		XII. CAPITAL AND SURPLUS	
72	1,000	(240) Capital stock (Sec. 31)	1,000
73	5,100	(241) Premiums and assessments on capital stock	5,100
74	6,100	Total (Lines 70 and 71)	6,100
75		Less—Nominally issued capital stock	
76		(242) Discount, commission and expense on capital stock	
77		Total (Lines 73 and 74)	
78		Total (Lines 72 and 75)	6,100
79		(243) Proprietary capital	
80		(250) Unearned surplus	
81	XXXXXXX	1. Paid in \$ 2. Other \$	XXXXXXX
82		(260) Earned surplus—Appropriated	
83	845,733	(270) Earned surplus—Unappropriated (Deficit in paren.) (Sec. 32)	1,228,168
84	XXXXXXX	1. Distributed \$ 2. Undistributed \$	XXXXXXX
85		(279) Net unrealized loss on noncurrent marketable equity securities	
86		(280) Less: Treasury stock	
87	XXXXXXX	1. Pledged \$ 2. Unpledged \$	XXXXXXX
88	851,833	Total capital and surplus	1,234,268
89	2,801,980	TOTAL LIABILITIES	3,584,588
90	NONE	Contingent liabilities (not included above)	NONE

COMPARATIVE BALANCE SHEET STATEMENT—EXPLANATORY NOTES

Estimated accumulated net Federal income tax reduction realized since December 31, 1949, under section 168 (formerly section 124-A) of the Internal Revenue Code because of accelerated amortization of emergency facilities in excess of recorded depreciation \$ NONE

Estimated accumulated savings in Federal income taxes resulting from computing book depreciation under Commission rules and computing tax depreciation using the items listed below \$ NONE

—Accelerated depreciation since December 31, 1953, under section 167 of the Internal Revenue Code.

—Guideline lives since December 31, 1961, pursuant to Revenue Procedure 62-21.

—Guideline lives under Class Life System (Asset Depreciation Range) since December 31, 1970, as provided in the Revenue Act of 1971.

(1) Estimated accumulated net income tax reduction utilized since December 31, 1961, because of the investment tax credit authorized in the Revenue Act of 1962, as amended 11,089

(2) If carrier elected, as provided in the Revenue Act of 1971, to account for the investment tax credit under the deferral method, indicate the total deferred investment tax credit at beginning of year \$ NONE

Add investment tax credits applied to reduction of current year's tax liability but deferred for accounting purposes \$ NONE

Deduct deferred portion of prior year's investment tax credit used to reduce current year's tax accrual \$ NONE

Other adjustments (indicate nature such as recapture on early disposition) \$ NONE

Total deferred investment tax credit at close of year \$ NONE

Investment tax credit carryover at year end \$ NONE

Cost of pension plan:

Past service costs determined by actuaries at year end \$ NONE

Total pension costs for year:

Normal costs \$ 113,970

Amortization of past service costs \$ NONE

Estimated amount of future earnings which can be realized before paying Federal income taxes because of unused and available net operating loss carryover on January 1 of the year following that for which the report is made \$ NONE

State whether a segregated political fund has been established as provided by the Federal Election Campaign Act of 1971 (18 U.S.C. 610).
YES NO X

Marketable Equity Securities—to be completed by companies with \$10.0 million or more in gross operating revenues.

1. Changes in Valuation Accounts

		Cost	Market	Dr. (Cr) to Income	Dr. (Cr) to Stockholders Equity
Current year	Current Portfolio	\$	\$	\$	x x x x
as of 12/31/79	Noncurrent Portfolio	<u>96,153</u>	<u>77,702</u>	x x x x	\$ <u>18,451</u>
Previous year	Current Portfolio			x x x x	x x x x
as of 12/31/78	Noncurrent Portfolio	<u>193,589</u>	<u>171,201</u>	x x x x	x x x x

2. At 12/31/79, gross unrealized gains and losses pertaining to marketable equity securities were as follows:

	Gains	Losses
Current	\$	\$
Noncurrent		<u>18,451</u>

3. A net unrealized gain (loss) of \$ _____ on the sale of marketable equity securities was included in net income for _____ (year). The cost of securities sold was based on the _____ (method) cost of all the shares of each security held at time of sale.

Significant net realized and net unrealized gains and losses arising after date of the financial statements but prior to their filing, applicable to marketable equity securities owned at balance sheet date shall be disclosed below:

NOTE: / / - date - Balance sheet date date of the current year unless specified as previous year.

17.—COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

Using the following notes as a guideline, show the requirements of compensating balances and short-term borrowing arrangements if operating revenues are \$10 million or more. Footnote disclosure is required even though the arrangement is not reduced to writing.

1. Disclose compensating balances not legally restricted, lines of credit used and unused, average interest rate of short-term borrowings outstanding at balance sheet date, maximum amount of outstanding borrowings during the period and the weighted average rate of those borrowings.
2. Time deposits and certificates of deposit constituting compensating balances not legally restricted should be disclosed.
3. Compensating balance arrangements need only be disclosed for the latest fiscal year.
4. Compensating balances under an agreement which legally restricts the use of such funds, and which constitute support for short-term borrowing arrangements, should be included in section 18, account 101, Special cash deposits.
5. Compensating balances under an agreement which legally restricts the use of such funds and which constitute support for long-term borrowing arrangements and are reported in account 121, Special deposits, should also be separately disclosed below.
6. Compensating balance arrangements are sufficiently material to require disclosure in footnotes when the aggregate of written and oral agreement balances amount to 15 percent or more of liquid assets (current cash balances, restricted and unrestricted plus marketable securities).
7. When a carrier is not in compliance with a compensating balance requirement, that fact should be disclosed along with stated and possible sanctions whenever such possible sanctions may be immediate (not vague or unpredictable) and material.

