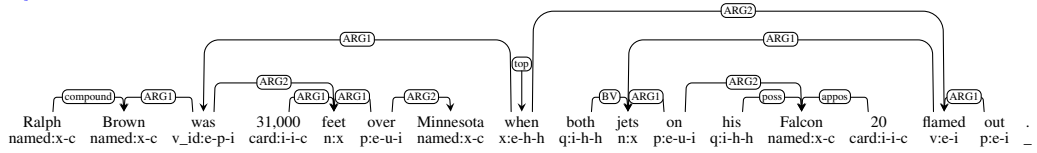
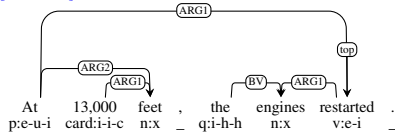


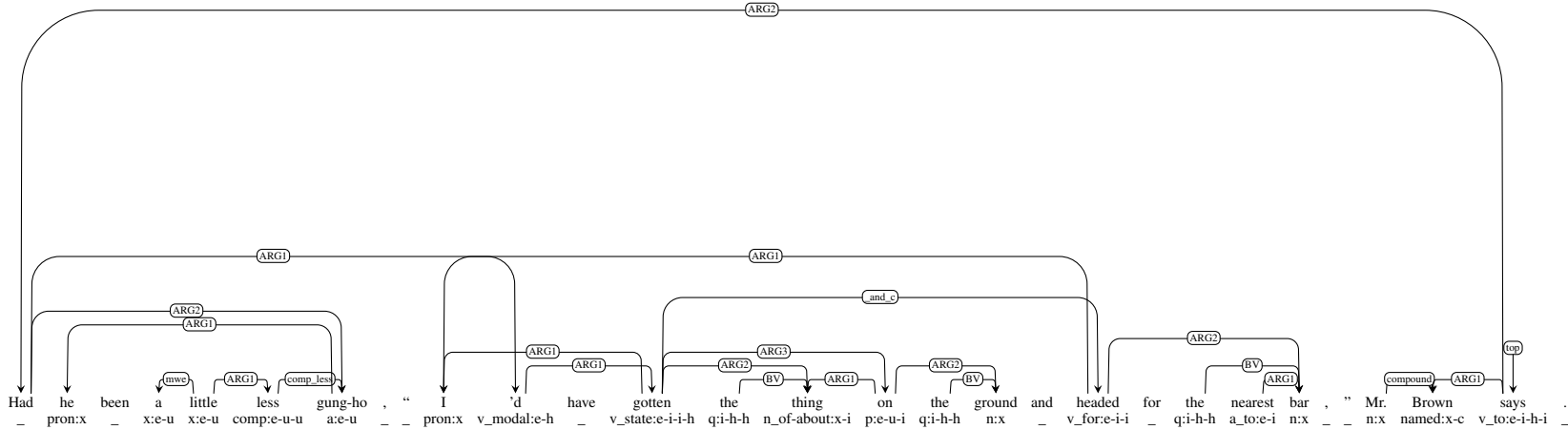
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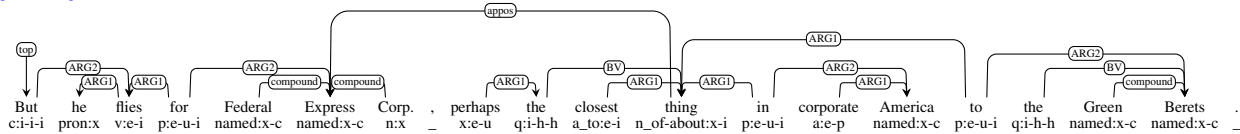
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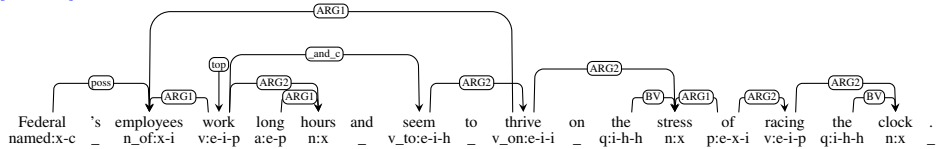
