

AVCO MANUFACTURING CORPORATION

420 LEXINGTON AVENUE
NEW YORK 17, N. Y.

**IF YOU HAVE ALREADY
SENT IN YOUR PROXY PLEASE
DISREGARD THIS LETTER**

March 28, 1950.

To the Stockholders of
AVCO MANUFACTURING CORPORATION:

A REMINDER

We have previously sent to you our Annual Report, Notice of Meeting, Proxy Statement and Proxy, relating to the Annual Meeting of Stockholders to be held on April 13, 1950.

According to our latest records, we have not as yet received your Proxy. The time before the meeting is short and our outstanding stock is widely distributed. Your signed Proxy will be helpful, whether your holding is large or small, and will aid us in avoiding further expense and delay.

A Proxy and return envelope are enclosed herewith for your use.

Thank you for your cooperation.

Very truly yours,

VICTOR EMANUEL,
President.

PLEASE ACT PROMPTLY



AVCO MANUFACTURING CORPORATION

c/o Schroder Trust Company

57 BROADWAY

NEW YORK 15, N. Y.



COMPARATIVE STATEMENT OF PROFIT AND LOSS

FOR THE NINE MONTHS ENDED

AUGUST 31, 1950 AND AUGUST 31, 1949

AVCO MANUFACTURING CORPORATION

To the Stockholders of
AVCO MANUFACTURING CORPORATION:

Avco Manufacturing Corporation is turning out the largest volume of peacetime production in its history and sales and earnings have reached an all-time high. At the same time, the Corporation is devoting increased portions of its manufacturing facilities to the war effort and already has negotiated more than \$30,000,000 in defense contracts.

Consolidated net income of the Corporation for the nine months ended August 31, 1950, after all charges including Federal taxes, amounted to \$7,712,538, or \$1.08 per common share, as compared with \$2,711,540, or 35 cents per share, in the same period of 1949. The Federal income tax provision for 1950 has been computed at the increased rate imposed by the recently enacted Revenue Act of 1950 which required \$475,000 additional tax provision in the Corporation's third quarter accounts of which \$300,000 represented retroactive tax increase for the first half of the fiscal year.

Consolidated net sales for the nine months ended August 31, 1950, were \$160,330,491 as compared with \$97,908,767 during the same period last year.

The net earnings per common share, after retroactive adjustment for the Federal income tax increases, were 14 cents in the first quarter, 49 cents in the second quarter and 45 cents in the third quarter or a total of \$1.08 per share for the nine months ended August 31, 1950.

The net income per common share in 1950 is based on the number of shares of Avco common stock outstanding at August 31, 1950, exclusive of stock issued in exchange for stock of Bendix Home Appliances, Inc., under the Corporation's offer which expired September 15, 1950. The operations of Bendix Home Appliances, Inc., now approximately 83 per cent owned by Avco, are not included in Avco's consolidated income for the nine months ended August 31, 1950, but will be consolidated commencing September 1, 1950.

On the reverse side for your information is a Comparative Statement of Profit and Loss for the period ended August 31, 1950 and 1949.

VICTOR EMANUEL
Chairman of the Board

420 Lexington Avenue
New York 17, New York
October 13, 1950

AVCO MANUFACTURING CORPORATION

AND CONSOLIDATED SUBSIDIARIES

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Nine Months Ended August 31, 1950 and August 31, 1949

	Nine Months Ended	
	August 31, 1950	August 31, 1949
Net Sales	\$160,330,491	\$97,908,767
Cost of Sales	129,837,935	81,397,802
	<u>\$ 30,492,556</u>	<u>\$16,510,965</u>
Expenses		
Selling and Advertising	\$ 11,442,245	\$ 7,929,251
General and Administrative	4,244,178	3,884,161
	<u>\$ 15,686,423</u>	<u>\$11,813,412</u>
	<u>\$ 14,806,133</u>	<u>\$ 4,697,553</u>
Other Income		
Dividends Received	\$ 489,169	\$ 231,495
Interest Earned	170,290	79,947
Miscellaneous	137,673	215,503
	<u>\$ 797,132</u>	<u>\$ 526,945</u>
	<u>\$ 15,603,265</u>	<u>\$ 5,224,498</u>
Income Deductions		
Interest Paid	\$ 313,727	\$ 167,958
Provision for Amount Payable Under Extra Compensation Plan	1,177,000	195,000
	<u>\$ 1,490,727</u>	<u>\$ 362,958</u>
	<u>\$ 14,112,538</u>	<u>\$ 4,861,540</u>
Provision for Federal Income Tax ...	6,400,000	2,150,000
Net Income	<u>\$ 7,712,538</u>	<u>\$ 2,711,540</u>
Net Earnings per Share After Preferred Dividends	\$ 1.08	\$.35
Provision for Depreciation Charged to Income During the Period Amounted to	1,650,350	1,403,883

• The above figures are unaudited and are subject to possible revision and adjustment by our independent public accountants at the end of the current fiscal year.

Proxy

Annual Meeting of Stockholders of AVCO MANUFACTURING CORPORATION

KNOW ALL MEN BY THESE PRESENTS, that the undersigned stockholder of Avco Manufacturing Corporation (hereinafter called the "Corporation") hereby constitutes and appoints VICTOR EMANUEL, L. I. HARTMEYER and R. S. PRUITT, and each of them, the true and lawful attorneys, agents and proxies of the undersigned, with full power of substitution to each of them, for and in the name, place and stead of the undersigned to vote all of the shares of stock of Avco Manufacturing Corporation which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Corporation to be held at the statutory office of the Corporation, 927 Market Street, Wilmington, Delaware, on April 13, 1950, at 11 o'clock A. M., Eastern Standard Time, or at any adjournment or adjournments thereof, with all the powers the undersigned would possess if personally present: (a) For the election of nineteen directors to hold office until the next Annual Meeting of the stockholders or until their successors are elected and qualified. The names of the nominees for such directors are set forth in the Proxy Statement accompanying the Notice of Meeting dated February 28, 1950, copies of which have been received by the undersigned; (b) For () or Against () the election of Arthur Young & Company as independent auditors for the Corporation for the fiscal year to end November 30, 1950; (c) To take action upon such other matters as may properly come before the meeting, or any adjournment or adjournments thereof; hereby ratifying and confirming all that said attorneys, agents or proxies, and each of them, or their substitute or substitutes may do in and about the premises by virtue hereof.

This Proxy is solicited by the management of the Corporation and the shares of stock of the Corporation represented hereby will be voted, and where specifications are made hereon will be voted in accordance with such specifications. In the absence of such specifications, and unless directed to the contrary herein, the attorneys and proxies appointed herein, or their substitute or substitutes, are hereby authorized and empowered by the undersigned to vote for the election, as directors of the Corporation, of the persons named in the aforesaid Proxy Statement as the nominees for directors of the Corporation, or in the event of contingencies, for the election of such different persons to the Board as will maintain the existing management of the Corporation; for the election of Arthur Young & Company as independent auditors for the Corporation for the fiscal year to end November 30, 1950; and to vote in their discretion with respect to such other matters as may properly come before the meeting, or any adjournment or adjournments thereof.

A majority of said attorneys, agents and proxies or their substitutes who shall be present and shall act at said meeting or any adjournment or adjournments thereof (or if only one shall be present and act then that one) shall have and may exercise all the powers of said attorneys, agents and proxies hereunder.

Dated this day of, 1950.

Amon G. Carter-Star Telegram
Employees Fund,
P. O. Box 1036,
Fort Worth, Tex.

6375

98476

Stockholders who are present at the meeting may withdraw their proxy and vote, if they so desire, in person. When signing as attorney, administrator, trustee or guardian, please give your full title as such.

NOTICE OF SPECIAL MEETING

of Common Stockholders of

AVCO MANUFACTURING CORPORATION

To the Stockholders of

AVCO MANUFACTURING CORPORATION:

Notice is hereby given that a Special Meeting of the Common Stockholders of Avco Manufacturing Corporation, a Delaware corporation, will be held at the statutory office of the Corporation, Corporation Guarantee and Trust Company, No. 927 Market Street, Wilmington, Delaware, on November 14, 1950, at 11 A. M., Eastern Standard Time, for the following purposes:

- (a) To consider and act upon a proposed Amendment to Article Fourth of the Certificate of Incorporation of the Corporation, as amended, whereby the authorized number of shares of Common Stock of the par value of \$3 per share of the Corporation would be increased from ten million (10,000,000) such shares, presently authorized, to fifteen million (15,000,000) such shares.
- (b) To take action upon such other matters as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors of the Corporation has adopted a resolution setting forth the said proposed Amendment, declaring its advisability, and calling a meeting of the stockholders entitled to vote in respect thereof, for the consideration of such Amendment.

The hour of 3:00 o'clock P. M., Eastern Standard Time, October 13, 1950 has been fixed as the date of record for determining stockholders entitled to notice of and to vote at the Special Meeting of Common Stockholders or any adjournment or adjournments thereof, and only stockholders of record on said date are entitled to notice of or to vote at said Special Meeting of Common Stockholders. The transfer books of the Corporation will not be closed.

If you do not expect to attend said meeting the management of the Corporation requests that you date, sign and mail the enclosed proxy promptly in the addressed stamped envelope.

By Order of the Board of Directors

R. S. PRUITT, *Secretary*

AVCO MANUFACTURING CORPORATION

New York, N. Y.
October 14, 1950.

PROXY STATEMENT

AVCO MANUFACTURING CORPORATION

(A Delaware Corporation)

To the Common Stockholders of

AVCO MANUFACTURING CORPORATION:

The accompanying proxy is solicited by the management of Avco Manufacturing Corporation, a Delaware corporation (hereinafter called "Avco"), for use at a Special Meeting of Common Stockholders of Avco to be held at its statutory office, No. 927 Market Street, Wilmington, Delaware, on November 14, 1950, at 11 o'clock A. M., Eastern Standard Time, or at any adjournment or adjournments thereof. All stockholders who cannot be present at the Special Meeting of Common Stockholders are requested by the management to execute and return the enclosed form of proxy in the enclosed stamped envelope. The proxy is revocable at any time before its exercise.

PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION OF AVCO

The Board of Directors of Avco at a meeting held on September 29, 1950 adopted and declared advisable a proposed amendment to the Certificate of Incorporation of Avco, as heretofore amended, whereby the said Certificate of Incorporation would be further amended in the first paragraph of Article Fourth thereof so as to increase the number of authorized shares of Common Stock of the par value of \$3 per share of the Corporation from ten million (10,000,000) shares now presently authorized to fifteen million (15,000,000) such shares. The number of shares of Preferred Stock, without par value, presently authorized would remain unchanged. The proposed amendment to said first paragraph of Article Fourth reads as follows:

"FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is fifteen million four hundred forty-one thousand five hundred twenty-seven (15,441,527) of which four hundred forty-one thousand five hundred twenty-seven (441,527) shares shall be shares of Preferred Stock without par value (hereinafter called 'Preferred Stock') and fifteen million (15,000,000) shares shall be shares of Common Stock, all of which shares of Common Stock are of the par value of Three dollars (\$3.00) per share and are of one class (hereinafter called 'Common Stock')."

The purpose of this meeting is to consider and act upon said proposed amendment. Avco has 8,208,750 shares of Common Stock issued and outstanding and entitled to vote at the meeting, and the vote of a majority of such shares in favor of the proposed amendment is necessary for the adoption thereof. Of the balance of Common Stock presently authorized but unissued, 1,244,711 shares are reserved for conversion of outstanding Preferred Stock and 390,376 shares are reserved for stock options. It is believed by the Board of Directors and the management to be essential that the authorized number of shares of Common Stock be increased in order to provide a sufficient number of unreserved shares for possible future business needs. If the proposed amendment is adopted the additional shares of Common Stock authorized thereby will be subject to issuance from time to time by the Board of Directors of Avco for proper corporate purposes without further consent of stockholders. It is not presently contemplated that stock options covering any of such newly authorized shares will be granted to officers or directors without stockholders' approval.

Avco has no present plans for the issuance of any of the additional shares of Common Stock proposed to be authorized, except that it contemplates, providing a mutually satisfactory agreement can be made

with Bendix Home Appliances, Inc. with the approval of its Board of Directors and the holders of a majority of its Common Stock, acquiring all of the assets and business of that corporation in consideration of the assumption by Avco of all of its liabilities and the issuance of Common Stock of Avco. Avco has recently acquired approximately 83% of the outstanding stock of Bendix Home Appliances, Inc. The number of shares of Common Stock of Avco which would be issued if this transaction were consummated has not yet been determined, but it will be in excess of the number of shares of Common Stock of Avco presently authorized, unreserved and unissued. Accordingly, unless the proposed amendment is adopted, Avco will be unable to acquire the assets and business of Bendix Home Appliances, Inc. for Avco Common Stock. It is presently contemplated that Avco would issue to Bendix Home Appliances, Inc. in such proposed transaction the full number of shares of Common Stock of Avco necessary to provide for both its own interest and that of minority stockholders in that corporation. However, only a relatively small proportion of such newly authorized shares so issued would remain outstanding after Avco received back its proportionate part of such shares upon the liquidation of Bendix Home Appliances, Inc.

The additional shares of Common Stock to be authorized hereunder will be in all respects identical with the presently authorized Common Stock of Avco. Such shares of Common Stock have no preemptive rights. No director or officer has any substantial interest, direct or indirect, in any matter to be acted upon at the meeting.

EXPENSES AND METHOD OF PROXY SOLICITATION

The accompanying proxy is solicited by and on behalf of the management of Avco and the entire expense of preparing, assembling, printing and mailing the form of proxy and the material used in the solicitation of proxies will be paid by Avco. In addition to the solicitation of proxies by the use of the mails, Avco will retain Georgeson & Co., 52 Wall Street, New York, N. Y., assisted by approximately 60 persons for limited periods to aid in the solicitation of proxies. For all of these services Avco will pay a fee, plus out-of-pocket expenses and disbursements incurred in such solicitation, estimated in the aggregate at approximately \$7,000. These individuals will solicit proxies by personal interview, mail, telephone and telegraph, and may request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the stock held of record by such persons.