NONE

18.—SPECIAL CASH DEPOSITS

For other than compensating balances, state separately each item of \$10,000 or more reflected in account 101, Special cash deposits, at the close of the year. Items of less than \$10,000 may be combined in a single entry and described as "Minor items less than \$10,000". For compensating balances, state separately the total amounts held on behalf of respondent and held on behalf of others.

Line No.	Purpose of deposit (a)	Balance at close of year (b)
	Interest special deposits:	\$
1		
2		
3		
4		
5		
6	Total	
	Dividend special deposits:	
7		
8		
9		
10		
11		
12	Total	
	Miscellaneous special deposits:	
13	SELF-INSURANCE CASH ACCT.	19,771
14	REAL ESTATE TAX ESCROW ACCT.	10,974
15		
16		
17		
18	Total	30,745
	Compensating balances legally restricted:	
19	Held on behalf of respondent	
20	Held on behalf of others	
21	Total	

19. In column (a) are listed the particulars which most often cause a differential between taxable income and pretax accounting income. Other particulars which cause such a differential should be listed under the caption "Other", including State and other taxes deferred if computed separately. Minor items each less than \$100,000 may be combined in a single entry under "Other".

Indicate in column (b) the beginning of the year balance of accumulated deferred tax credits (debits) applicable to each particular in column (a).

Indicate in column (c) the net change in accounts 110, 173, 208 and 232 for the net tax effect of timing difference originating and reversing in the current accounting period.

The total of net credits (charges) for the current year in column (c) should agree with the contra charges (credits) to account 432, Provision for deferred taxes, and account 451, Provision for deferred taxes, Extraordinary and prior period items, for the current year.

Indicate in column (d) any adjustment as appropriate, including adjustments to eliminate or reinstate deferred tax effect (credits or debits) due to applying or recognizing a loss carryforward or a loss carryback.

Indicate in column (e) the cumulative total of columns (b), (c) and (d). The total of column (e) must agree with the balances in accounts 110, 173, 208 and 232 in Section 16.

ANALYSIS OF FEDERAL INCOME AND OTHER TAXES DEFERRED

NONE

Line No.	Particulars	Beginning of Year Balance (b)	Net credits (Charges) for Current Year (c)	Adjustments (d)	End of Year Balance (e)
1	Accelerated depreciation, Sec. 167 I.R.C. Guideline lives pursuant to Rev. Proc. 62-21	\$	\$	\$	\$
2	Accelerated amortization of facilities Sec. 168 I.R.C.				
3	Other (Specify)				
4					
5					
6					
7	Investment tax credit				
8	TOTALS				

20. Give the details called for of investments in securities and advances held at the close of the year as stated for accounts (130) and (131) in section 16.

Names of issuing company and description of security held	Par value	Number of shares	Book cost	Income earned during year	
				Kind	Amount
GREYBOND	\$	700	\$ 11,868	DIV	\$ 728
PCA		400	14,937	DIV	620
IBM		48	3,349	DIV	148
AMERICAN HOSPITAL		100	4,126	DIV	77
GT & E		200	6,621	DIV	508
AMERICAN HOME		150	3,503	DIV	225
PACIFIC POWER & LT		1000	25,000	DIV	2,290
Common with Edison		1000	26,750	DIV	1,705
Total	XXXXXXX	XXXXXXX	96,153	XXXXXXX	6301

21. Report below the details of all investments in common stocks included in account 130. Investments in affiliated companies, which qualify for the equity method under instruction 28 in the Uniform System of Accounts for Freight Forwarders.

Enter in column (c) the amount necessary to retroactively adjust those investments qualifying for the equity method of accounting in accordance with instruction 28(b)(11) of the Uniform System of Accounts.

Enter in column (d) the share of undistributed earnings (i.e., less dividends) or losses

Enter in column (e) the amortization for the year of the excess of cost over equity in net assets (equity over cost) at date of acquisition. See instruction 28(b)(4).

The total of column (g) must agree with column (b), line 21, Section 16.