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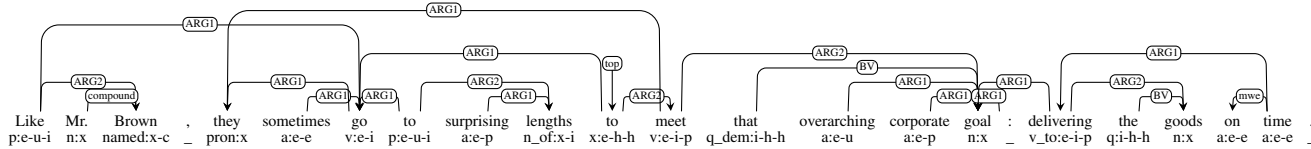
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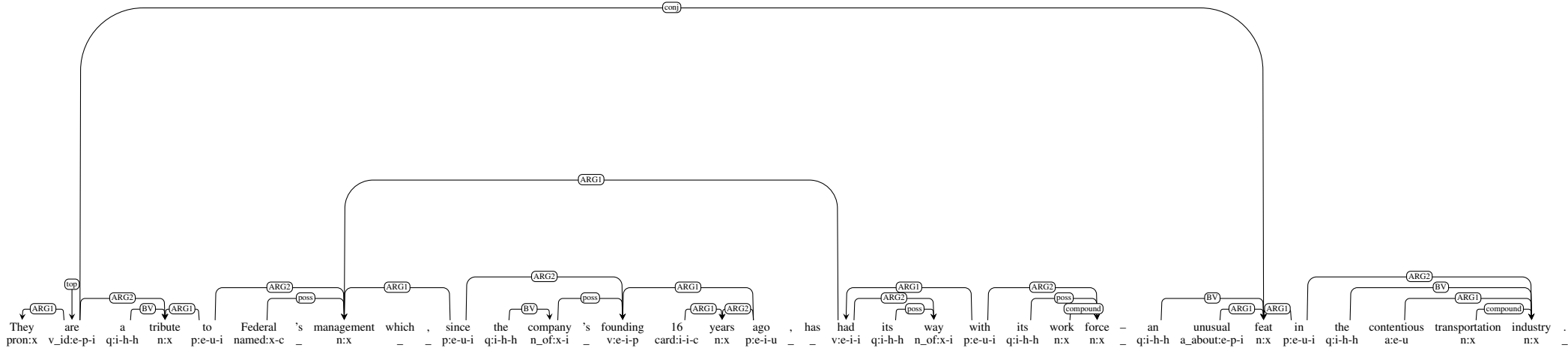
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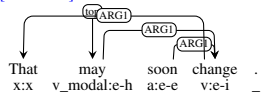