CONCLUSION

The only item of business which the management intends to present or is informed that others intend to present to this Special Meeting of Common Stockholders is that set forth herein. However, if any other matters properly come before the meeting for action, it is the intention of the persons named in the proxy to vote pursuant to such proxy in accordance with their judgment on such matters.

In accordance with the By-Laws of Avco the Board of Directors has fixed 3 P. M. Eastern Standard Time, October 13, 1950, as the record date for determining stockholders entitled to notice of and to vote at the aforesaid Special Meeting of Common Stockholders or any adjournment or adjournments thereof, and only stockholders of record at said time and date are entitled to notice of and to vote at said meeting.

The transfer books of Avco will not be closed.

By Order of the Board of Directors

AVCO MANUFACTURING CORPORATION

By VICTOR EMANUEL
Chairman of the Board

Dated at New York, N. Y.
October 14, 1950.

NOTICE OF ANNUAL MEETING

of Stockholders of

AVCO MANUFACTURING CORPORATION

To the Stockholders of

AVCO MANUFACTURING CORPORATION:

Notice is hereby given that the Annual Meeting of Stockholders of Avco Manufacturing Corporation, a Delaware corporation (hereinafter called "Avco") will be held at the statutory office of Avco, No. 927 Market Street, Wilmington, Delaware, on April 13, 1950, at 11:00 o'clock A. M. Eastern Standard Time to consider and take action with respect to the following:

1. The election of nineteen directors to hold office until the next Annual Meeting of Stockholders or until their successors are elected and qualified.
2. The election of independent auditors for the fiscal year to end November 30, 1950.
3. To consider and act upon any other business which may properly come before the meeting or any adjournment or adjournments thereof.

The close of business February 24, 1950 has been fixed as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment or adjournments thereof, and only stockholders of record at said time and date are entitled to notice of and to vote at said meeting. The transfer books of Avco will not be closed.

All stockholders are urged to attend the meeting, but if you are unable to do so the management respectfully requests that you date, sign and mail the enclosed proxy promptly in the enclosed addressed, stamped envelope which requires no postage. A majority of the outstanding Common Stock must be represented at the meeting to constitute a quorum for the transaction of business. Your prompt compliance with the foregoing request will be greatly appreciated.

By Order of the Board of Directors

R. S. PRUITT
Secretary

Dated at New York, N. Y.
February 28, 1950.

PROXY STATEMENT

AVCO MANUFACTURING CORPORATION

The enclosed proxy is solicited by and on behalf of the management of Avco Manufacturing Corporation (hereinafter called "Avco") for use at the Annual Meeting of Stockholders to be held on April 13, 1950 and is revocable at any time before it is exercised. Avco is bearing the cost of solicitation.

It is the intention of the persons named in the form of proxy enclosed herewith that, unless otherwise specifically instructed in the proxy, they will vote such proxies as are received by them for the election of the nineteen nominees named herein to serve as directors until the next Annual Meeting of Stockholders or until their successors are elected and qualified, and for the election of Arthur Young & Company as independent auditors for the fiscal year to end November 30, 1950. Mr. James Bruce was elected a director of Avco by the directors on February 24, 1950. However, the approval of the Civil Aeronautics Board, Washington, D. C., must be obtained before Mr. Bruce can assume that office. In the event that such approval is denied prior to the Annual Meeting of Stockholders on April 13, 1950, and approval is still required, it is the intention of the management to designate another nominee in his place and stead, and the proxy enclosed herewith will be voted for such nominee. If such denial takes place after the stockholders' meeting and approval is still required the directors of Avco will elect another person in the place and stead of Mr. Bruce. In the event that any other nominee for director should be unable to serve it is intended that the proxy will be voted for a nominee designated by the management.

Except as hereinbefore stated with respect to Mr. James Bruce, all of the nominees are presently directors of Avco, and all except Messrs. James Bruce, Martin W. Clement, Leroy A. Lincoln and Walter A. Mogensen have been elected directors by the stockholders. Mr. James Bruce is Director of the Mutual Defense Assistance Program, Washington, D. C., and a Consultant to the Secretary of State, Washington, D. C. He was United States Ambassador to the Argentine Republic from July 21, 1947 to September 16, 1949. Prior to that time he was Vice President and a Director of National Dairy Products Corporation. Among the corporations of which he is a Director are National Dairy Products Corporation, American Airlines, Inc., Chemical Bank & Trust Company, New York, N. Y., Commercial Credit Corporation, Republic Steel Corporation, Maryland Casualty Company, American-Hawaiian Steamship Corporation, First York Corporation and General American Investors Corporation. Mr. Martin W. Clement has since June 16, 1949 been Chairman of the Board of The Pennsylvania Railroad Company, and for fourteen years prior thereto was President of that Company. Mr. Clement is also a director of The Wabash Railroad Company, Norfolk and Western Railway Company, Richmond, Fredericksburg and Potomac Railroad, The Insurance Company of North America, and is a director and President of various subsidiary and affiliated companies of The Pennsylvania Railroad Company. He is also a Trustee of The Penn Mutual Life Insurance Company, Philadelphia, Pa., and of Trinity College, Hartford, Conn.; a member of the Board of Managers of the Girard Trust Company, Philadelphia, Pa., the Philadelphia Saving Fund Society, Philadelphia, Pa. and the Hospital of the University of Pennsylvania. Mr. Leroy A. Lincoln is and has been for the past fourteen years President of the Metropolitan Life Insurance Company, New York, N. Y. He is also a director of The Chase National Bank of the City of New York, The Home Insurance Company and the Union Pacific Railroad Company. Mr. Walter A. Mogensen is and has been during the past eight years Vice President and Treasurer of Avco, and since September 28, 1949 has been a director of Avco. He is also a director of the Crosley Broadcasting Corporation, The Crosley Distributing Corporation, Carrollton Furniture Mfg. Co. and New Idea Farm Equipment Company, all of which are subsidiaries of Avco.

The management knows of no business that the proxies solicited hereby will be voted on that might properly be brought before the meeting other than that stated in the Notice of the meeting. If, however, any other matters are properly presented at the meeting for action it is intended that the persons named in the proxy (which confers

discretionary authority with respect to transacting any such other business) will vote the same according to their best judgment. Common Stock is presently the sole voting security of Avco and there are 6,618,319 shares of such stock outstanding.

INFORMATION CONCERNING NOMINEES

<u>Name</u>	<u>Principal Occupation</u>	<u>Year First Elected Director</u>	<u>Stock of Avco Beneficially Owned as of January 15, 1950</u>	
			<u>Preferred</u>	<u>Common</u>
GEORGE E. ALLEN	Attorney at law, Washington, D. C. Trustee, The Penn Mutual Life Insurance Company; Director: Avco Manufacturing Corporation, Republic Steel Corporation, ACF-Brill Motors Company, Hugo Stinnes Corporation, Washington Properties, Inc., Steep Rock Iron Mines, Ltd., Northeastern Insurance Company of Hartford, Standard Gas and Electric Company, Occidental Life Insurance Company of California, The Philadelphia Company.	1943	None	900
IRVING B. BABCOCK ⁽¹⁾	Director and Consultant, Avco Manufacturing Corporation, Detroit, Mich. Chairman of the Board, ACF-Brill Motors Company, Chairman of the Board and President, Peninsula Grinding Wheel Company, Detroit, Mich.; Director: New York Shipbuilding Corporation, Community National Bank of Pontiac, Michigan, Crosley Broadcasting Corporation, Motors Metals Manufacturing Company.	1944	25	797
H. E. BABCOCK	Farmer, Ithaca, New York. Director, Avco Manufacturing Corporation, First National Bank of Ithaca, New York; Trustee, Cornell University; Director, Ithaca Lincoln-Mercury Corporation, Hines Park Foods, Inc., Massey-Harris Company, Limited.	1948	None	100
NEAL DOW BECKER	President and Director, Intertype Corporation, Brooklyn, N. Y., manufacturers of type setting machinery. Trustee, Consolidated Edison Company of New York, Inc., and East River Savings Bank, New York, N. Y.; Director: Avco Manufacturing Corporation, The Bank of the Manhattan Company, New York, N. Y., New York Dock Company, ACF-Brill Motors Company, Chairman, Board of Trustees, Cornell University.	1947	None	1,000
JAMES BRUCE ^{(2)*}	Director, Mutual Defense Assistance Program, Washington, D. C. Consultant to Secretary of State of United States, Washington, D. C.; Director: National Dairy Products Corporation, American Airlines, Inc., Chemical Bank & Trust Company, Commercial Credit Corporation, Republic Steel Corporation, Maryland Casualty Company, American-Hawaiian Steamship Corporation, First York Corporation, General American Investors Corporation.	1950*	None	200
MARTIN W. CLEMENT	Chairman of the Board, The Pennsylvania Railroad Company. Director: Wabash Railroad Company, Norfolk and Western Railway Company, Richmond, Fredericksburg and Potomac Railroad, The Insurance Company of North America, Avco Manufacturing Corporation; Trustee: Penn Mutual Life Insurance Company, Philadelphia, Pa., Trinity College, Hartford, Conn.; Member of Board of Managers, Girard Trust Company, Philadelphia, Pa., Philadelphia Saving Fund Society, the Hospital of the University of Pennsylvania.	1949	None	500
C. COBURN DARLING	President and Director, New England Distillers, Inc., Clinton, Mass., distillers. Director: Avco Manufacturing Corporation, New York Shipbuilding Corporation, Roosevelt Field, Inc., ACF-Brill Motors Company, The Rhode Island Insurance Co., New Idea Farm Equipment Company.	1932	None	10,000

* Subject to approval by Civil Aeronautics Board.

<u>Name</u>	<u>Principal Occupation</u>	<u>Year First Elected Director</u>	<u>Stock of Avco Beneficially Owned as of January 15, 1950</u>	
			<u>Preferred</u>	<u>Common</u>
GEORGE ADAMS ELLIS	Attorney, Clark, Carr and Ellis, New York, N. Y. Chairman of the Board, The First National Bank of Bennington, Vermont and Vermont Copper Company; Director: Avco Manufacturing Corporation, New York Shipbuilding Corporation, Moore Publishing Company, Inc., ACF-Brill Motors Company, Jarka Corporation.	1948	1,000	1,000
VICTOR EMANUEL ⁽¹⁾	Chairman of the Board and President of Avco Manufacturing Corporation, New York, N. Y. Director: Republic Steel Corporation, ACF-Brill Motors Company, New York Shipbuilding Corporation, Crosley Broadcasting Corporation, Hines-Park Foods, Inc., New Idea Farm Equipment Company; Trustee, Cornell University, University of Dayton.	1938	2,250	25,000
L. I. HARTMEYER ⁽¹⁾	Vice President and Director, Avco Manufacturing Corporation, New York, N. Y. Director, Standard Power and Light Corporation.	1941	100	597
CARLTON M. HIGBIE	President, McAleer Manufacturing Co., Rochester, Michigan, manufacturers of fishing reels and automotive products. Vice President and Director, Square D Corporation; Director, Avco Manufacturing Corporation, Kalamazoo Stove and Furnace Company; President and Director, Carlton M. Higbie Corporation.	1937	500	177
DR. ROBERT L. JOHNSON	President, Temple University, Philadelphia, Pa. Director: Avco Manufacturing Corporation, Girard Trust Company, Armstrong Cork Company, ACF-Brill Motors Company; Trustee, The Penn Mutual Life Insurance Company.	1949	None	300
LEROY A. LINCOLN ⁽²⁾	President, Metropolitan Life Insurance Company, New York, N. Y. Director: The Chase National Bank of the City of New York, The Home Insurance Company, Union Pacific Railroad Co., Avco Manufacturing Corporation.	1950	None	100
W. A. MOGENSEN ⁽¹⁾	Vice-President, Treasurer and Director Avco Manufacturing Corp. Director: Crosley Broadcasting Corporation, The Crosley Distributing Corporation, Carrollton Furniture Mfg. Co., New Idea Farm Equipment Company.	1949	400	1,100
BENJAMIN H. NAMM	Chairman of the Board, Namm's Inc., Brooklyn, N. Y., retail department store. Director, Avco Manufacturing Corporation, Lafayette National Bank, Brooklyn, N. Y., Arebec Corp., The Crosley Distributing Corporation.	1941	65	6,312
THOMAS A. O'HARA	Chairman of the Board, Colonial Ice Company, Greensboro, N. C., manufacturers of ice. President and Director, Central States Edison Inc., Union Electric Power Corporation; Director: Avco Manufacturing Corporation, Standard Gas and Electric Co., Republic Steel Corporation, New York Shipbuilding Corporation, ACF-Brill Motors Company, Crosley Broadcasting Corporation, The Crosley Distributing Corporation, New Idea Farm Equipment Company, The Philadelphia Company.	1942	35	1,095
R. S. PRUITT ⁽¹⁾	Attorney: Pruitt, Desvernine and Coursen, New York, N. Y., and Pruitt and Grealis, Chicago, Ill. Vice President, Secretary and Director, Avco Manufacturing Corporation; Director and Secretary, New York Shipbuilding Corporation, Checker Cab Manufacturing Corporation; Director, United States Freight Company.	1932	681	21,420

<u>Name</u>	<u>Principal Occupation</u>	<u>Year First Elected Director</u>	<u>Stock of Avco Beneficially Owned as of January 15, 1950</u>	
			<u>Preferred</u>	<u>Common</u>
JAMES D. SHOUSE ⁽¹⁾	Chairman of the Board, Crosley Broadcasting Corporation, Cincinnati, Ohio, radio broadcasting. Vice President (Broadcasting) and Director, Avco Manufacturing Corporation; Trustee, University of Cincinnati; Trustee, Cincinnati College of Music; Director: Cincinnati Chamber of Commerce, National Foreign Policy Association.	1947	200	350
A. N. WILLIAMS	President and Director, Westinghouse Air Brake Company, Wilmerding, Pa., manufacturers of air brakes and accessories. President and Director, Union Switch and Signal Company; Director: Avco Manufacturing Corporation, Manufacturers Trust Company, N. Y., Lehigh Valley Railroad Company, New York Shipbuilding Corporation, Peoples First National Bank and Trust Company, Pittsburgh, Pa., Canadian Westinghouse Co., Cardwell Westinghouse Company, Cie. des Freins et Signaux Westinghouse, Paris; Cia. Italiana Westinghouse Freni e Segnali, Turin; President and Director, Westinghouse Pacific Coast Brake Company; Chairman and President, American Brake Co.	1945	10	200

NOTES:

- (1) In addition the following persons held on said date options to purchase the following number of shares of Common Stock of Avco at the option price of \$6.37½ per share: Victor Emanuel, 88,500; R. S. Pruitt, 20,000; W. A. Mogensen, 15,000; L. I. Hartmeyer, 10,000. Mr. Shouse held an option to purchase at \$8.69 per share, 12,500 shares of such stock. Mr. Irving B. Babcock holds options to purchase 75,000 shares of such stock at \$5.75 per share and 21,250 shares at \$5.94½ per share.
- (2) Acquired stock of Avco subsequent to January 15, 1950.