UNDISTRIBUTED EARNINGS FROM CERTAIN INVESTMENTS IN AFFILIATED COMPANIES

NONE

Line No.	Name of issuing company and description of security held (a)	Balance at beginning of year (b)	Adjustment for investments qualifying for equity method (c)	Equity in undistributed earnings (losses) during year (d)	Amortization during year (e)	Adjustment for investments disallowed or written down during year (f)	Balance at close of year (g)
1	Carriers (List specifics for each company)	\$	\$	\$	\$	\$	\$
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18	Total						
19	Noncarriers (Show totals only for each column)						
20	Total (lines 18 and 19)						

Property accounts	Balance at beginning of year	Charges	Credits	Adjustments Dr. - Debit Cr. - Credit	Balance at close of year
141. Furniture and office equipment	\$ 75,146	\$ 20,551	\$	\$	\$ 95,697
142. Motor and other highway vehicles	11,948	11,404	11,948		11,404
143. Land and public improvements	50,000				50,000
144. Terminal and platform equipment	499,086	41,797			540,883
145. Other property account charges					
Total	636,180	73,752	11,948		697,984

Property accounts	Balance at beginning of year	Charges	Credits	Adjustments Dr. - Debit Cr. - Credit	Balance at close of year
141. Furniture and office equipment	\$ 24,955	\$ 15,780	\$	\$	\$ 40,135
142. Motor and other highway vehicles	7,168	3,046	8789		1,425
143. Land and public improvements (depreciable property)					
144. Terminal and platform equipment	46,015	16,608			62,623
145. Other property account charges (depreciable property)					
Total	78,138	35,434	8789		104,783

24.—RENTAL EXPENSE OF LESSEE

Complete this schedule only if (a) carrier operating revenues are \$10 million or more and (b) if gross rental expense in the most recent fiscal year exceeds one percent of operating revenue.

Otherwise, show total rental expense (reduced by rentals from subleases) entering into the determination of results of operations for each period for which an income statement is presented. Rental payments under short-term leases for a month or less which are not expected to be renewed need not be included. Contingent rentals, such as those based on usage or sales, shall be reported separately from the basic or minimum rentals.

Line No.	Type of lease (a)	Current year (b)	Prior year (c)
	Financing leases		
1	Minimum rentals		
2	Contingent rentals		
3	Sublease rentals		
4	Total financing leases		
	Other leases		
5	Minimum rentals	81,800	109,100
6	Contingent rentals	121,579	107,810
7	Sublease rentals		
8	Total other leases		
9	Total rental expense of lessee	203,379	216,910

NOTE: As used in sections 24 through 28, a "financing lease" is defined as a lease which, during the noncancellable lease period, either (a) covers 75% or more of the economic life of the property or (b) has terms which assure the lessor a full recovery of the fair market value (which would normally be represented by his investment) of the property at the inception of the lease plus a reasonable return on the use of the assets invested subject only to limited risk in the realization of the residual interest in the property and the credit risks generally associated with secured loans.

25.—MINIMUM RENTAL COMMITMENTS

Complete this schedule only if (a) carrier operating revenues are \$10 million or more and (b) gross rental expense in the most recent fiscal year exceeds one percent of operating revenue.

Show the minimum rental commitments under all noncancellable leases, as of the date of the latest balance sheet presented, in the aggregate (with disclosure of the amounts applicable to noncapitalized financing leases) for (a) each of the five succeeding fiscal years, (b) each of the next three five-year periods, and, (c) the remainder as a single amount. The amounts so determined should be reduced by rentals to be received from existing noncancellable subleases (with disclosure of the amounts of such rentals). For purposes of this rule, a noncancellable lease is defined as one that has an initial or remaining term of more than one year and is noncancellable, or is cancellable only upon the occurrence of some remote contingency or upon the payment of a substantial penalty.

Line No.	Year ended (a)	A			B	
		Financing leases (b)	Other Leases (c)	Total (d)	Sublease rentals*	
					Financing leases (e)	Other leases (f)
1	Next year		53,000	53,000		
2	In 2 years		53,000	53,000		
3	In 3 years		53,000	53,000		
4	In 4 years		53,000	53,000		
5	In 5 years					
6	In 6 to 10 years					
7	In 11 to 15 years					
8	In 16 to 20 years					
9	Subsequent					

* The rental commitments reported in Part A of this schedule have been reduced by these amounts.

26.—LESSEE DISCLOSURE

Complete this schedule only if carrier operating revenues are \$10 million or more.

Relate in general terms: (a) the basis for calculating rental payments if dependent upon factors other than the lapse of time; (b) existence and terms of renewal or purchase options, escalation clauses, etc.; (c) the nature and amount of related guarantees made or obligations assumed; (d) restrictions on paying dividends, incurring additional debt, further leasing, etc.; and, (e) any other information necessary to assess the effect of lease commitments upon the financial position, results of operations, and changes in financial position of the lessee.

Line No.	
	N/A
(a)	
1	
2	
3	
4	
5	
6	
7	
8	
(b)	
9	
10	
11	
12	
13	
14	
15	
16	
(c)	
17	
18	
19	
20	
21	
22	
23	
24	
(d)	
25	
26	
27	
28	
29	
30	
31	
32	
(e)	
33	
34	
35	
36	
37	
38	
39	
40	

27.—LEASE COMMITMENTS—PRESENT VALUE

N/A

Complete this schedule only if (a) carrier operating revenues are \$10 million or more and (b) if the present value of the minimum lease commitments are more than five percent of the sum of the long-term debt, stockholders' equity and the present value of the minimum lease commitments, or if the impact on net income (as computed in section 28, Income impact—Lessee) is three percent or more of the average net income for the most recent three years.

Show all noncapitalized financing leases, the present value of the minimum lease commitments in the aggregate and by major categories of properties. Present values shall be computed by discounting net lease payments (after subtracting, if practicable, estimated, or actual amounts, if any, applicable to taxes, insurance, maintenance and other operating expenses) at the interest rate implicit in the terms of each lease at the time of entering into the lease.