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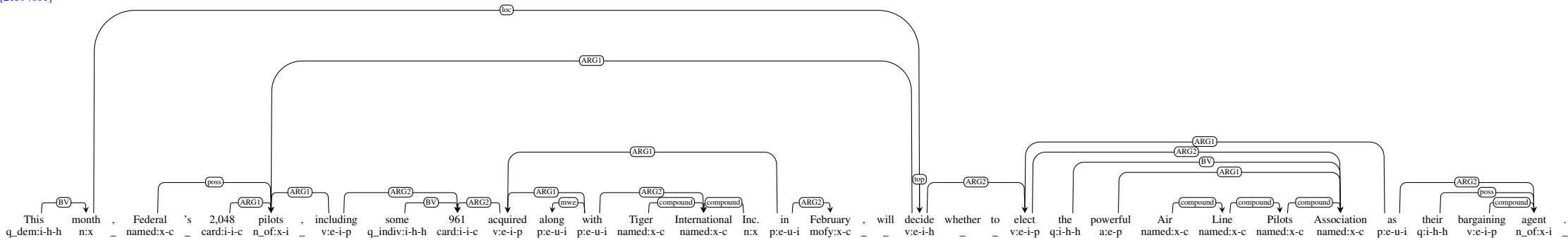
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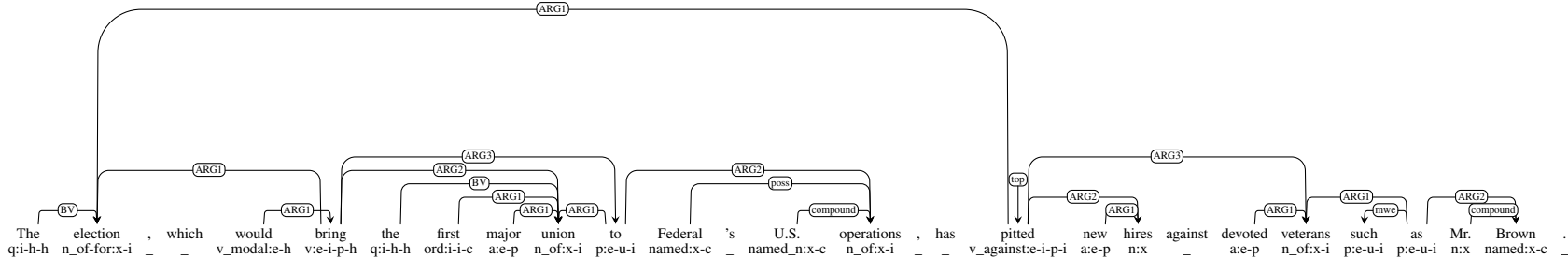
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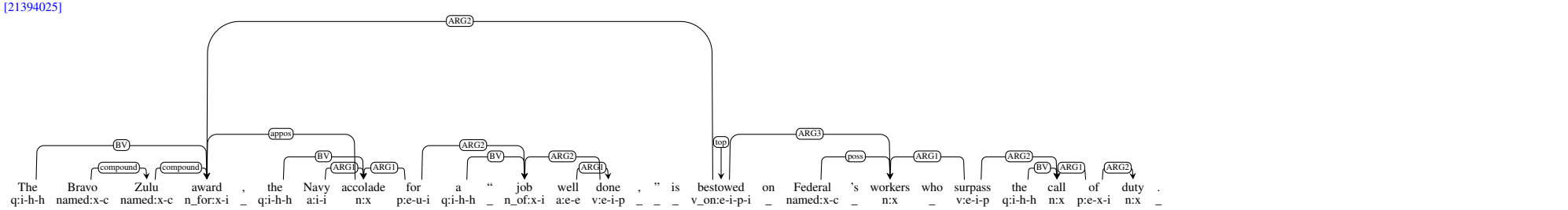
