

MEMORANDUM ON THE DEAL WHEREBY THE AVIATION CORPORATION
SECURED THE COMMON STOCK CONTROL OF THE SOUTHERN
AIR TRANSPORT.

Upon the formation of the Southern Air Transport, Inc., wherein the Texas Air Transport, Inc., and its subsidiaries together with the Gulf Air Lines and its subsidiaries all came under its (Southern Air Transport) banner, the total outstanding capital stock of 300,000 shares was allocated as follows:

(1) To A. P. Barrett, sole owner of Texas Air Transport, Inc., and its subsidiaries, 160,000 shares.

(2) To the Gulf Air Lines, Inc., and its subsidiaries, 40,000 shares.

(3) Sold to the public through investment bankers allied with the Curtiss-Keys group, 100,000 shares.

About the time the Southern Air Transport, Inc., came into being the Aviation Corporation was launched. The Aviation Corporation, recognizing the tremendous possibilities of the South and its airways, went into the open market and bought a majority of the 100,000 shares owned by the investment bankers. After this situation was made known to Mr. Barrett through the good offices of Mr. Amon G. Carter, a director of the Aviation Corporation, a conference was had with Mr. Graham B. Grosvener, president of the Aviation Corporation, in the presence of the said Mr. Carter, wherein the deal was finally consummated whereby the Aviation Corporation purchased from the said Barrett 100,000 shares of his (Barrett's) personal stock in the Southern Air Transport, Inc., thereby delivering control of the capital stock representing a fraction above fifty per cent. of the Southern Air Transport stock to the Aviation Corporation.

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At this conference in the latter part of April in the said Carter's room, there being present only the said Grosvenor and the said Carter and the said Barrett, the latter stated that since the Aviation Corporation had shown such faith in the future of aviation in the south by the purchase of more than 50,000 shares of S. A. T. stock it was his (Barrett's) desire that the deal be as follows: to wit, first, no cash consideration be offered by the Aviation Corporation for the Southern Air Transport stock; (2) That the Aviation Corporation offer to exchange its stock share for share for all of the outstanding stock totaling 300,000 shares and that said Barrett would then deliver his holdings of 153,000 shares on this basis without asking the Aviation Corporation, directly or indirectly to buy from him one share of said exchange stock and that he would further recommend and urge other minority stock holders to do the same and he would further agree to withhold from the market any offer for sale of his stock so acquired for a period of six months.

Mr. Grosvenor stated that it was the object and purpose of the Aviation Corporation to be only a holding company and that deals being negotiated and made with other companies were on a basis of majority stock ownership by the Aviation Corporation and it would be the object and purpose of the Aviation Corporation to act as a banker for the companies whose common stock they owned and controlled on a basis that was broad and fair and liberal to all stockholders, wherein the majority stock was to be treated on the same basis as the minority stock.

Under the existing circumstances wherein the investment bankers handling the public offering of the Southern Air Transport, Inc., stock had, together with their associates, seen fit to sell a majority/holdings of the common stock of Southern Air Transport, Inc., to the Aviation Corporation for quick and

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big profits, Barrett reluctantly entered into the deal upon the strong assurances from Mr. Grosvenor, representing the Aviation Corporation, that ample and sufficient funds for the expansion, development and domination of the South's airways by Southern Air Transport would be promptly furnished by the Aviation Corporation upon such terms and conditions as to not in the least endanger the equity and value of the minority stockholders of the Southern Air Transport.

Since said deal was consummated in April it has been made known that ~~the~~ offers for stock exchange by the Aviation Corporation for the entire capital stock of other aviation companies have been offered and accepted and consummated, such as the Universal, Colonial and others.

Immediately after the above facts became known to Mr. Barrett he, with his attorney, Mr. Frank B. Black, made a request upon the Aviation Corporation, through its president, Mr. Grosvenor and its general counsel, Mr. William Dewey Loucks, to approve the sending out of an offer to all minority stock holders, offering an exchange of Aviation Corporation stock for such minority stock of the Southern Air Transport, share for share. This suggestion was cordially received by both of the above parties and the impression was made upon Mr. Barrett and Mr. Black that this would be promptly done. After waiting for 10 days, no notice having been sent out, said Mr. Barrett ~~and said Mr. Black~~ *and said Mr. Black*, again called upon Mr. Grosvenor and Mr. Louck, and both of said parties assured Messrs. Barrett ~~and Black~~ that the executive committee of the board of directors of the Aviation Corporation had been called, and assured them that said notice would be promptly sent out Friday June 28, 1929.

The Executive Committee failed to so order and by telephone conversation from Mr. Grosvenor to Mr. Barrett the reason assigned for the delay in this promise and agreement

was the condition of Aviation Corporation stock on the market which stock, had, at that time, reached the lowest stage on the market in its history and the fear on the part of the Executive Committee that, in exchanging its stock for S. A. T. stock, much of the Aviation Corporation stock thus exchanged would be offered on the market, forcing a lower price for Aviation Corporation stock.

Since the deal was made in April wherein control of the stock of the Southern Air Transport went to the Aviation Corporation numerous mergers and combinations have been made by the Curtiss group seriously endangering the future supremacy of Southern Air Transport throughout the South and yet, in spite of this, unfavorable turn the operations and plans for expansion of the S. A. T. have been seriously hampered by lack of the required capital to rapidly extend its program, and dig in and further fortify itself against the keen competition certain to come within a short time. Under existing conditions the Southern Air Transport is hobbled. Its independent attitude in the aviation world and its leadership has become indissolubly connected with the future of the Aviation Corporation. It cannot succeed without millions of additional capital placed in its treasury for expansion, for the acquisition of strategically located airports, facilities for its schools, equipment for its passenger and mail traffic service, as well as its aeromotive repair depots and sales departments.

The Aviation Corporation showed an aggressive and confident attitude in acquiring the common stock control of the Southern Air Transport but since that date it seems to have lost interest in the company. It has encouraged the management of S. A. T. to lay plans for the immediate inauguration of important and strategic lines, and indicated to them the necessity of immediately sending pilots for tri-motored planes to equip the lines, and, after much publicity these plans have been

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delayed and rival airways companies, taking advantage of S.A.T. inaction, hesitancy and delays, are pre-empting the field and assuming the leadership which the S. A. T. has held. The conquering spirit that pushed the domain of the Southern Air Transport, Inc. from El Paso to Atlanta and Amarillo to New Orleans, that made the name of the companies and their subsidiaries synonymous with aviation in the South, is being crushed, and something must be done, and that quickly, to hold the lines already achieved by S. A. T. and to assure that for which S. A. T. was created.

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