Show either the weighted average interest rate (based on present value) and range of rates or specific interest rates for all lease commitments.

Line No.	Asset category (a)	Present value		Range		Weighted average	
		Current year (b)	Prior year (c)	Current year (d)	Prior year (e)	Current year (f)	Prior year (g)
		\$	\$	%	%	%	%
1	Structures						
2	Revenue equipment						
3	Shop and garage equipment						
4	Service cars and equipment						
5	Noncarrier operating property						
	Other (Specify)						
6							
7							
8							
9							
10	Total						

28.—INCOME IMPACT—LESSEE

N/A

Complete this schedule only if carrier operating revenues are \$10 million or more.

If the impact on net income is less than three percent of the average net income for the most recent three years, a statement to that effect will suffice to complete this schedule. Otherwise, show the impact on net income for each period for which an income statement is presented if all noncapitalized financing leases were capitalized, related assets were amortized on a straight-line basis and interest cost was accrued on the basis of the outstanding lease liability. The amounts of amortization and interest cost shall be separately identified.

In calculating average net income, loss-years should be excluded. If losses were incurred in each of the most recent three years, the average loss shall be used for purposes of this test.

Line No.	Item (a)	Current year (b)	Prior year (c)
1	Amortization of lease rights	\$	\$
2	Interest		
3	Rent expense		
4	Income tax expense		
5	Impact (reduction) on net income		

32. Show items of Earned surplus—Unappropriated for the year, classified in accordance with the Uniform System of Accounts for Freight Forwarders. All contra entries hereunder should be indicated in parentheses. Include in column (b) only amounts applicable to earned surplus exclusive of any amounts included in column (c). Segregate in column (c) all amounts applicable to the equity in undistributed earnings (losses) of affiliated companies based on the equity method of accounting. See account (270) in section 16.

Line No.	Item (a)	Retained earnings accounts (b)	Equity in undistributed earnings of affiliated companies (c)
1	(270) Earned surplus (or deficit) at beginning of year	\$ 845,728	xxx
2	(300) Equity in undistributed earnings (losses) of affiliated companies at beginning of year	xxx	
3	(300) Income balance (Sec. 33)	382,442	
4	(301) Miscellaneous credits		
5	(302) Prior period adjustments to beginning earned surplus account		
6	(310) Miscellaneous debits		
7	(311) Miscellaneous reservations of earned surplus		xxx
8	(312) Dividend appropriations of earned surplus		xxx
9	(270) Earned surplus (or deficit) at close of year		xxx
10	Equity in undistributed earnings (losses) of affiliated companies at end of year	xxx	
11	Balance from line 10(c)		xxx
12	Total unappropriated earned surplus and equity in undistributed earnings (losses) of affiliated companies at end of year (lines 9 and 11)	1,228,170	xxx

Net of assigned income taxes: account 301 \$ _____ (explain)
 account 310 _____ (explain)

33.—INCOME STATEMENT FOR THE YEAR

Give the following income account for the year (omit cents).

Line No.	Item (a)	Amount (b)
ORDINARY ITEMS		
FORWARDER OPERATING INCOME		
1	(400) Operating revenues (Sec. 34)	\$ 4,539,025
2	(410) Operating expenses (Sec. 35)	4,421,533
3	*Net revenue from forwarder operations (line 1, line 2)	117,492
4	(411) Transportation tax accruals (Sec. 36)	79,054
5	*Net revenue, less taxes, from forwarder operations (line 3, line 4)	38,438
OTHER INCOME		
6	(401) Dividend (other than from affiliates) and interest income	79,114
7	(402) Release of premium on long-term debt	
8	(403) Miscellaneous income	589,475
9	Income from affiliated companies:	
	Dividends	
10	Equity in undistributed earnings (losses)	
11	Total other income	668,589
12	*Total income (line 5, line 11)	707,027
MISCELLANEOUS DEDUCTIONS FROM INCOME		
13	(412) Provision for uncollectible accounts	
14	(413) Miscellaneous tax accruals	
15	(414) Miscellaneous income charges	
16	Total income deductions	
17	*Income from continuing operations before fixed charges (Lines 12, 16)	707,027
FIXED CHARGES		
18	(420) Interest on long-term debt	
19	(421) Other interest deductions	
20	(422) Amortization of discount on long-term debt	
21	Total fixed charges	
22	(423) Unusual or infrequent items	
23	*Income from continuing operations before income taxes (lines 17, 21, 22)	707,027
PROVISION FOR INCOME TAXES		
24	(431) Income taxes on income from continuing operations (Sec. 36)	324,585
25	(432) Provision for deferred taxes	
26	Income (loss) from continuing operations (lines 23-25)	382,442
DISCONTINUED OPERATIONS		
27	(433) Income (loss) from operations of discontinued segments**	
28	(434) Gain (loss) on disposal of discontinued segments**	
29	Total income (loss) from discontinued operations (lines 27, 28)	
30	*Income before extraordinary items (lines 26, 29)	382,442
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES		
31	(435) Extraordinary items Net Credit (Debit) (p. 20)	
32	(450) Income taxes on extraordinary and prior period items-Debit (Credit) (p. 20)	
33	(451) Provision for deferred taxes-Extraordinary and prior period items	
34	Total extraordinary items	
35	(452) Cumulative effect of changes in accounting principles**	
36	Total extraordinary items and accounting changes (lines 34, 35)	
37	*Net income transferred to earned surplus (lines 30, 36)	382,442
*If a loss or debit, show the amount in parentheses. **Less applicable income taxes of: (433) Income (loss) from operations of discontinued segments (434) Gain (loss) on disposal of discontinued segments (452) Cumulative effect of changes in accounting principles		