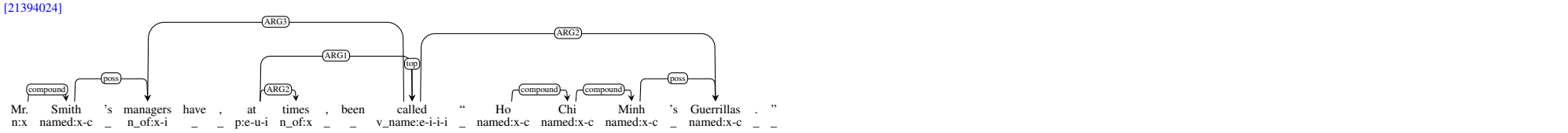
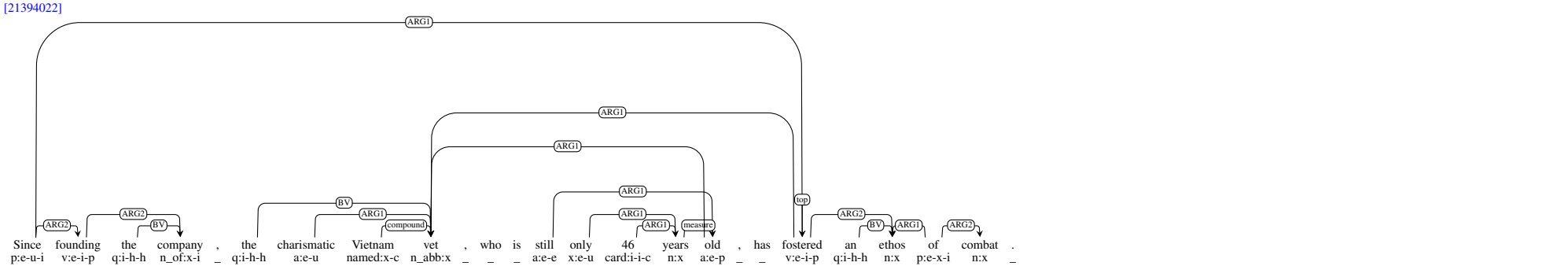
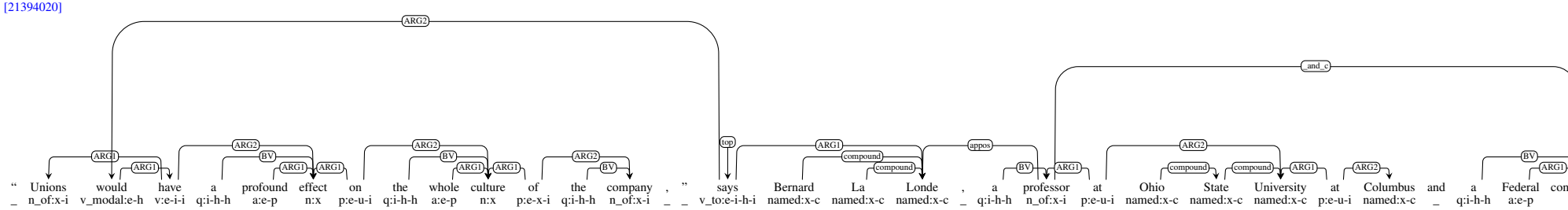
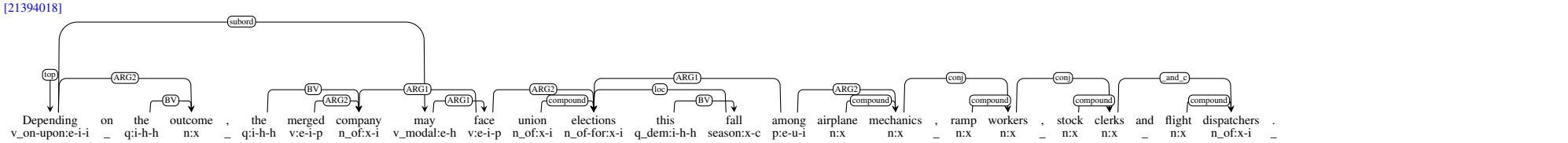
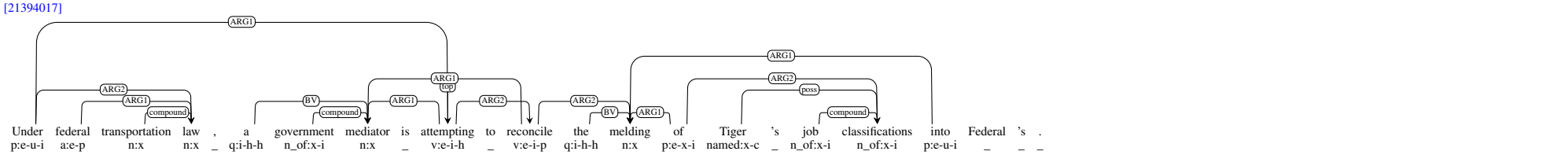
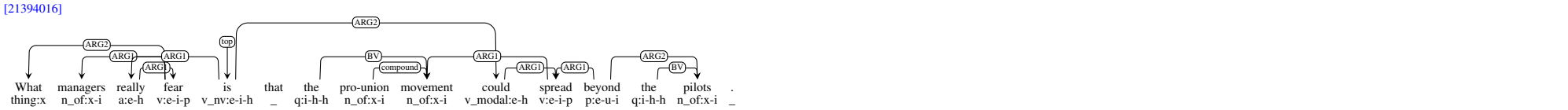
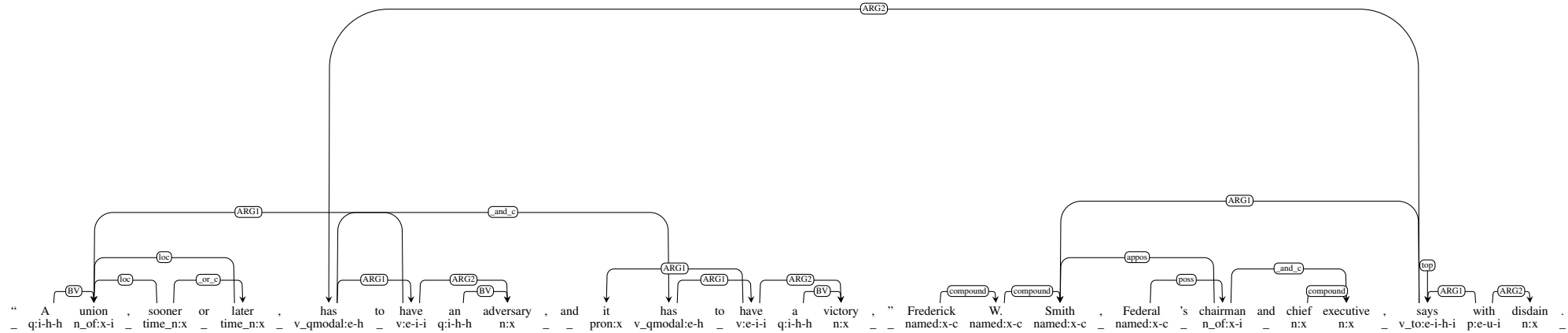
[21394011]