REMUNERATION FOR 1949 FROM AVCO AND SUBSIDIARIES TO CERTAIN OFFICERS AND DIRECTORS INCLUDING AMOUNTS ACCRUED UNDER THE EXTRA COMPENSATION PLAN OF AVCO

<u>Name</u>	<u>Salary⁽¹⁾</u>	<u>Extra Compensation⁽²⁾</u>	<u>Amount Paid Or Set Aside Pursuant to Pension Plan</u>	<u>Estimated Annual Benefits from Pension Plan</u>	<u>Approximate Net Remuneration after Federal Taxes⁽⁴⁾</u>
VICTOR EMANUEL ⁽¹⁾	\$128,316.67	\$ 20,000.00	\$ 5,578.08	\$ 14,250.00	\$70,720.87
IRVING B. BABCOCK ⁽¹⁾	52,900.00	—	13,319.64	14,250.00	35,335.60
RAYMOND C. COSGROVE ⁽⁵⁾	100,299.99	—	10,513.32	14,250.00	55,100.97
L. I. HARTMEYER ⁽¹⁾	30,000.00	2,000.00	5,589.72	8,250.00	24,294.24
W. A. MOGENSEN ⁽¹⁾	50,000.00	13,000.00	7,507.92	14,250.00	39,991.04
R. S. PRUITT ⁽¹⁾⁽³⁾	50,150.00	7,000.00	14,813.16	14,250.00	37,332.80
JAMES D. SHOUSE ⁽¹⁾	60,000.00	20,000.00	6,041.40	14,250.00	47,362.08
Aggregate Remuneration of <u>All Officers and Directors as a Group including Above Persons</u>	\$735,487.73	\$104,000.00	\$83,261.64	\$139,200.00	—

NOTES:

- (1) The offices in Avco and its subsidiaries held by the persons named above are shown on pages 3-5 hereof. In the case of Messrs. Emanuel, Babcock, Cosgrove and Pruitt amounts shown include directors' fees from certain Avco subsidiaries.
- (2) The extra compensation shown accrued in 1949, but was paid by Avco in 1950 pursuant to the Extra Compensation Plan of Avco. This Plan was approved by stockholders of the Corporation at the Annual Meeting

of Stockholders on March 31, 1942, but was voluntarily suspended by the Board of Directors during the war years 1942 through 1945 and was not reinstated until the year 1946. Pursuant to such Plan there is payable as Extra Compensation 10% of the amount by which the consolidated manufacturing profit (computed before deduction of Federal Income Tax and provision for Extra Compensation) exceeds 6% of the consolidated manufacturing capital as determined by Avco's independent auditors.

- (3) Mr. Pruitt is a partner in the law firms of Pruitt, Desvernine and Coursen, New York, N. Y., and Pruitt and Grealis, Chicago, Illinois. Avco and its subsidiaries paid or accrued to such firms for legal services the aggregate sum of \$215,099 during the fiscal year ended November 30, 1949, which amount is not reflected in the aggregate remuneration shown. Not all of such sums accrued to Mr. Pruitt personally.
- (4) On the basis of a joint return, assumed marital status with two dependents, standard deduction, and exclusive of income from other sources. State taxes have not been deducted. Because of inclusion in the remuneration shown of amounts accrued to individuals in 1949 under the Extra Compensation Plan, but not received until 1950, individuals reporting on a cash basis will report a different amount of income for 1949 than shown herein if they have no other sources of income.
- (5) No longer an officer or director of Avco.

INTEREST OF DIRECTORS IN TRANSACTIONS

Avco purchased from its former subsidiary, The Nashville Corporation, prior to its dissolution during the past fiscal year, gas and electric kitchen ranges and frozen food storage cabinets produced by Nashville. In addition, during said year Avco manufactured for its subsidiary ACF-Brill Motors Company spare parts for bus engines and The Nashville Corporation prior to its dissolution sold to ACF-Brill Motors Company motor buses and spare parts.

At the time of the foregoing transactions 7 persons who were directors of Avco were also directors of The Nashville Corporation, and 9 of such persons were also directors of ACF-Brill Motors Company. In addition, certain officers of Avco were also officers of ACF-Brill Motors Company and of The Nashville Corporation.

Mr. Neal Dow Becker is a director of the Bank of the Manhattan Company, New York, N. Y., one of a group of banks which, pursuant to agreement with ACF-Brill Motors Company, a subsidiary of Avco, have made bank credit available to ACF-Brill Motors Company. Mr. A. N. Williams is a director of Manufacturers Trust Company, New York, N. Y., and Mr. James Bruce is a director of the Chemical Bank and Trust Company, New York, N. Y., both of which banks are among the depositaries for Avco's general funds.

During the past fiscal year Avco purchased, at regularly established prices in the normal course of business, a portion of its steel requirements from Republic Steel Corporation. Messrs. Victor Emanuel, Thomas A. O'Hara, George E. Allen and James Bruce are directors of Republic Steel Corporation.

During the past fiscal year Avco borrowed funds from Metropolitan Life Insurance Company, New York, N. Y., of which company Mr. Leroy A. Lincoln, now a director of Avco, is President. Mr. Lincoln is a director of The Chase National Bank of the City of New York, which is one of the depositaries for Avco's general funds.

In addition to the solicitation of proxies by the use of mails, Avco will retain Georgeson & Co., 52 Wall Street, New York, N. Y., assisted by approximately 40 persons to aid in solicitation of proxies. For these services Avco will pay a fee plus out-of-pocket expenses and disbursements estimated in the aggregate at approximately \$6,000. These individuals will solicit proxies by personal interview, mail, telephone and telegraph.

By Order of the Board of Directors

AVCO MANUFACTURING CORPORATION

R. S. PRUITT
Secretary

Dated at New York, N. Y.
February 28, 1950.

Proxy

Annual Meeting of Stockholders of

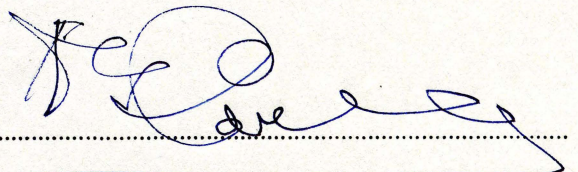
AVCO MANUFACTURING CORPORATION

KNOW ALL MEN BY THESE PRESENTS, that the undersigned stockholder of Avco Manufacturing Corporation (hereinafter called the "Corporation") hereby constitutes and appoints VICTOR EMANUEL, L. I. HARTMEYER and R. S. PRUITT, and each of them, the true and lawful attorneys, agents and proxies of the undersigned, with full power of substitution to each of them, for and in the name, place and stead of the undersigned to vote all of the shares of stock of Avco Manufacturing Corporation which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Corporation to be held at the statutory office of the Corporation, 927 Market Street, Wilmington, Delaware, on April 13, 1950, at 11 o'clock A. M., Eastern Standard Time, or at any adjournment or adjournments thereof, with all the powers the undersigned would possess if personally present: (a) For the election of nineteen directors to hold office until the next Annual Meeting of the stockholders or until their successors are elected and qualified. The names of the nominees for such directors are set forth in the Proxy Statement accompanying the Notice of Meeting dated February 28, 1950, copies of which have been received by the undersigned; (b) For () or Against () the election of Arthur Young & Company as independent auditors for the Corporation for the fiscal year to end November 30, 1950; (c) To take action upon such other matters as may properly come before the meeting, or any adjournment or adjournments thereof; hereby ratifying and confirming all that said attorneys, agents or proxies, and each of them, or their substitute or substitutes may do in and about the premises by virtue hereof.

This Proxy is solicited by the management of the Corporation and the shares of stock of the Corporation represented hereby will be voted, and where specifications are made hereon will be voted in accordance with such specifications. In the absence of such specifications, and unless directed to the contrary herein, the attorneys and proxies appointed herein, or their substitute or substitutes, are hereby authorized and empowered by the undersigned to vote for the election, as directors of the Corporation, of the persons named in the aforesaid Proxy Statement as the nominees for directors of the Corporation, or in the event of contingencies, for the election of such different persons to the Board as will maintain the existing management of the Corporation; for the election of Arthur Young & Company as independent auditors for the Corporation for the fiscal year to end November 30, 1950; and to vote in their discretion with respect to such other matters as may properly come before the meeting, or any adjournment or adjournments thereof.

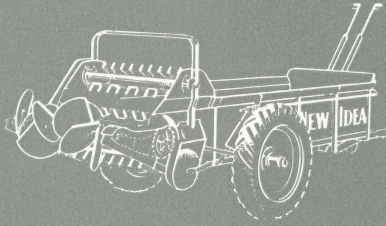
A majority of said attorneys, agents and proxies or their substitutes who shall be present and shall act at said meeting or any adjournment or adjournments thereof (or if only one shall be present and act then that one) shall have and may exercise all the powers of said attorneys, agents and proxies hereunder.

Dated this day of, 1950.

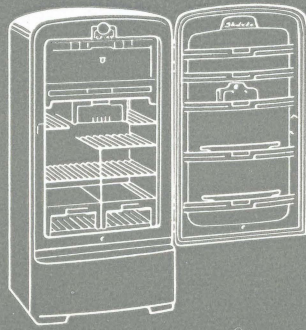


Stockholders who are present at the meeting may withdraw their proxy and vote, if they so desire, in person. When signing as attorney, administrator, trustee or guardian, please give your full title as such.

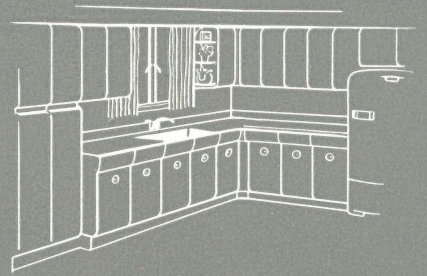
AMON G. CARTER - STAR
TELEGRAM EMPLOYEES FUND
P.O. Box 1036
FORT WORTH, TEXAS



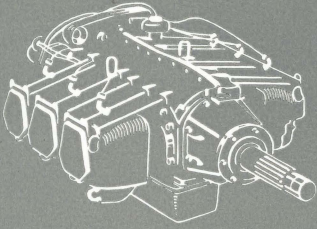
NEW IDEA



CROSLY



AMERICAN CENTRAL

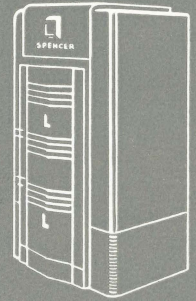


LYCOMING

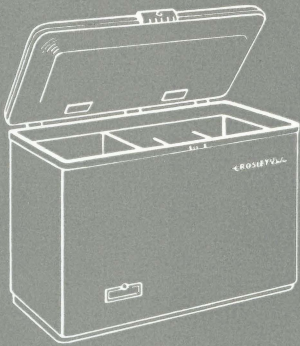


AVCO
MANUFACTURING CORPORATION

Annual Report
1949



SPENCER HEATER



CROSLY



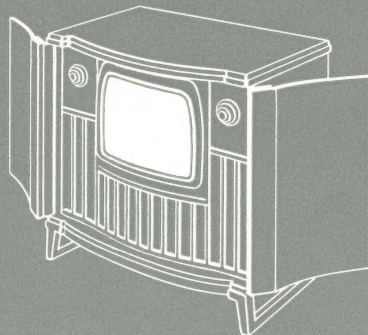
CROSLY BROADCASTING



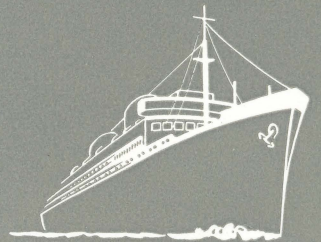
CROSLY



A C F - BRILL



CROSLY



NEW YORK SHIPBUILDING





AVCO MANUFACTURING CORPORATION

ANNUAL REPORT FOR THE YEAR ENDED

NOVEMBER 30, 1949



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AVCO MANUFACTURING

DIRECTORS

VICTOR EMANUEL*, *Chairman*

GEORGE E. ALLEN*	MARTIN W. CLEMENT	CARLTON M. HIGBIE	THOMAS A. O'HARA*
H. E. BABCOCK	C. COBURN DARLING*	ROBERT L. JOHNSON	R. S. PRUITT*
IRVING B. BABCOCK*	GEORGE A. ELLIS	LEROY A. LINCOLN	JAMES D. SHOUSE*
NEAL DOW BECKER	L. I. HARTMEYER	W. A. MOGENSEN	A. N. WILLIAMS
	A. W. HERRINGTON	BENJAMIN H. NAMM	

*EXECUTIVE COMMITTEE

OFFICERS

VICTOR EMANUEL	<i>President</i>
JAMES D. SHOUSE	<i>Vice President—Broadcasting</i>
JOHN W. CRAIG	<i>Vice President—Crosley Division</i>
WILLIAM M. WERNER	<i>Vice President—New Idea Division</i>
S. B. WITHINGTON	<i>Vice President—Lycoming-Spencer Division</i>
WILLIAM A. BLEES	<i>Vice President</i>
W. A. MOGENSEN	<i>Vice President and Treasurer</i>
L. I. HARTMEYER	<i>Vice President</i>
R. S. PRUITT	<i>Vice President, Secretary and General Counsel</i>

Stock Transfer Agent: *Common and Preferred Stock*—Schroder Trust Company, 57 Broadway, New York 15, N. Y.