33.—INCOME STATEMENT - EXPLANATORY NOTES

1. (a) Indicate method elected by carrier, as provided in the Revenue Act of 1971, to account for the investment tax credit:
 Flow-through—~~X~~ Deferral-----
- (b) If flow-through method was elected, indicate net decrease (or increase) in tax accrual because of investment tax credit----- \$ 5389
- (c) If deferral method was elected, indicate amount of investment tax credit utilized as reduction of tax liability for current year----- \$ _____
- Deduct amount of current year's investment tax credit applied to reduction of tax liability but deferred for accounting purposes----- (\$ 5389)
- Balance of current year's investment tax credit used to reduce current year's tax accrual----- \$ 5389
- Add amount of prior years' deferred investment tax credits being amortized and used to reduce current year's tax accrual----- \$ _____
- Total decrease in current year's tax accrual resulting from use of investment tax credits----- \$ 5389
2. An explanation of all items included in accounts 435, "Extraordinary items," and 450, "Income taxes on extraordinary items" should be made in the space below. (See instruction 540.0-4, Uniform System of Accounts for Freight Forwarders.)

34.—OPERATING REVENUES

Show the forwarder operating revenues of the respondent for the year, classified by accounts as follows (omit cents):

Line No.	Account (a)	Amount (b)
	I. TRANSPORTATION REVENUE	
1	501. Forwarder revenue-----	\$ <u>12,580,329</u>
	II. TRANSPORTATION PURCHASED—DR.	
2	511. Railroad transportation-----	<u>4,898,044</u>
3	512. Motor transportation-----	
4	513. Water transportation-----	
5	514. Pick-up, delivery, and transfer service-----	<u>3,555,760</u>
6	515. Other transportation purchased*-----	
7	Total transportation purchased-----	<u>8,453,804</u>
8	Revenue from transportation (line 1 minus line 7)-----	<u>4,126,525</u>
	III. INCIDENTAL REVENUE	
9	521. Storage—Freight-----	<u>254,151</u>
10	522. Rent revenue-----	<u>8,450</u>
11	523. Miscellaneous-----	<u>149,899</u>
12	Total incidental revenues-----	<u>412,500</u>
13	Total operating revenues (line 8 plus line 12)-----	<u>4,539,025</u>

*Report separately hereunder, by type of transport (air, express, forwarder, or any other type), the amounts included in Account 515, "Other transportation purchased":

35.—OPERATING EXPENSES

Show the forwarder operating expenses of the respondent for the year, classified by accounts as follows (omit cents)

Line No.	Account (a)	Amount (b)
1	601 General office salaries	\$ 469,710
2	602 Traffic department salaries	602,588
3	603 Law department salaries	
4	604 Station salaries and wages*	663,393
5	605 Loading and unloading by others	939,617
6	606 Operating rents	203,379
7	607 Traveling and other personal expense	280,622
8	608 Communications	126,352
9	609 Postage	
10	610 Stationery and office supplies	91,608
11	611 Tariffs	16,245
12	612 Loss and damage—Freight	129,802
13	613 Advertising	9341
14	614 Heat, light, and water	50,917
15	615 Maintenance	84,542
16	616 Depreciation and amortization	35,434
17	617 Insurance	198,850
18	618 Payroll taxes (Sec. 36)	69,817
19	619 Commissions and brokerage	28,000
20	620 Vehicle operation (Sec. 36)	
21	621 Law expenses	62,031
22	622 Depreciation adjustment	
23	630 Other expenses	359,284
24	Total operating expenses	4,421,538.2

*Includes debits totaling \$_____ for the pay of employees engaged in handling freight over platforms

(1)

36.—TAXES

Give particulars called for with respect to taxes and licenses accrued to accounts (411) and (431) in Section 33 and accounts (618) and (620) in Section 35

Line No.	Kind of tax (a)	(411) Transportation tax accruals (b)	(431) Income taxes on income from continuing operations (c)	(618) Payroll taxes (d)	(620) Vehicle operation (e)	Total (f)
1	Social security taxes	\$	\$	\$ 69,817	\$	\$ 69,817
2	Real estate and personal property taxes	79,054				79,054
3	Gasoline, other fuel and oil taxes					
4	Vehicle licenses and registration fees					
5	Corporation taxes					
6	Capital stock taxes					
7	Federal excise taxes					
8	Federal excess profit taxes					
9	Federal income taxes		322,255			322,255
10	State income taxes		2,330			2,330
11	Other taxes (describe)					
12	(a)					
13	(b)					
14	(c)					
15	(d)					
16	(e)					
17	Total	79,054	324,585	69,817		473,456

37. Give particulars as called for with respect to motor vehicles owned outright and held under purchase obligations at the close of the year:

Line No.	Vehicle		Book value included in account (140) of sec. 16	Accrued depreciation included in account (149) of sec. 16
	Make, kind and capacity (a)	Number of (b)	(c)	(d)
1	CONTINENTAL MARK VI	1	\$ 11,404	\$ 1,425
2				
3				
4				
5				
6				
7				
8	Total	1	11,404	1,425

38. Give the particulars as called for concerning the respondent's employees and their compensation for the year. The data on number of employees shall be based on the number of employees on the payroll at close of pay period containing the 12th day of the months specified. If operations were interrupted during such period due to strikes, fires, floods, etc., the data should be reported for the nearest representative payroll period. Enter the total number of employees in each class on the payrolls covered by this report who worked full or part time or received pay for any part of the period reported.