[21394012]



[21394014]







Federal's stock price, however, has held up well, driven in part by the general run-up of airline stocks, analysts say.

[21394056]

Since trading as low as \$ 42.25 a share in May, Federal's shares have rallied as high as \$ 57.87 in New York Stock Exchange composite trading.

[21394057]

They closed Friday at \$ 53.25, down 50 cents on the day.

[21394058]

There is a certain irony in the fact that Federal Express faces its first union problems as a result of its Tiger purchase.

[21394059]

Tiger itself was founded by a band of gungho airmen who had airlifted supplies "over the Hump" from India to China during World War II.

[21394060]

In the early 1970s, Mr. Smith modeled his fledgling company on Tiger's innovation of hub-and-spoke and containerized-cargo operations.

[21394062]

Federal Express officials acknowledge mistakes in their drive overseas but say it will pay off eventually.

[21394063]

Analysts expect Federal's earnings to improve again in its fiscal third quarter ending Feb. 28, when the company should begin benefiting from Tiger's extra flights, back-up planes and landing rights.

[21394064]

Until then, they expect the cost of integrating the two carriers to continue crimping profits.

[21394065]

For now, the union issue is the most nettlesome of Federal's Tiger problems, management believes.

[21394066]

Although encouraging dialogue between managers and workers, Mr. Smith does n't countenance what he considers insubordination.

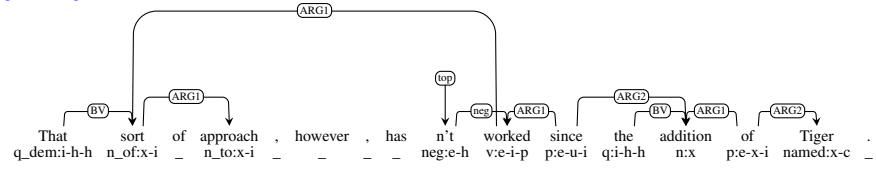
[21394067]

When a large group of pilots once signed petitions opposing work-rule and compensation changes, he called a meeting in a company hangar and dressed them down for challenging his authority.