Co-Transfer Agent: *Common Stock*—R. W. Fernald, Bankers Building, 105 West Adams St., Chicago 3, Ill.

Registrars: *Common Stock*—The Commercial National Bank and Trust Company of New York, 46 Wall St., New York 5, N. Y.

Preferred Stock—The Chase National Bank of the City of New York, 18 Pine St., New York 5, N. Y.



CORPORATION

OPERATING DIVISIONS

CROSLEY DIVISION	Cincinnati, Ohio; Richmond, Indiana; Carrollton, Kentucky
AMERICAN CENTRAL DIVISION	Connersville, Indiana
NASHVILLE DIVISION	Nashville, Tennessee
NEW IDEA DIVISION	Coldwater, Ohio; Sandwich, Illinois
LYCOMING-SPENCER DIVISION	Williamsport, Pennsylvania

CONSOLIDATED SUBSIDIARIES

CROSLEY BROADCASTING CORPORATION	(100%-owned)
(STATIONS WLW and WLW-T, Cincinnati, O.; WLW-C, Columbus, O.; and WLW-D, Dayton, O.; WINS, New York, N. Y.)	
NEW IDEA FARM EQUIPMENT COMPANY	(100%-owned)
CROSLEY DISTRIBUTING CORPORATION	(100%-owned)

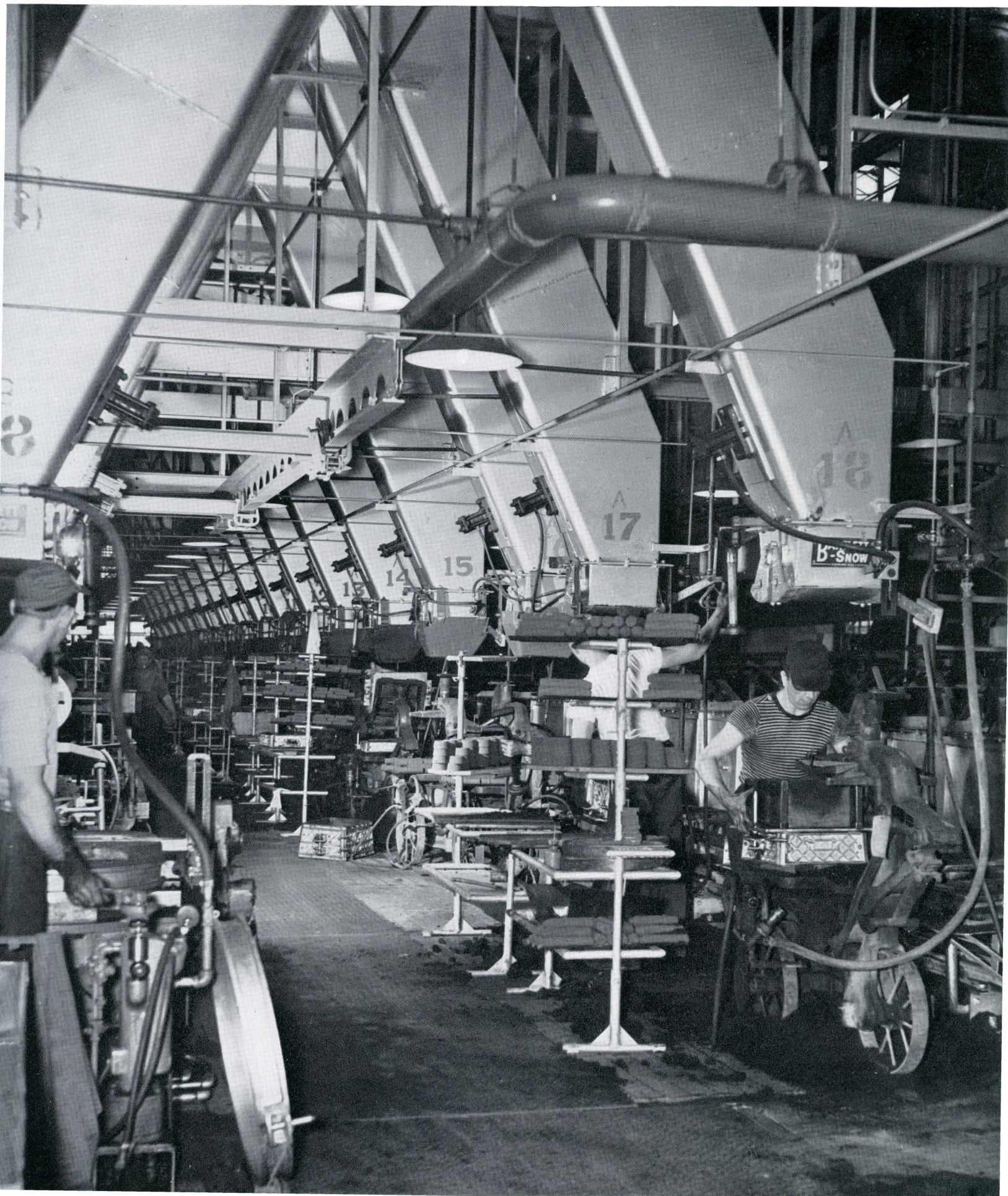
ASSOCIATED COMPANIES

NEW YORK SHIPBUILDING CORPORATION	(61.5% of founders stock and 4.3% of participating stock, equivalent to 24.3% of total equity stock)
ACF-BRILL MOTORS COMPANY	(48.6% of common stock)
HALL-SCOTT MOTOR DIVISION	

Co-Registrar: *Common Stock*—The First National Bank of Chicago, 38 So. Dearborn St., Chicago 90, Ill.

Listing of Securities: *Common Stock*—New York Stock Exchange and Midwest Stock Exchange
Preferred Stock—New York Stock Exchange

Symbolic of Acco's expansion and improvement program is the new foundry at Coldwater, Ohio.



ANNUAL REPORT FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1949



*To the Stockholders of
Avco Manufacturing Corporation:*

During the 1949 fiscal year Avco Manufacturing Corporation launched a vigorous and forceful program designed to consolidate and further strengthen its position in radio and television, home appliances, farm equipment and broadcasting—the four principal fields in which the corporation is engaged.

The year 1949 marked the completion of Avco's major postwar plant expansion, rehabilitation and improvement program. Projects placed in operation during the year included a new conveyerized foundry at New Idea Division's plant at Coldwater, Ohio, additional television production facilities at the Crosley Division plant in Cincinnati, new refrigerator manufacturing facilities at Crosley's Richmond, Indiana plant, and new television stations at Dayton and Columbus, Ohio.

Large outlays were made in 1949 for the development of new and expanded product lines, backed by an expanded sales organization and greatly increased sales promotion and advertising. Despite the return of highly competitive markets in 1949 the volume of sales for the year

was approximately the same as in the preceding year although net earnings were lower.

Earnings during the 1949 fiscal year were adversely affected by the slump in television and appliance sales during the Summer months, curtailment of production by early model changeovers of certain household appliances and competitive price reductions.

The third quarter of 1949 marked the low point in earnings for the year. An improvement in sales and earnings occurred during the fourth quarter of the year.

Consolidated net income of the corporation for the fiscal year ended November 30, 1949, amounted to \$4,150,466, equal after preferred dividends to 54 cents a share on the common stock. Consolidated net income for the preceding fiscal year amounted to \$7,913,736, equal after preferred dividends to \$1.11 a share on the common stock.

Consolidated net sales of the corporation in the 1949 fiscal year totaled \$137,398,554, as compared with \$140,515,462 in the twelve-month period ended November 30, 1948.

DIVIDENDS

Dividends paid on the common stock of the corporation with respect to the 1949 fiscal year amounted to 30 cents a share, as compared with 40 cents a share in 1948. Payments of 15 cents a common share were made on May 27 and December 20, 1949. Although common dividends in the current year were less than last, the total amount paid represented a larger percentage of net earnings than in the preceding year.

Total dividends paid with respect to the 1949 fiscal year amounted to \$2,545,683, of which amount \$560,187 was paid to holders of preferred stock and \$1,985,496 to holders of common stock.

Regularly quarterly dividends of 56¼ cents a

share were paid to holders of the corporation's \$2.25 cumulative convertible preferred stock. These payments were made on the first day of February, May, August and November, 1949. In addition, the quarterly dividend due February 1, 1950, was paid to preferred stockholders of record January 16, 1950.

As of November 30, 1949, the 6,618,319 outstanding shares of the corporation's \$3 par value common stock were held by a total of 49,673 stockholders. The 241,552 outstanding shares of preferred stock, without par value, were held by a total of 6,672 stockholders. This compares with 49,160 common and 6,981 preferred stockholders at November 30, 1948.

CORPORATE DEVELOPMENTS

Further simplification of the corporate organization was effected in 1949. Operations of the several divisions and certain subsidiaries have been integrated according to the type of business or manufacturing in which they are engaged. There are now four integrated groups, each of which is under the supervision of a fully responsible operating executive.

The electronics and appliances group includes Crosley, American Central and Nashville. Also, the Carrollton Furniture Manufacturing Company, a former subsidiary, is now operated as the Carrollton plant of the Crosley Division.

Farm implements and machinery are manufactured by the New Idea Division.

Radio broadcasting, telecasting, FM and short wave operations are under Crosley Broadcasting Corporation, a wholly-owned subsidiary of Avco.

Engines, boilers, heaters and castings are produced by the former Lycoming and Spencer Heater Divisions, which have been merged into a single division, Lycoming-Spencer.

In April, 1949, your corporation concluded arrangements for a \$10,000,000 fifteen-year loan

from two leading life insurance companies. This long-term loan constitutes the corporation's only indebtedness for borrowed funds. After giving effect to this loan, net working capital as of November 30, 1949, amounted to \$34,705,710 as compared with \$27,775,161 at the end of the 1948 fiscal year, an increase of \$6,930,549.

In accordance with the corporation's sinking fund requirements, 10,350 shares of \$2.25 cumulative convertible preferred stock were purchased in the open market during the 1949 fiscal year at an average price of \$38.60 per share.

The suits brought by certain stockholders of Consolidated Vultee Aircraft Corporation against Avco are still pending. These suits allege that the terms of contracts for the manufacture of household appliances by Consolidated Vultee for Avco during 1946 and 1947 were unfair to Consolidated Vultee, and that the consideration received by Consolidated Vultee from Avco in November, 1947, for stock of The Nashville Corporation was inadequate. Your corporation has denied these allegations and is defending itself through legal action.

Net tangible assets at the close of the 1949 fiscal year had increased to \$62,563,432, equivalent to a coverage of \$259, or 518 per cent, for each share of preferred stock with a stated value of \$50 per share. This compares with net tangible assets of \$61,085,101, at November 30, 1948, equivalent to \$242 per preferred share.

It is with the deepest regret that the corporation records the untimely death of one of its directors, Mr. John A. Stevenson, the late president of the Penn Mutual Life Insurance Company. Mr. Stevenson gave liberally of his time and talents and served the interests of the cor-

poration well during the period he was a member of the board of directors.

Dr. Robert L. Johnson, president of Temple University and chairman of the Citizens' Committee on the Hoover Report; Mr. Martin W. Clement, board chairman of The Pennsylvania Railroad Company, and Mr. Walter A. Mogensen, vice president and treasurer of the corporation, were elected to fill vacancies on the board of directors during the 1949 fiscal year. Mr. Leroy A. Lincoln, president of the Metropolitan Life Insurance Company, was elected to the board on January 26, 1950.

CONCLUSION

Business prospects at the start of 1950 were better than they were a year ago. At that time the country was facing a period of readjustment, the full extent of which was uncertain. Before the close of the year, however, despite the steel and coal strikes, it was apparent that the readjustment was being weathered without serious consequences. General business entered the new year at high levels of activity.

The past year was marked by the return of real competition after the post-war seller's market. This was particularly true of some of the lines in which the corporation is engaged such as radios, television, refrigerators and other home appliances. This competition for the consumer's dollar has resulted in price reductions and smaller unit profit margins in these lines, and this, in

turn, has made necessary with attendant higher costs a much greater emphasis on selling and merchandising, as well as on productive efficiency. In these processes we see the American competitive system at work.

The decline in profits during the past year partly reflected large expenditures made for the purpose of maintaining and improving the corporation's position in highly competitive markets. Greater efficiency has been achieved through better integration and coordination throughout the organization.

With the continued support of its stockholders and the loyal efforts of its employees, the corporation will make every effort to continue its growth and progress.

By Order of the Board of Directors,

VICTOR EMANUEL
President

420 Lexington Avenue
New York 17, New York
February 1, 1950.



The base and wall cabinets shown with this Crosley electric range provide a convenient work center.



Crosley's new sink cabinet.

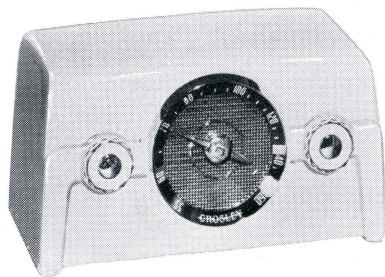


The Shelvador features complete accessibility and easy convenience.

Crosley makes a complete line of Ultra-Fidelity television receivers.



A spacious home freezer.



This table-model radio comes in a variety of colors.





CROSLLEY DIVISION

Crosley further expanded its line of home appliances during 1949 by introducing a complete range of kitchen sinks and cabinets, electric water heaters and additional models of electric ranges, home and farm freezers. In addition, the Crosley Division set a new record in production of the famous Shelvador refrigerator and further increased output of its new television receivers. Sales of this division accounted for approximately 57 per cent of the corporation's consolidated net sales.