Line No.	Class	Number of employees on payroll at close of the pay period containing the 12th day of				Total compensation during year
		February	May	August	November	
	General office employees:					
1	Officers	2	2	2	2	\$ 150,412
2	Clerks and attendants	16	19	19	19	319,298
3	Total	18	21	21	21	469,710
	Traffic department employees:					
4	Officers					
5	Managers	5	5	5	5	180,460
6	Solicitors	22	22	22	22	422,128
7	Clerks and attendants					
8	Total	27	27	27	27	602,588
	Law department employees:					
9	Officers					
10	Solicitors					
11	Attorneys					
12	Clerks and attendants					
13	Total					
	Station and warehouse employees:					
14	Superintendents					
15	Foremen					
16	Clerks and attendants	22	22	22	22	290,186
17	Laborers	35	35	35	35	373,207
18	Total	57	57	57	57	663,393
	All other employees (specify):					
19						
20						
21						
22						
23	Total					
24	Grand total	102	105	105	105	1,735,691

Length of payroll period (Check one) ☒ one week; ☐ two weeks; ☐ other (specify):

39. Give the various statistical items called for concerning the forwarders' operations of the respondent during the year. State tons of 2,000 pounds

Line No.	Item	Number
	(a)	(b)
1	Tons of freight received from shippers	77,341
2	Number of shipments received from shippers	46,625

40.—COMPENSATION OF OFFICERS, DIRECTORS, ETC.

Give the name, position, salary, and other compensation, such as bonus, commission, gift, reward, or fee, of each of the five persons named in Section 5, item (b) and (c) of this report to whom the respondent paid the largest amount during the year covered by this report as compensation for current or past service over and above necessary expenses incurred in discharge of duties and in addition, all other officers, directors, pensioners or employees, if any, to whom the respondent similarly paid \$40,000 or more. If more convenient, this schedule may be filled out for a group of companies considered as one system and shown only in the report of the principal company in the system, with references thereto in the reports of the other companies. Any large "Other compensation" should be explained in a footnote. If an officer, director, etc., receives compensation from another transportation company (whether a subsidiary or not), reference to this fact should be made if his aggregate compensation amounts to \$40,000 or more, and the details as to division of the salary should be stated. By salary column (c) is meant the annual rate at which an employee is paid, rather than the amount actually paid. If salary of an individual was changed during the year, show salary before each change as well as at close of year.

Line No.	Name of person	Title	Salary per annum as of close of year (see instructions)	Other compensation during the year
	(a)	(b)	(c)	(d)
1	DONALD R. LESSIG, JR.	PRES	\$ 100,000	\$ 5,664
2	GEORGE CHAPIN	SECRETARY	44,748	
3				
4				
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41.—COMPETITIVE BIDDING; — CLAYTON ANTITRUST ACT

Section 10 of the Clayton Antitrust Act (15 U.S.C. 20) states that "no common carrier engaged in commerce shall have any dealings in securities, supplies or other articles of commerce, or shall make or have any contracts for construction or maintenance of any kind, to the amount of more than \$50,000, in the aggregate, in any one year, with another corporation, firm, partnership or association when the said common carrier shall have upon its board of directors or as its president, manager or as its purchasing or selling officer, or agent in the particular transaction, any person who is at the same time a director, manager, purchasing or selling officer of, or who has any substantial interest in, such other corporation, firm, partnership or association, unless and except such purchases shall be made from, or such

dealings shall be made with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission." The specification for competitive bids is found in the Code of Federal Regulations, Part 1010-Competitive Bids through Part 1010.7 - Carriers Subject to the Interstate Commerce Act.

In column (g), identify the company awarded the bid by including company name and address, name and title of respondent officers, directors, selling officer, purchasing officer and/or general manager that has an affiliation with the seller

NONE

Line No.	Nature of bid (a)	Date Published (b)	Contract number (c)	No. of bidders (d)	Method of awarding bid (e)	Date filed with the Commission (f)	Company awarded bid (g)
1							
2							
3							
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29							
30							

Name, title, telephone number and address of the person to be contacted concerning this report

NAME Donald R. Lessig, Jr. TITLE President

TELEPHONE NUMBER 312 376-8457
(Area code) (Telephone number)

OFFICE ADDRESS 3600 So. Western Ave., Chgo. IL 60609
(Street and number) (City, State, and ZIP Code)

OATH

(To be made by the officer having control of the accounting of the respondent)

STATE OF Illinois

COUNTY OF Cook

Donald R. Lessig, Jr. makes oath and says that he is
President

(Insert here the official title of the affiant)

of Chi-Cam Freight Forwarding, Ltd.
(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true, and that the said reports is a correct and complete statement of the business and affairs of the above-named respondent during the period of the time from and including JANUARY 1, 1977, to and including DECEMBER 31, 1977

[Signature]
(Signature of affiant)

Subscribed and sworn to before me, 21st day of May, 1980, in and for the State and County above named.