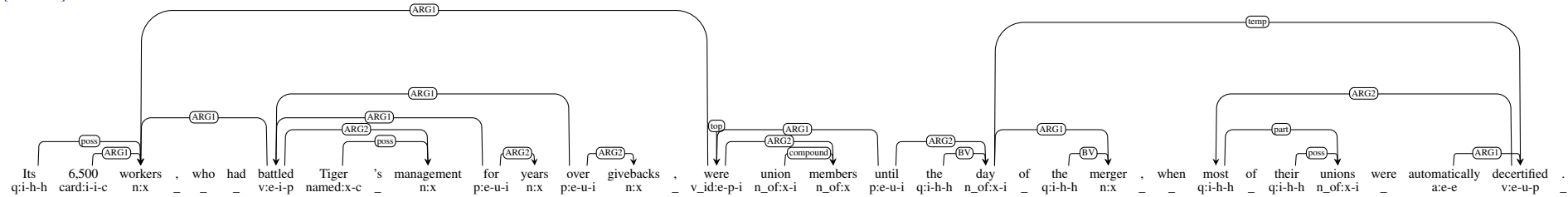
[21394068]

He then made most of the changes, pilots say.

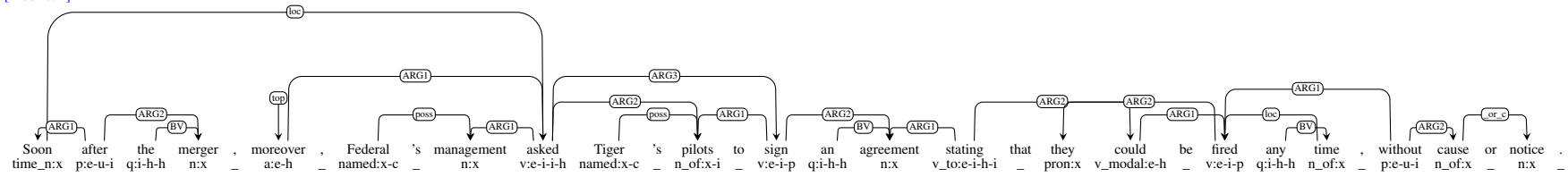
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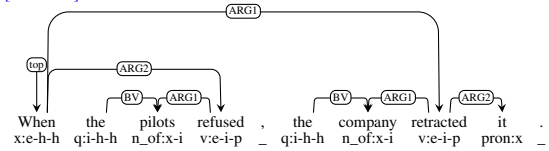
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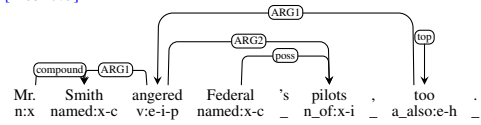
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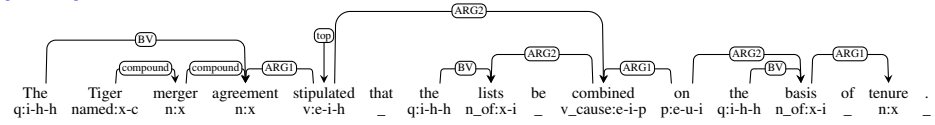
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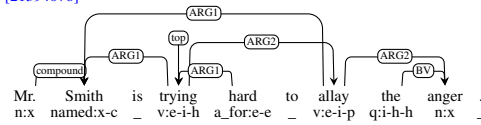
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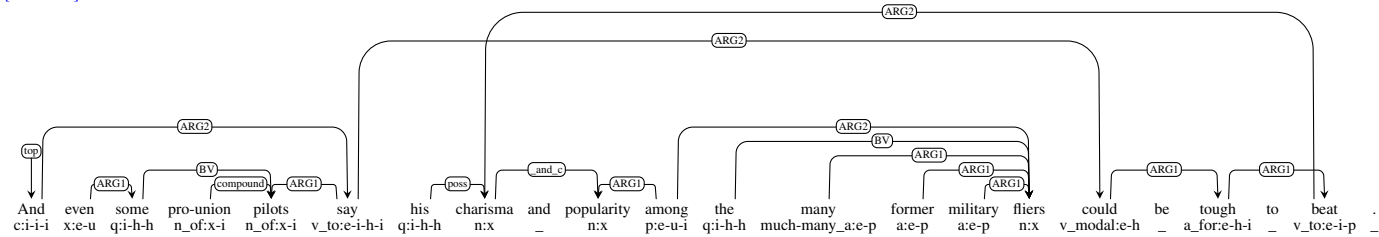
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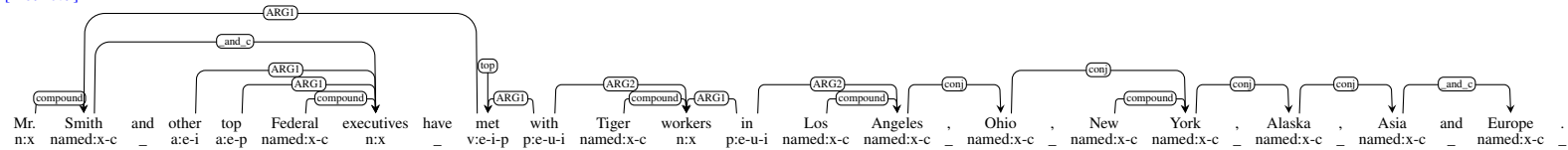