This division maintained the high sales volume attained during the previous year. In order to obtain even higher volumes in 1950, Crosley has expanded its sales organization and conducted a broad and intensive sales program. The present sales organization is geared to handle a substantially larger volume of production.

Both the headquarters and the field organizations have been strengthened. Ten regional sales offices have been established in the key market areas throughout the nation. New sales branches have been opened at Portland, Oregon, and St. Louis, Missouri, where suitable replacements were unavailable for distributor franchises. Since the close of the 1949 fiscal year, a new sales branch also has been established at Albany, New York. In addition to its own sales organization, Crosley has 77 distributors and more than 15,000 dealers.

As a part of the sales program, Crosley purposely introduced its 1950 line of Shelvador refrigerators in the early Fall of 1949. By taking this action approximately 60 days in advance of the usual date in the industry, aided by one of the largest promotions in

the appliance industry, Crosley met with success in attracting new dealer outlets, improving volumes and in building prestige and consumer acceptance for its products. The nation-wide contest sponsored by Crosley in connection with this program was a cooperative promotion in which costs were shared with Crosley's distributor and dealer organization.

Production and sales of the Shelvador line broke all previous records during the past year. During December, 1949, the Crosley plant at Richmond, Indiana, produced the 1,000,000th Shelvador to come off the assembly lines since the end of the war. This was more than the total of all previous refrigerator production in the company's history. Output at Richmond will be boosted another 30 per cent with the addition of new equipment and facilities in 1950.

The Crosley television line includes a variety of models, ranging from a plastic table model receiver with 10-inch tube to a 16-inch console with doors. The Crosley Ultra-Fidelity television receivers incorporate an exclusive "Family Theatre" screen which permits wide-angle viewing. The receivers also include built-in antenna, a fade-eliminator that ends distracting interference, and the Crosley Unituner, which brings in pictures and sound simultaneously. Crosley has continued to produce radios, one of the most successful models in 1949 being the all-white table model radio designed especially for the kitchen. This radio is also produced in five different colors.

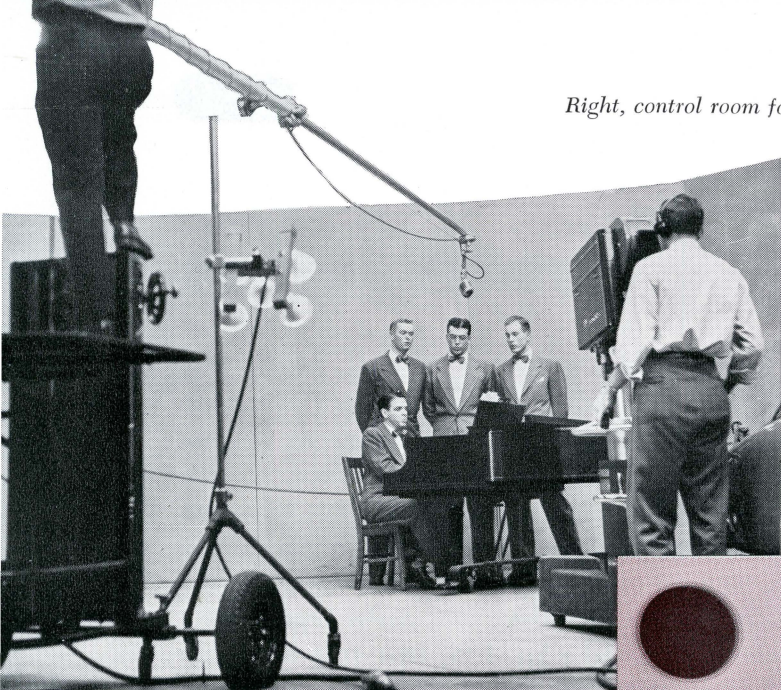
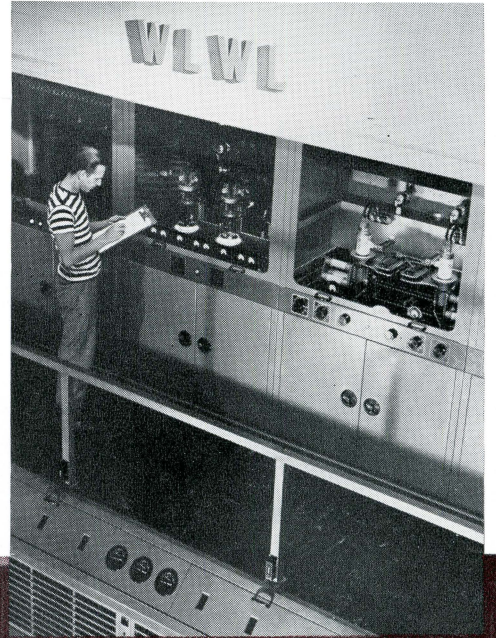
The expanded electric range and home freezer lines for Crosley are being produced at Nashville. This plant is also handling sub-contract work for outside manufacturers.

Crosley now distributes seven major product lines, including radios, television receivers, refrigerators, home and farm freezers, electric water heaters, electric ranges and steel kitchen sinks and cabinets. The research and development department and the production engineering department have been expanded during the year in order to keep abreast of competition and to develop new and better products.



This table model television set features the "Family Theatre" screen.

Right, control room for short wave station WLWL.



Shown above is scene in WLW-T television studio.



Large audiences attend broadcasts in studios of "The Nation's Station."



Scene from television program shown at left appeals to homemakers' groups.



Entrance to new television studios at Columbus.

This new television station at Dayton began operations in March, 1949.





CROSLY BROADCASTING CORPORATION

During the 1949 fiscal year Crosley Broadcasting Corporation expanded its television operations with the opening of new stations in Dayton and Columbus, Ohio, and greatly intensified its bid for potential audiences in Cincinnati and the two new areas through strong promotion and improved programming.

With the establishment of television station WLW-D at Dayton in March and WLW-C in Columbus in June, the corporation began operation of its own three-station television network. As a result, programs originating at WLW-T in Cincinnati can be relayed to the other two at very small additional expense and the total cost of the programming spread against the operations of all three stations. This advantage was further enhanced in September, 1949, when national network services became available through the coaxial cable linking these stations with New York, Chicago, St. Louis, Washington and other important centers.

Throughout 1949 Crosley Broadcasting Corporation has maintained promotional campaigns to attract television viewers, and to assist the television manufacturing industry to achieve greater set distribution in the areas served by these stations. The success of these efforts is shown by the fact that WLW-T, WLW-C and WLW-D have a larger combined audience than the total audiences of the five competing television stations operating in these three cities. In addition, total number of television receivers in the entire area increased from approximately 12,500 in December, 1948 to almost 100,000 in December, 1949. It is anticipated that by the close of the coming year this total will be increased to at least 200,000. Efforts to establish leadership in this young and rapidly-growing industry have required

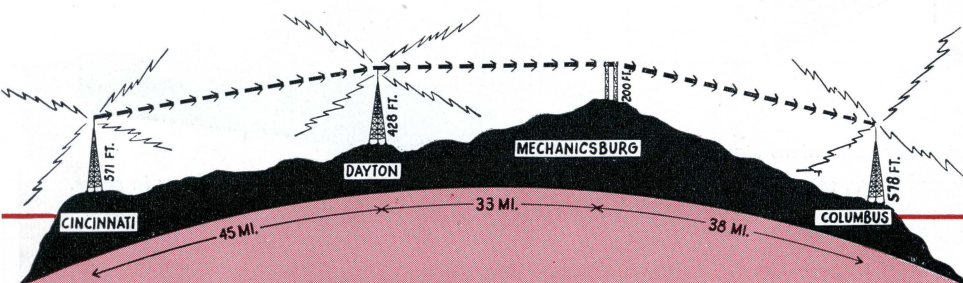
substantial expenditures and it is expected that telecasting operations during the forthcoming year will result in a net loss.

Revenues from AM broadcasting have continued at very high levels and operations for the year proved satisfactory. WLW, "The Nation's Station," at Cincinnati maintained operations throughout 1949 at a point close to its full potential. Due to the "freeze" in construction of new television stations, it is now expected that WLW, as well as the entire AM broadcasting industry, will have a better year in 1950 than originally anticipated. This will help to offset television operating losses and should provide satisfactory results for the broadcasting operations as a whole.

Negotiations for the purchase of the radio and television stations operated by WHAS, Inc., at Louisville, Kentucky were terminated when the Federal Communications Commission ruled that overlapping services of WHAS and WLW could not be permitted under present FCC regulations. In making this ruling, however, the FCC praised the programming and public service policies of WLW and the corporation. The corporation's application for a television station at Indianapolis has not been acted upon due to the FCC "freeze" order applicable to the entire industry.

The corporation continued operation of its short wave transmitters at Bethany and Mason, Ohio, under contract with the State Department. These transmitters beam "Voice of America" broadcasts to Europe, Africa and South America.

WLW received three additional awards during the year, two from Billboard Magazine for outstanding promotion and public service, and the third from Ohio State University for an outstanding series of educational programs.



Crosley Broadcasting's three television stations are interconnected by cable and relay.



Styling of American Kitchens lends beauty and convenience to the modern kitchen.



This new base cabinet offers convenient storage with separate drawers and large, roomy shelves.



Counter tops are available in black, or in color.



AMERICAN CENTRAL DIVISION

Sales of steel kitchen sinks and cabinets produced by American Central and contract business handled by the division for outside manufacturers decreased in volume during the year, partly due to adverse effects of the steel strike. Sales of this division accounted for 9 per cent of the corporation's consolidated net sales.

Although effects of the steel shortage will be felt well into the second quarter, prospects for 1950 are improved. Inventories in the hands of distributors are better balanced and new sales outlets for American Kitchens are being developed. In addition, American Central is manufacturing a complete new line of steel kitchen sinks and cabinets for distribution and sale by the Crosley Division. This added volume is expected to result in manufacturing economies which will be reflected in both product lines.

American Central continues to manufacture refrigerator cabinets for an outside manufacturer and during 1950 will begin production of complete refrigerators under contract for several additional customers. This move will require the installation of new conveyors, machinery and equipment designed to further increase refrigerator production in the Connersville, Indiana, plant.

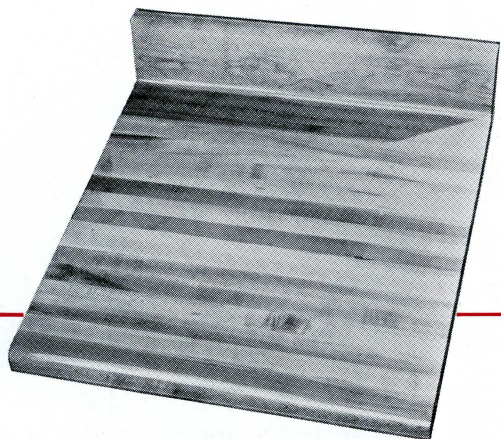
Several supplementary products and services have been added during the last half of the 1949 year and the first quarter of 1950. A new Avco Deluxe-

American Kitchens home freezer with 4.1 cu. ft. storage capacity blends with the line of base cabinets and has 6 sq. ft. of durable worktop surface. Another new, exclusive feature is the utility bin which can be installed in the corner base cabinet area. A new solid maple counter top, in the same contour as other base unit tops, is offered as an ideal cutting surface on 24-inch base cabinets. In addition, continuous counter top coverings are now available in four colors as well as the standard black.

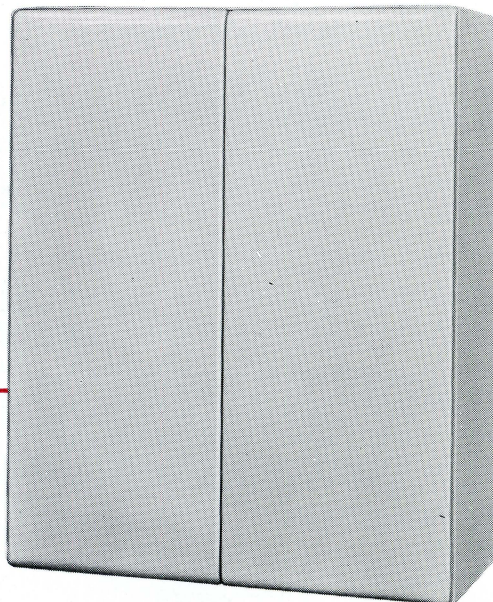
The new 1950 line also includes fittings underneath wall cabinets to accommodate concealed fluorescent lighting. This provides optimum illumination for work surfaces of base cabinets. To increase builder business a new ledge-type, flat-rim builder sink in single and double-bowl types along with four sizes of special sink fronts for use with these sinks are being offered. Builders also have a choice of custom or continuous counter tops for each major installation.

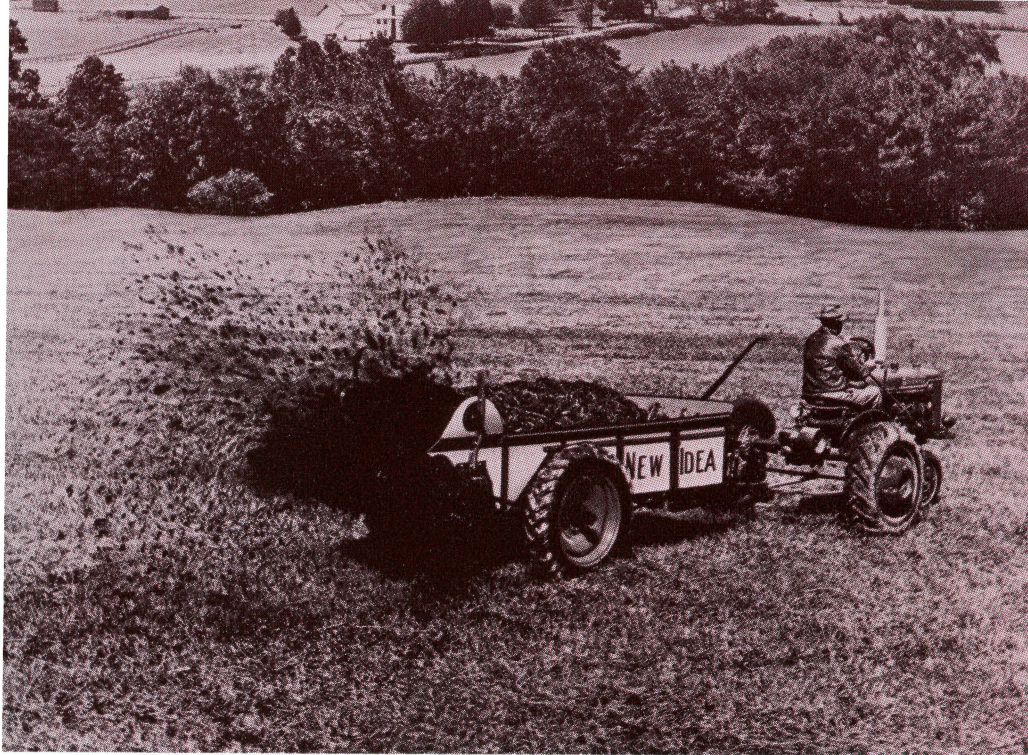
Sales department of American Central has been reorganized and strengthened. Regional sales offices have been established in Chicago, San Francisco, New York and Atlanta. A factory distributing branch is being established in New York City to handle sales to dealers in that area. A division to handle sales to builders also has been established.