My commission expires NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES NOV 20 1980
ISSUED THRU ILLINOIS NOTARY ASSOC

[USE AN L. S.
IMPRESSION
SEAL]

[Signature]
(Signature of officer authorized to administer oaths)

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CHI-CAN FREIGHT FORWARDING, LTD.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1979 and 1978

Milano & Milano

Certified Public Accountants
100 South Prospect
Park Ridge, Illinois 60068
312/823-2175

Board of Directors and Stockholder
Chi-Can Freight Forwarding, Ltd.
Chicago, Illinois

We have examined the accompanying statements of financial position of Chi-Can Freight Forwarding, Ltd. as at December 31, 1979 and 1978, and the related statements of earnings and retained earnings, and changes in financial position for the years 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.

In our opinion, the financial statements referred to above present fairly the financial position of Chi-Can Freight Forwarding, Ltd. as December 31, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Milano & Milano

Certified Public Accountants

March 3, 1980

CHI-CAN FREIGHT FORWARDING, LTD.

Statement of Financial Position

	December 31,	
	1979	1978
ASSETS		
CURRENT ASSETS:		
Cash	\$1,097,738	\$ 719,656
Accounts receivable, trade	1,723,071	1,357,752
Account receivable, officer	6,401	7,049
Accounts receivable, other	-	13,598
Notes receivable, employees, current portion	2,941	2,342
Prepaid expenses	40,489	27,365
Total Current Assets	<u>2,870,640</u>	<u>2,127,762</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	50,000	50,000
Building and improvements	467,284	458,823
Furniture and fixtures	95,697	75,146
Dock equipment	73,599	40,263
Transportation equipment	11,404	11,948
	<u>697,984</u>	<u>636,180</u>
Less- accumulated depreciation	(104,783)	(78,138)
Net Property, Plant and Equipment	<u>593,201</u>	<u>558,042</u>
OTHER ASSETS:		
Investments in securities, at market	77,702	71,201
Cash surrender value of life insurance	32,950	29,432
Notes receivable, employees, net	6,110	8,976
Organization costs	3,987	3,987
Deposits	-	2,575
Total Other Assets	<u>120,749</u>	<u>116,171</u>
TOTAL ASSETS	<u>\$3,584,590</u>	<u>\$2,801,975</u>

The accompanying notes are an integral
part of this statement.

CHI-CAN FREIGHT FORWARDING, LTD.

Statement of Financial Position

	December 31, 1979	1978
LIABILITIES AND STOCKHOLDER EQUITY		
CURRENT LIABILITIES:		
Mortgage payable, current maturities	\$ 7,300	\$ 6,000
Accounts payable, trade	1,467,278	1,210,741
Due to affiliated companies	163,448	192,228
Accrued expenses	230,482	125,636
Accrued corporate income taxes	168,011	93,709
Total Current Liabilities	<u>2,036,519</u>	<u>1,628,314</u>
LONG TERM DEBT:		
Mortgage payable	321,101	327,833
Less current maturities	(7,300)	(6,000)
Net Long Term Debt	<u>313,801</u>	<u>321,833</u>
TOTAL LIABILITIES	<u>2,350,320</u>	<u>1,950,147</u>
STOCKHOLDER EQUITY:		
Common stock no par value, 5,000 shares authorized, 20 shares issued and outstanding	1,000	1,000
Additional paid in capital	5,100	5,100
Retained earnings	<u>1,228,170</u>	<u>845,728</u>
Total Stockholder Equity	<u>1,234,270</u>	<u>851,828</u>
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u>\$3,584,590</u>	<u>\$2,801,975</u>

The accompanying notes are an integral
part of this statement.

CHI-CAN FREIGHT FORWARDING, LTD.

Statement of Earnings and Retained Earnings

	Year Ended December 31,	
	1979	1978
Operating income	\$12,992,829	\$9,936,130
Transportation and handling costs	<u>9,795,852</u>	<u>6,984,387</u>
Gross Operating Income	3,196,977	2,951,743
Administrative and selling expenses	<u>3,158,539</u>	<u>2,370,293</u>
Income from operations	38,438	581,450
Other income (expense)	<u>668,589</u>	<u>(54,192)</u>
Income before income taxes	707,027	527,258
Provision for income taxes	<u>324,585</u>	<u>239,030</u>
NET INCOME	382,442	288,228
Retained earnings at beginning of year	<u>845,728</u>	<u>557,500</u>
Retained Earnings at End of Year	<u>\$ 1,228,170</u>	<u>\$ 845,728</u>

The accompanying notes are an integral part of this statement.

CHI-CAN FREIGHT FORWARDING, LTD.