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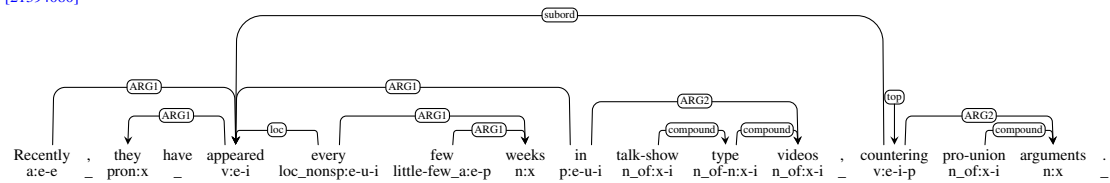
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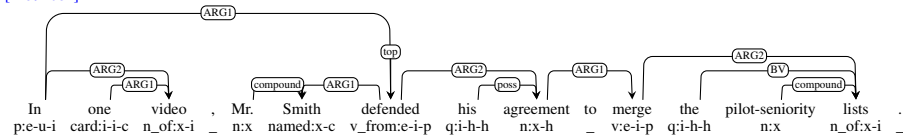
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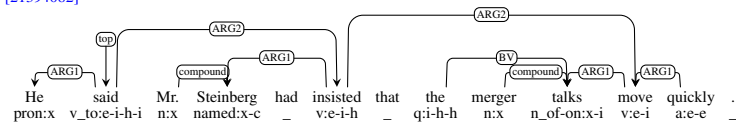
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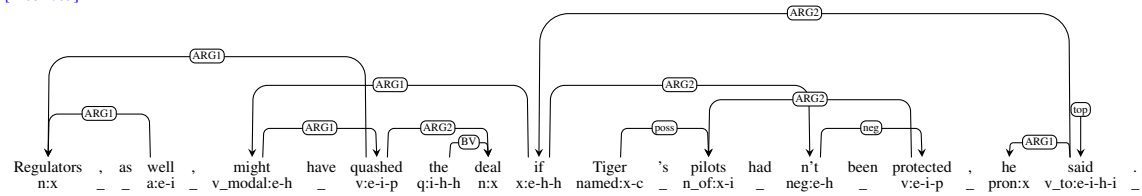
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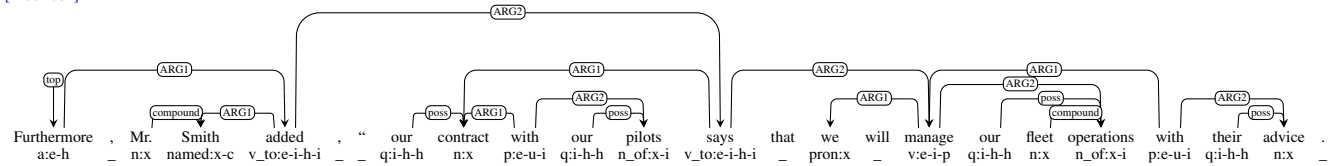
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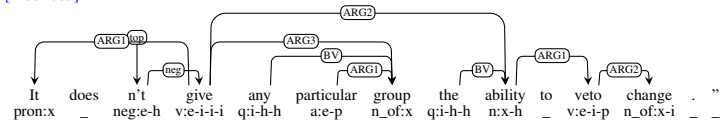
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[21394084]



[21394085]



[21394086]