Wall cabinets present clean, pleasing appearance.



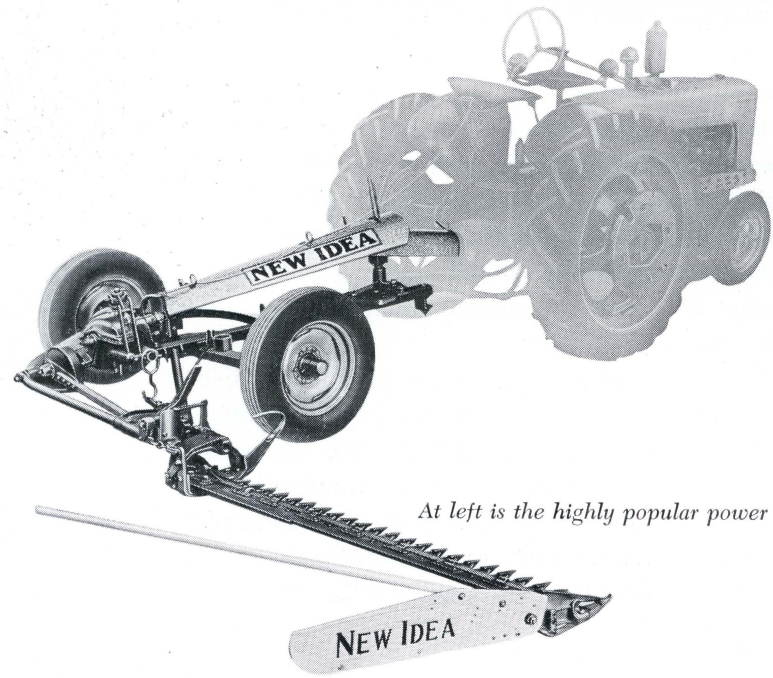
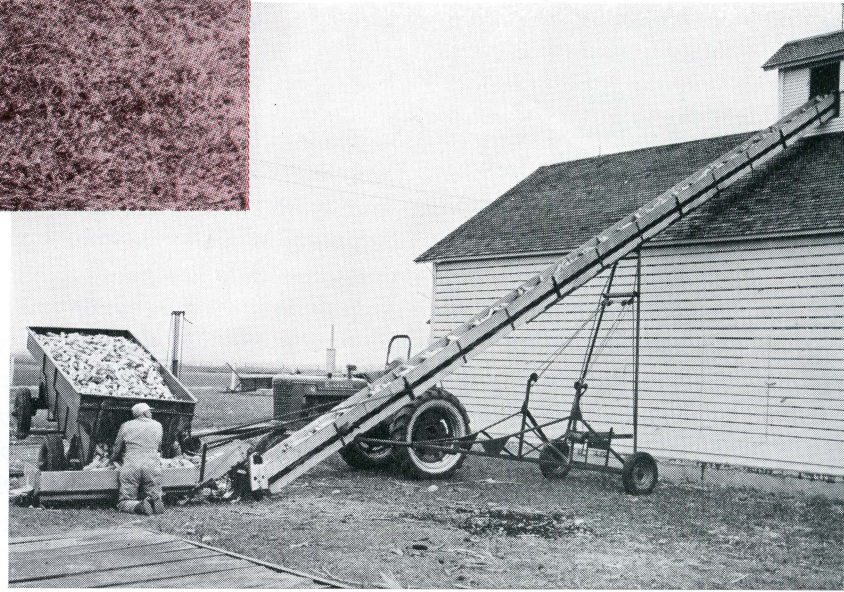
Maple counter top provides ideal cutting surface





The manure spreader is important to soil building.

Shown below is a New Idea portable grain elevator.



At left is the highly popular power take-off mower.

This side delivery rake with tedding features provides clean, continuous raking action.

Below is New Idea's efficient two-row corn picker.



Sales of the New Idea Division during 1949 increased almost 50 per cent over 1948 and operations during the forthcoming year are expected to maintain high levels despite predicted lowered farm income. Sales of this division amounted to 22 per cent of the corporation's consolidated net sales. With completion of its postwar expansion and modernization program during the early part of the year, New Idea began operation of its new foundry and rearranged a substantial portion of the plant layout to effect greater production efficiency.

The division introduced a new portable elevator during 1949 and will produce an improved all-purpose version in 1950. A new-type side delivery rake was placed in the field for testing and will be marketed late in the year.

Further improvements were made in other New Idea products, which include manure spreaders, power take-off mowers, corn pickers and snappers, haying machines, transplanter, rubber-tired steel wagons, corn husker-shredders and shellers.

The new conveyerized foundry was placed in operation during April, 1949, and increased the pouring of castings from 28 to 45 tons daily. This capacity will be increased to approximately 55 tons during the first quarter of 1950. The area occupied by the old foundry has been completely renovated for mass assembly of spreader models.

Further mechanization of the plant was completed in June when a power-operated, conveyerized assembly line for pickers, snappers and similar farm implements was placed in operation. In addition, the machine shop and machining operations for the power mower have been combined to provide greater fabricating area and increased manufacturing efficiency.

Additional warehouse space and a new castings

storage building are under construction. These will permit continuous production of both implements and castings, as well as shipment of mixed carloads of implements from inventory.

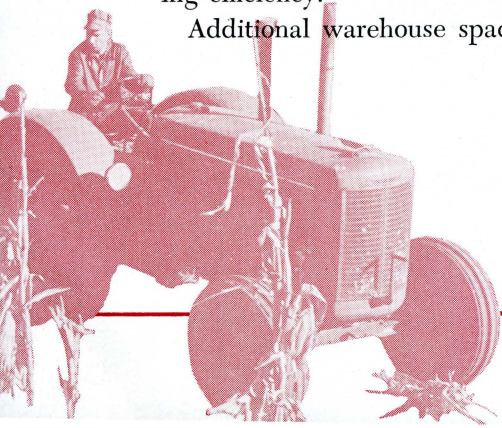
The engineering and research department has been expanded and is undertaking the design and development of several new products which are expected to further augment the New Idea line. A new office area also has been provided for the further integration of key factory and administrative personnel.

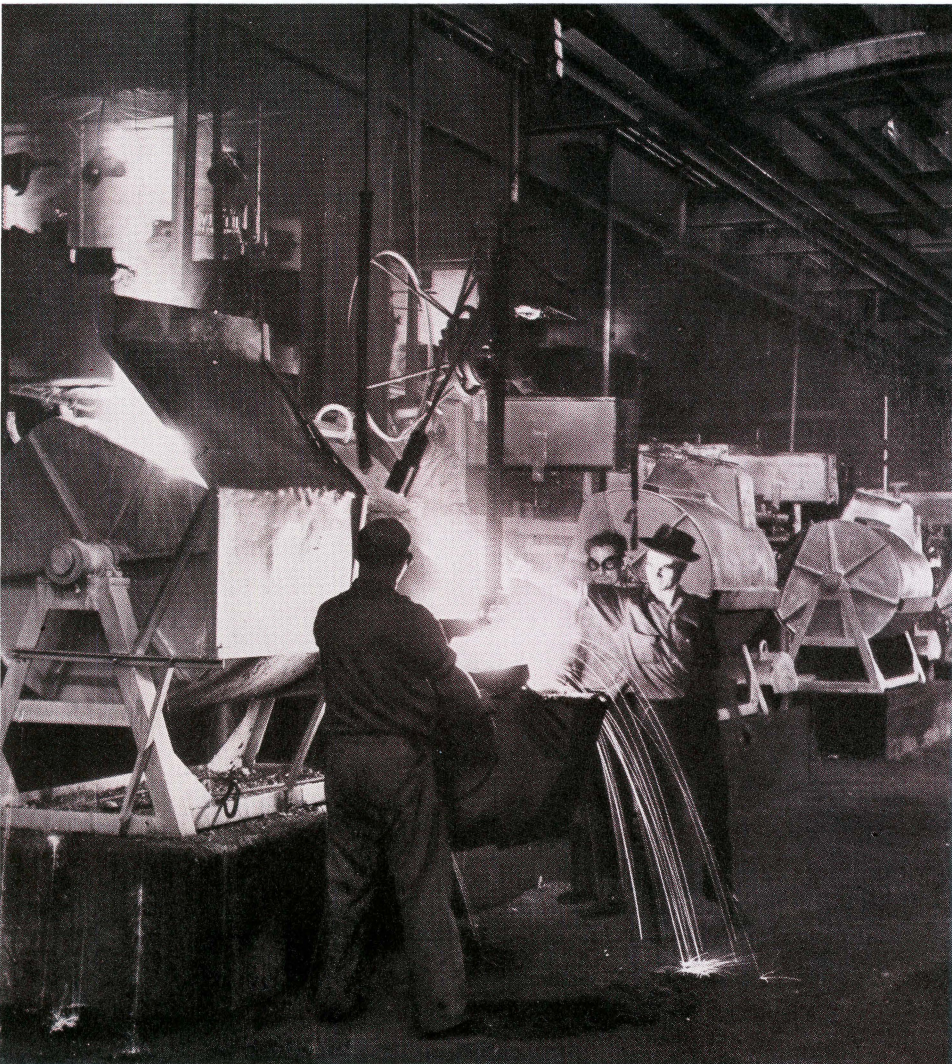
New Idea has greatly expanded its distribution during the past year. The number of factory branch offices was increased to 15 with the opening of three new sales and service offices in Fargo, North Dakota; Dallas, Texas; and Stockton, California. Total dealer representation increased almost one-third as the number of retail outlets went from approximately 3,000 to almost 4,000.

With continuing diversification of agriculture throughout the South, New Idea has further expanded operations of its branch offices in Charlotte, North Carolina and Memphis, Tennessee. As corn crops and dairying activities increase in importance in the whole Southern region, New Idea is broadening its distribution coverage in this area.

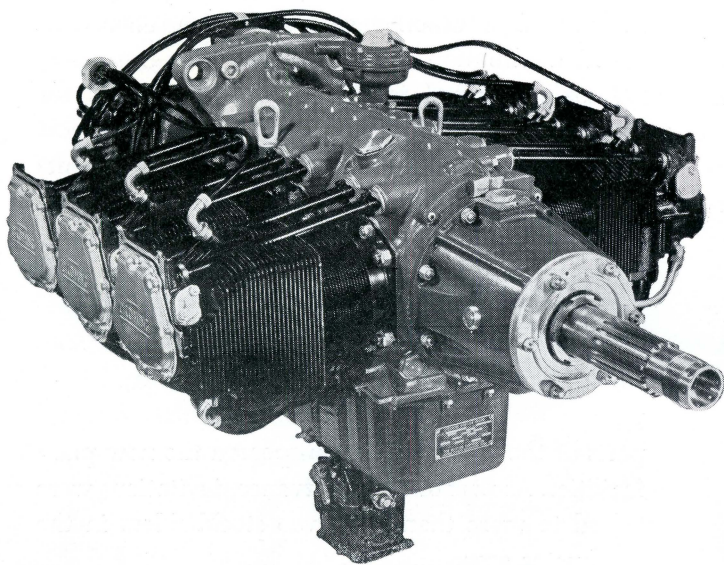
Looking toward improved foreign markets for its products, the division has organized an export department to handle sale of New Idea implements to distributors in Canada, Mexico and Latin America. These countries are expected to provide markets for many New Idea products, particularly hay tools such as the mower and side-delivery rake.

In October, 1949, New Idea observed its 50th Anniversary. During a single week more than 14,000 visitors, including more than 1,600 dealers from all parts of the United States, inspected the new plant facilities. As part of the observance, invitations were issued to more than 400 Avco stockholders in the Coldwater area.





Spencer operates one of the largest gray iron foundries in the East.

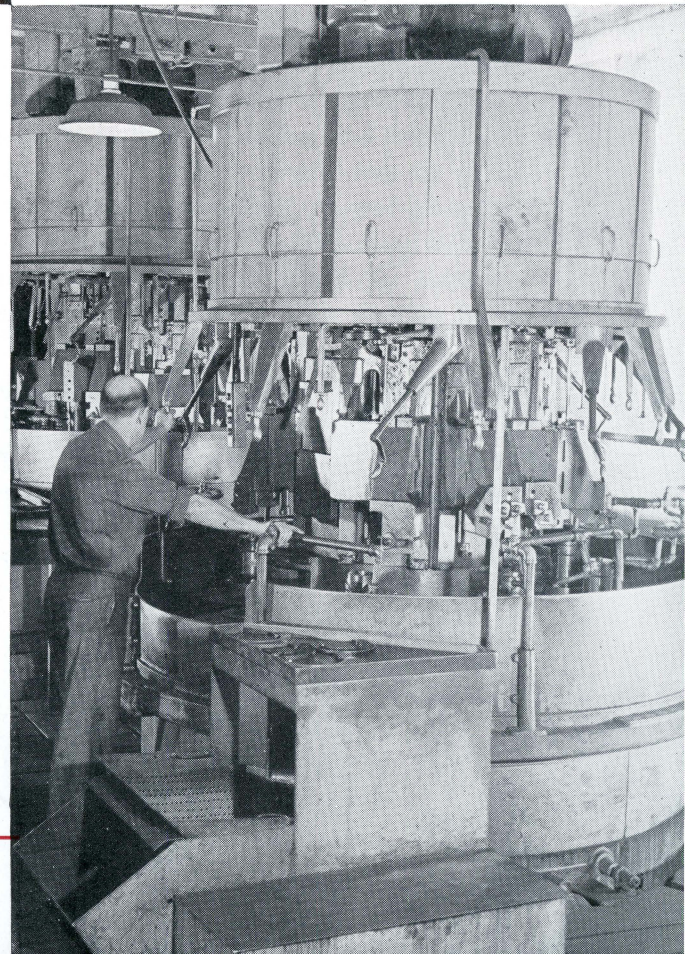


Above is the new Lycoming GO-435 aircraft engine.