Statement of Change in Financial Position

	Year Ended December 31,	
	1979	1978
RESOURCES PROVIDED BY:		
Operations -		
Net income	\$ 382,442	\$ 288,228
Add charges made in determining net income which did not effect working capital:		
Provision for depreciation	35,434	26,030
Write down (up) of investments to market	(3,937)	13,842
Total From Operations	413,939	328,100
Proceeds of mortgage	-	333,000
Proceeds of investment sold	22,991	-
Deposits applied	2,575	13,810
Collections of notes receivable, employees	2,866	978
TOTAL RESOURCES PROVIDED	442,371	675,888
RESOURCES APPLIED TO:		
Purchase land, building and improvements	8,461	508,823
Purchase investments	26,750	149,186
Purchase equipment and furnishings	60,937	37,637
Reduce long term debt	8,032	5,167
Payment of officer life insurance	3,518	3,472
Loan to employee	-	2,800
Deposits	-	2,575
TOTAL RESOURCES APPLIED	107,698	709,660
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 334,673	\$ (33,772)

Comparative Schedule of Working Capital Changes

Increase (Decrease) in Working Capital Components:

Cash	\$ 378,082	\$ 21,146
Receivables	351,672	422,526
Prepaid expenses	13,124	(30,454)
Accounts payable	(227,757)	(384,175)
Accrued expenses	(179,148)	(62,815)
Mortgage payable, current	(1,300)	-
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 334,673	\$ (33,772)

The accompanying notes are an integral part of this statement.

CHI-CAN FREIGHT FORWARDING, LTD.

Notes to Financial Statements

For the Years Ended December 31, 1979 and 1978

SIGNIFICANT ACCOUNTING POLICIES

Principles of Reporting -

The Company recognizes revenues and expenses on the accrual method. Also, the Company is regulated by the Interstate Commerce Commission and follows the prescribed accounting principles of the transportation industry.

Accounts Receivable -

The Company uses the direct charge-off method to provide for losses on receivables.

Property, Plant and Equipment -

Assets in this category are stated at cost. The Company depreciates all plant, equipment and furnishings on the straight-line method at rates calculated to charge-off the cost of the assets over their estimated useful lives.

Restatement of Prior Year's Amounts -

Certain reclassifications have been made in 1978 financial statements to conform to the classifications used in 1979. These reclassifications made for comparability, had no effect on the financial position or net earnings for 1978 as previously reported.

TRANSACTIONS WITH AFFILIATES

Operating Expense -

The Company incurs a substantial part of its pickup, loading and unloading costs through services performed by an affiliated company.

Administrative Expense Charge -

The Company incurred administrative expense charges of \$30,000 in 1979 and 1978 through services performed on its behalf by an affiliated company.

CHI-CAN FREIGHT FORWARDING, LTD.

Notes to Financial Statements

For the Years Ended December 31, 1979 and 1978

TRANSACTIONS WITH AFFILIATES (continued)

Management is of the opinion that these transactions were executed for a consideration substantially equivalent to that which would have been charged between wholly unrelated parties.

LONG TERM DEBT

The Company entered into a loan agreement with a bank in February, 1978. Under the terms of this agreement, the company borrowed \$333,000, repayable in monthly installments of \$2,997. The payment includes principal and interest at the rate of nine percent per annum. The loan is secured by property and plant with a book value of approximately \$500,000.

LEASE COMMITMENTS

The Company is liable under eight leases with an aggregate 1980 rental of fifty-three thousand dollars (53,000). The location of the properties and the terms of the leases are:

Location	Term	1980 Rent
Ville Mt. Royal, Quebec	9/1/79 - 3/31/83	\$25,000
Toronto, Ontario	7/1/79 - 6/30/84	8,700
Winnipeg, Manitoba	1/1/80 - 12/31/80	3,200
Edmonton, Alberta	3/1/80 - 3/31/81	2,900
Calgary, Alberta	3/1/80 - 3/31/81	2,400
St. Louis, Missouri	month to month	3,600
Los Angeles, California	month to month	3,600
Minneapolis, Minnesota	month to month	3,600

The Company has a ten year renewal option of the Ville Mt. Royal lease, with a rent to be set at time of renewal. No renewal options are included in the other leases.

CHI-CAN FREIGHT FORWARDING, LTD.

Notes to Financial Statements

For the Years Ended December 31, 1979 and 1978

OTHER INCOME

In 1979, approximate 90 percent of Other Income was generated by the favorable rate of exchange for United States currency over Canadian currency. However, since this is a constantly changing financial climate there is no assurance that profits of this type will continue in the future.

CORPORATE INCOME TAXES

The Company has elected to file a consolidated federal income tax return with its parent company DRL Industries, Inc.

The provision for income taxes was as follows:

	<u>1979</u>	<u>1978</u>
Federal Taxes allocated	\$327,644	\$251,452
Less - tax credits	<u>(5,389)</u>	<u>(13,704)</u>
Net Federal Taxes	322,255	237,748
State Income Taxes	<u>2,330</u>	<u>1,282</u>
Total	<u>\$324,585</u>	<u>\$239,030</u>

FOREIGN INCOME TAXES

The Company computes foreign income tax liabilities based on shipments originating in the foreign country. The Company may be liable for additional foreign taxes on current and prior years total income collected in the foreign country regardless of the point of shipment origination.

LAWSUIT

At December 31, 1979, the Company was a defendant in a lawsuit in Ontario, Canada. The alleged liability for the rental assessments being sought by the former landlord has been accrued and is shown as a current liability. As of the date of this report the case is still awaiting trial.