The Spencer boiler above is for residential use.

Below, multiple spindle boring, turning machines.





LYCOMING-SPENCER DIVISION

Operations of the former Lycoming and Spencer Heater Divisions at Williamsport, Pennsylvania, were combined early in 1949 under the name of Lycoming-Spencer Division. Sales of aircraft engines and boilers improved substantially during the year, but foundry operations were at a low level. Sales of this division accounted for approximately 6 per cent of the corporation's consolidated net sales.

In merging these two divisions, operating economies have been effected. The Lycoming-Spencer Division is under supervision of a single operating executive and sales departments of both plants have been placed under one general sales manager.

In aircraft engines and related parts, Lycoming has been successful in securing orders for almost 2,000 engines for delivery during the coming year as against only 500 during 1949. Seven aircraft manufacturers are using Lycoming engines ranging from 65 to 260 horsepower in either prototype or production aircraft.

In the Fall of 1949 Lycoming introduced an improved version of the six-cylinder GO-435 series geared engine. It is being used in the new Beechcraft Twin-Bonanza, a completely new, all-metal medium-priced executive transport, and the new Super-Navion now in production by Ryan Aeronautical Company. The geared engine provides increased propeller and engine efficiency, as well as reduced propeller noise.

Lycoming also has developed for the Air Force

an auxiliary power unit which can be used for starting jet engines. Approval of the prototype is expected early in 1950. Lycoming also is continuing the manufacture of precision machine parts for other aircraft engine manufacturers.

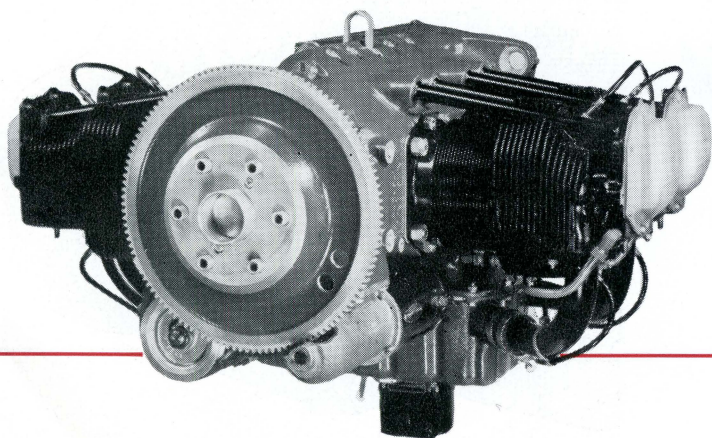
Spencer Heater improved its sales volume in both residential and commercial and industrial heating boilers. In addition, this plant began making boilers under contract to outside manufacturers.

The present line of residential boilers will be augmented by a new gas-fired model early in the 1950 heating season. The new boiler is designed especially for this expanding market.

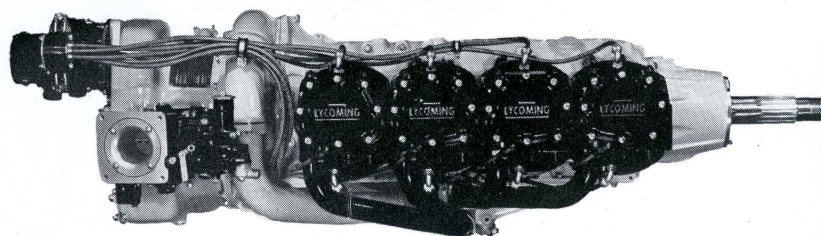
Both Lycoming and Spencer Heater plants added more work from other Avco divisions. This will be increased during 1950 as Lycoming-Spencer supplies the demands for castings and machine parts for New Idea and Crosley. In addition, this division may manufacture appliances or farm equipment if facilities of the divisions manufacturing these products prove inadequate.

Lycoming-Spencer is planning to field-test a line of air-cooled industrial engines ranging from 12 to 40 horsepower. Several farm equipment manufacturers plan to test these engines on hay balers, combines, forage harvesters and other power-operated harvesting equipment during the Spring and Summer of 1950. The engines also will have general commercial and industrial applications, such as compressors, pumps, small machinery and equipment.

The Lycoming O-290-D engine is used widely in light planes.



The GSO-580 engine is undergoing tests in transport aircraft.





Left, newly-developed 48-passenger school bus.

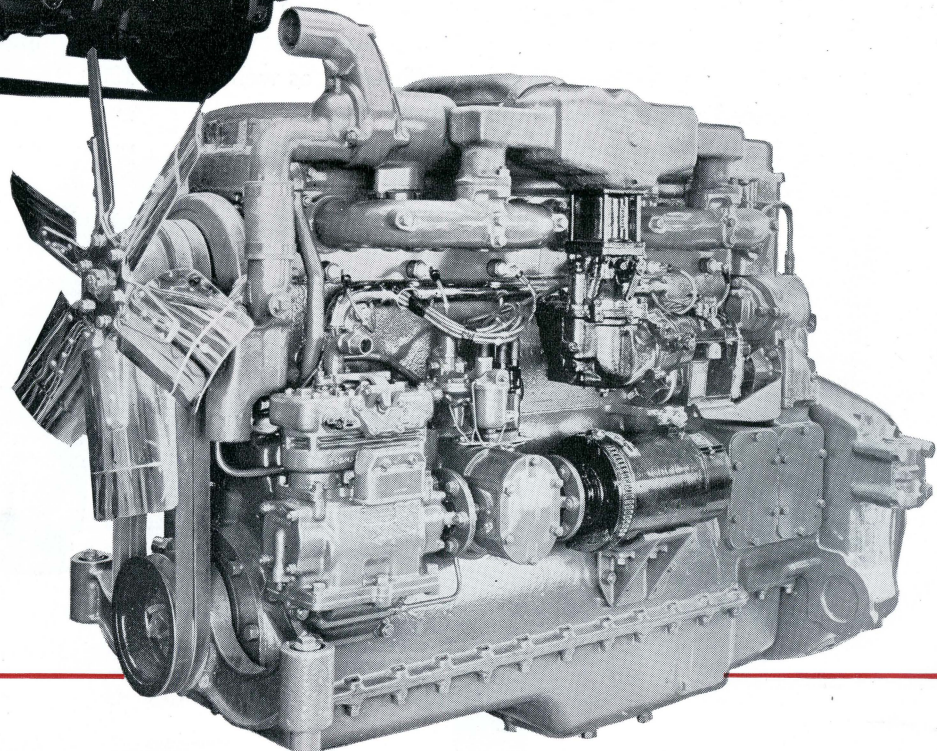


At right, Brill's 36-passenger city transit coach.



The intercity coach at left seats 41 passengers.

Series 400 engine produced by Hall-Scott.





ACF-BRILL MOTORS COMPANY*

Deliveries of transit buses and trolley coaches by ACF-Brill Motors Company during 1949 declined to a total of 414 from 1,004 in 1948, thus reflecting conditions general throughout the industry. In an effort to minimize these effects, ACF-Brill has maintained a rigid cost reduction program with respect to administrative and selling expenses, as well as in the operation of the manufacturing facilities of the company. As a result, losses have been reduced considerably under the previous year, but no substantial improvement is expected until conditions in the transit industry are better stabilized and financing for the purchase of new equipment becomes more readily available.

Seeking to develop new markets for its products, ACF-Brill has introduced a new, low-cost school bus. Incorporating all the safety advantages now offered in its Model C-31 transit coach, it can be modified to seat from 48-58 school children. This new type bus incorporates "integral design" which eliminates the conventional chassis and produces a coach which is stronger and safer at a lighter weight.

The company has also introduced a new model trolley coach for use in areas where street cars are being replaced by modern electrically-powered

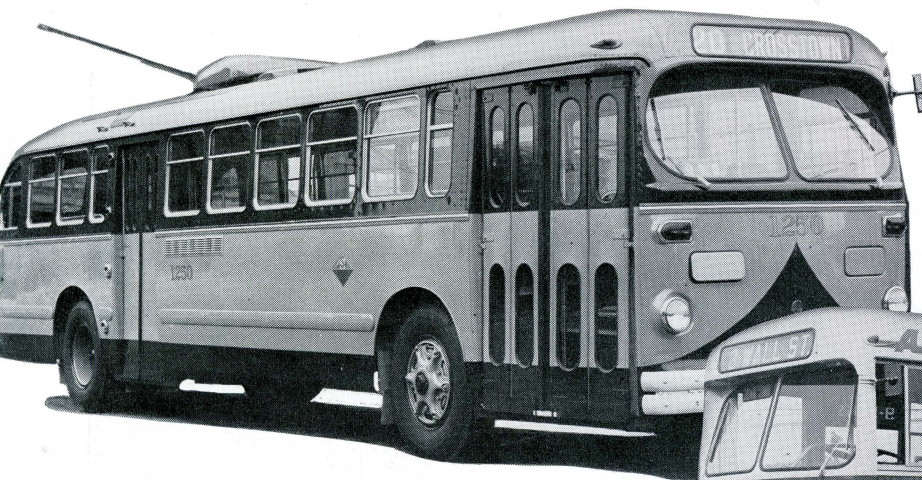
coaches. Brill is continuing production of the 27-31 passenger city bus, a 36- and a 44-passenger city bus, and a 41-passenger intercity bus.

In common with the entire transit industry, operations of ACF-Brill are handicapped by unfavorable conditions affecting its customers. Since the end of the war, bus operators have been faced with constantly mounting costs, while revenues have been fixed by various types of regulation. In those instances where fare increases have been granted, the increased revenues have been used to offset wage increases and operating losses. In addition, traffic volumes have declined and in some cases bus operators have been forced to dispose of surplus equipment at prices considerably lower than replacement value.

Canadian Car & Foundry Co., Ltd., manufacturer of "Canadian Car-Brill" coaches under license agreement with the company, delivered a total of 253 buses during 1949, as compared with 458 in the previous year.

The Hall-Scott Motor Division at Berkeley, California, manufactures the famed horizontal under-floor engines which power Brill buses produced in the United States and Canada. Hall-Scott also produces truck, marine and industrial engines.

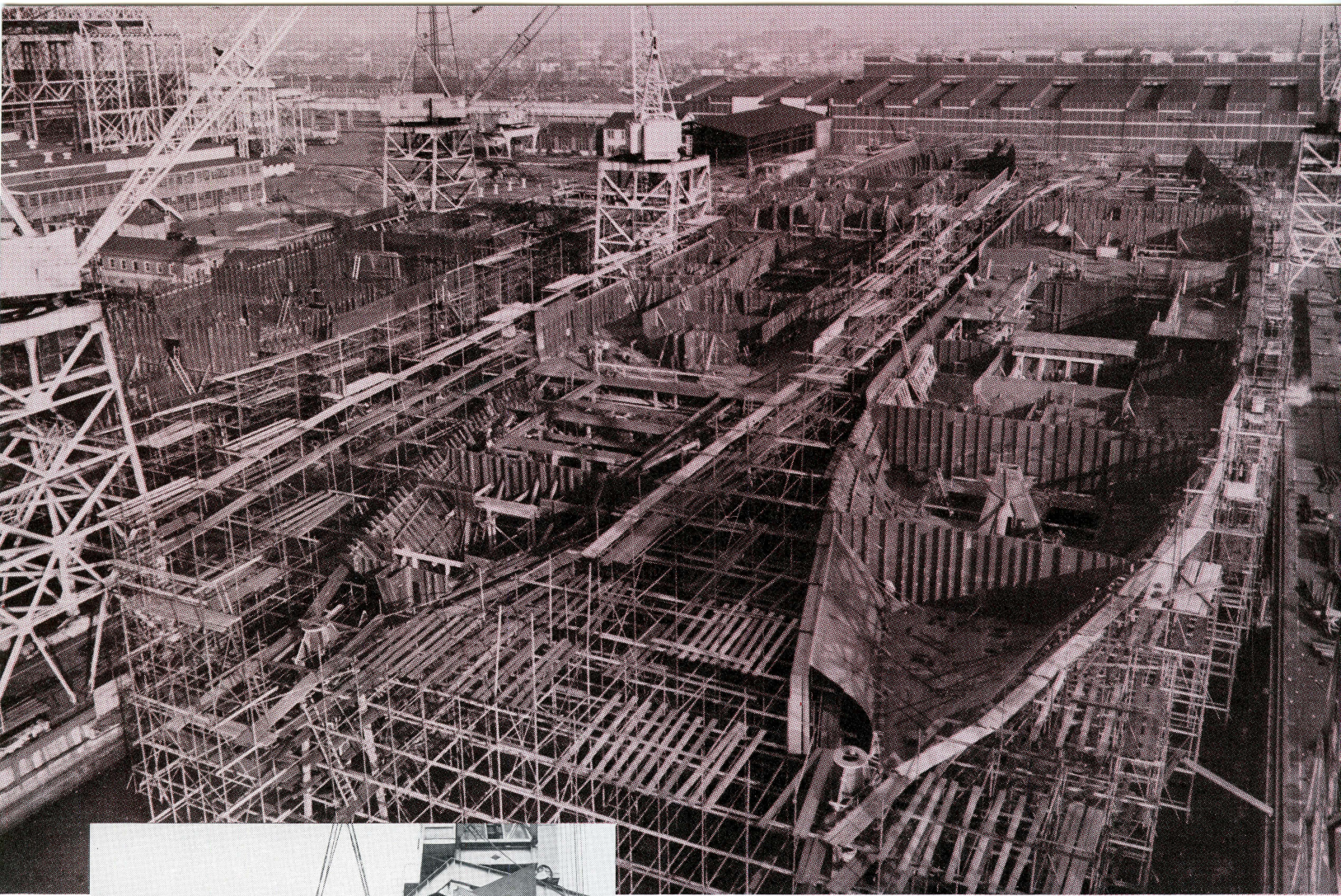
*An associated company not consolidated in the accompanying financial statements. Copy of separately printed annual report available upon request to Avco Manufacturing Corporation, 420 Lexington Ave., New York 17, N. Y.



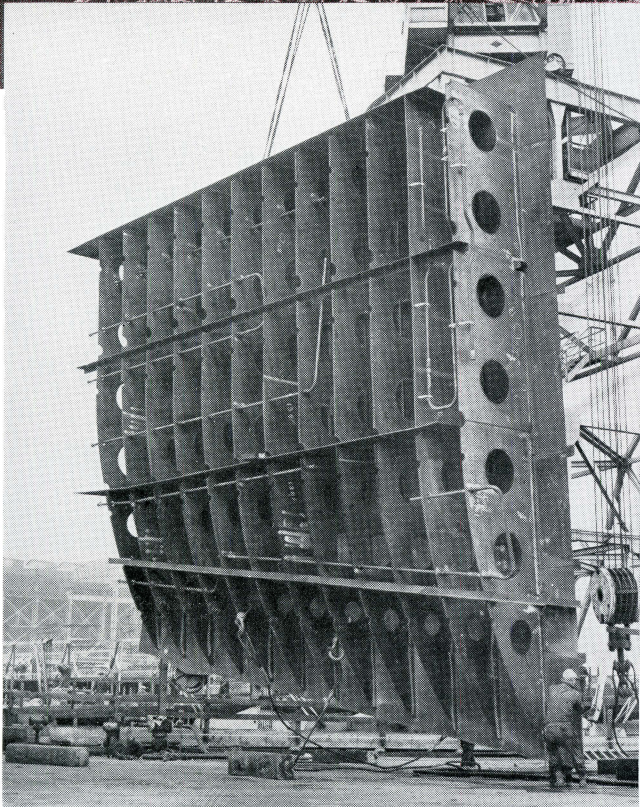
Pictured at left is a 48-passenger trolley coach.

At right is the ACF-Brill model C-31 transit coach.



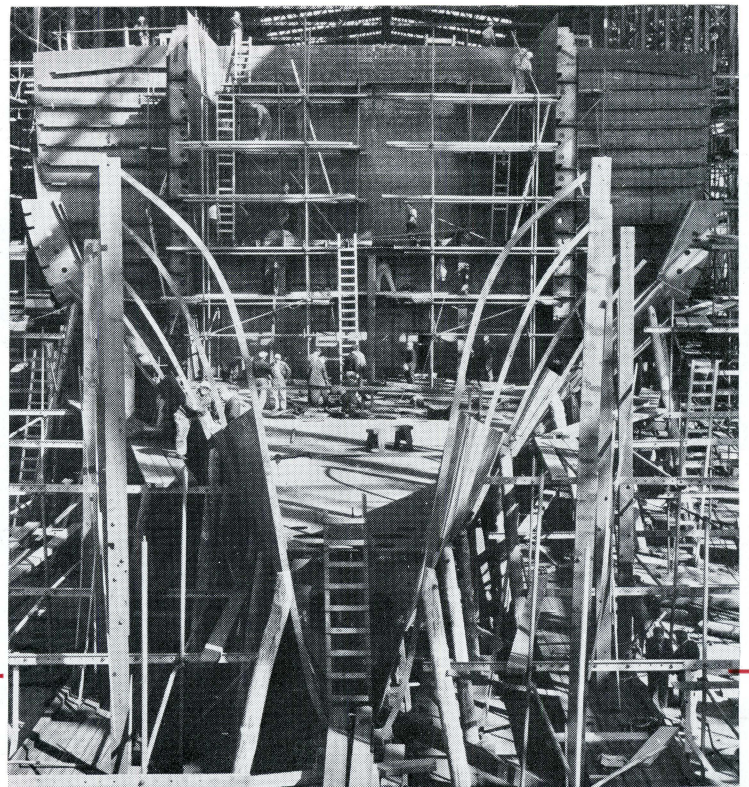


Overall view of shipyard showing construction of American President Liners.



Above: Innerbottom section for American President Liner JACKSON.

Below: Stern view showing construction progress on new 30,000-ton tanker.





NEW YORK SHIPBUILDING CORPORATION*

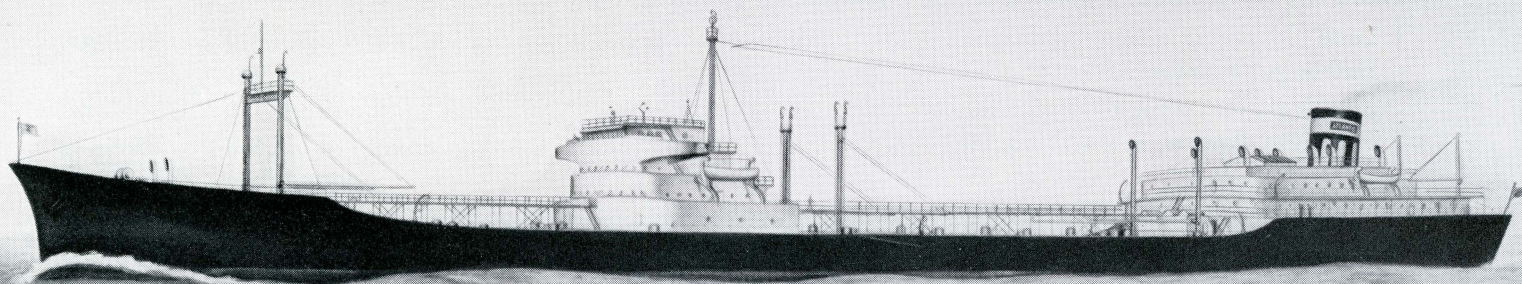
The New York Shipbuilding Corporation delivered all of its miscellaneous non-shipbuilding contracts early in 1949 and the work now under way at the corporation's shipyard consists of three American President Line ships for round-the-world passenger and freight service, three 30,000 ton tankers for the Philadelphia Tankers, Inc., and one cruiser for the United States Navy. The corporation has been primarily occupied with naval work for the past 15 years as its last previous merchant contracts, consisting of two tankers for Socony-Vacuum Oil Company, were delivered in 1935. It is significant that the new merchant work has progressed satisfactorily and without difficulties despite the long lapse in this class of construction which is radically different in many respects from naval construction.

The immediate outlook for additional shipbuilding work is not encouraging as only two new ocean-going commercial ship contracts were awarded in 1949. There has been a practical suspension of naval work and the high labor costs involved in American

shipbuilding and ship operating compared with those of foreign maritime nations practically prevent any shipbuilding work being undertaken for foreign account. This same factor results in an ever-increasing percentage of ocean passengers and freight being transported in foreign flag ships. However, there is now pending before the 81st Congress important legislation which embodies the provisions considered necessary to enable the United States shipbuilding and ship operating interests to operate in competition with foreign maritime nations and thereby maintain a healthy American shipbuilding and ship operating industry in the interests of the national economy and the national defense. If and when this long overdue legislation is enacted there will be a brighter outlook for activity in American shipbuilding yards.

*An associated company not consolidated in the accompanying financial statements. Copy of separately printed annual report available upon request to Avco Manufacturing Corporation, 420 Lexington Ave., New York 17, N. Y.

Artist's conception of one of three 30,000-ton tankers being built for Philadelphia Tankers, Inc.



AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

AT NOVEMBER 30, 1949 AND NOVEMBER 30, 1948

Assets

CURRENT ASSETS:	<i>At</i> <u>Nov. 30, 1949</u>	<i>At</i> <u>Nov. 30, 1948</u>
Cash.....	\$18,375,366	\$14,872,348
Accounts receivable:		
Trade (less reserve: 1949 — \$339,197; 1948 — \$319,312).....	\$10,349,266	\$10,318,964
Due from ACF-Brill Motors Company.....	—	1,295,731
Miscellaneous	355,553	206,223
	<u>\$10,704,819</u>	<u>\$11,820,918</u>
Inventories, at the lower of cost or market:		
Finished goods.....	\$ 6,511,705	\$ 6,116,357
Work in process.....	4,664,314	5,421,194
Raw materials and parts.....	7,935,229	12,482,222
Supplies	665,552	832,222
	<u>\$19,776,800</u>	<u>\$24,851,995</u>
TOTAL CURRENT ASSETS	<u>\$48,856,985</u>	<u>\$51,545,261</u>
INVESTMENTS, AT OR BELOW COST (see accompanying statement).....	<u>\$13,672,417</u>	<u>\$13,051,966</u>
NON-CURRENT NOTES AND ACCOUNTS RECEIVABLE:		
Due from ACF-Brill Motors Company (Note 1).....	\$ 5,550,000	\$ 3,000,000
Other	283,843	499,731
	<u>\$ 5,833,843</u>	<u>\$ 3,499,731</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 2):		
Land.....	\$ 595,840	\$ 582,868
Buildings and improvements.....	17,460,205	16,236,279
Machinery and equipment.....	19,839,718	18,926,463
Furniture, fixtures, automobiles, etc.....	1,795,440	1,689,622
	<u>\$39,691,203</u>	<u>\$37,435,232</u>
Less: Reserves for depreciation and amortization (Note 2).....	17,403,818	15,955,991
	<u>\$22,287,385</u>	<u>\$21,479,241</u>
DEFERRED CHARGES (prepaid taxes, insurance, etc.).....	\$ 325,197	\$ 257,244
	<u>\$90,975,827</u>	<u>\$89,833,443</u>

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

AT NOVEMBER 30, 1949 AND NOVEMBER 30, 1948

Liabilities, Capital Stock and Surplus

	<i>Number of shares</i>		<i>At</i>	<i>At</i>
	<i>At</i>	<i>At</i>	<i>Nov. 30, 1949</i>	<i>Nov. 30, 1948</i>
	<i>Nov. 30, 1949</i>	<i>Nov. 30, 1948</i>		
CURRENT LIABILITIES:				
Accounts payable — trade			\$ 7,555,021	\$ 6,589,642
Dividend payable on Common Stock			992,748	1,654,580
Federal income taxes (less U. S. Treasury Savings Notes: 1949—\$5,016,000; 1948—none)			375,375	9,241,502
Accrued salaries and wages			1,686,317	1,715,950
Amount payable under extra compensation plan (Note 3)			260,488	1,048,512
Accrued taxes, other than Federal income taxes			1,666,187	1,806,160
Miscellaneous accrued liabilities			965,139	1,713,754
3¾% Notes (amount payable within one year) (Note 4)			650,000	—
TOTAL CURRENT LIABILITIES			<u>\$14,151,275</u>	<u>\$23,770,100</u>
3¾% NOTES (amount payable after one year) (Note 4)			\$ 9,350,000	\$ —
RESERVE FOR PRODUCT WARRANTY			\$ 3,879,182	\$ 3,604,785
MINORITY INTEREST			\$ —	\$ 68,454
		<i>Number of shares</i>		
	<i>At</i>	<i>At</i>		
	<i>Nov. 30, 1949</i>	<i>Nov. 30, 1948</i>		
\$2.25 CUMULATIVE CONVERTIBLE PREFERRED STOCK, WITHOUT PAR VALUE (stated value \$50 per share):				
Authorized and issued	249,452	257,187		
Less: Held in treasury	7,900	5,285		
Outstanding	<u>241,552</u>	<u>251,902</u>	\$12,077,600	\$12,595,100
PREFERRED STOCK, WITHOUT PAR VALUE (series not yet designated):				
Authorized	<u>200,000</u>	<u>200,000</u>		
Issued and outstanding	<u>None</u>	<u>None</u>		
COMMON STOCK, PAR VALUE \$3 PER SHARE:				
Authorized	<u>10,000,000</u>	<u>10,000,000</u>		
Issued and outstanding	<u>6,618,319</u>	<u>6,618,319</u>	\$19,854,957	\$19,854,957
Reserved:				
For conversion of \$2.25 Cumulative Convertible Preferred Stock (basic conversion ratio — 5.88 shares of Common Stock for each share of Preferred Stock)	1,420,326	1,481,184		
For options to officers and supervisory executives (Note 5)	402,209	402,209		
	<u>1,822,535</u>	<u>1,883,393</u>		
SURPLUS (see accompanying statement):				
Capital (paid-in) surplus			\$10,455,389	\$10,337,406
Earned surplus since December 31, 1932 (Note 4)			21,207,424	19,602,641
			<u>\$31,662,813</u>	<u>\$29,940,047</u>
			<u>\$90,975,827</u>	<u>\$89,833,443</u>

the accompanying notes.

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statement of Investments

AT NOVEMBER 30, 1949 AND NOVEMBER 30, 1948

	<i>Number of shares or principal amount of debentures owned</i>	<i>Per cent of total issue</i>	<i>Amount at which carried in balance sheets (at or below cost)</i>	<i>Value based on market quotations at balance sheet dates</i>
At November 30, 1949:				
Securities of Associated Companies (Note 6):				
New York Shipbuilding Corporation:				
Founders stock, par value \$1 per share.....	107,700 shares	61.5	\$ 2,534,954	\$ 1,723,200
Participating stock, par value \$1 per share.....	13,900 shares	4.3	233,933	229,350
ACF-Brill Motors Company:				
Common stock, par value \$2.50 per share (Note 1)	465,124 shares	48.6	3,557,990	1,279,091
Warrants to purchase common stock at \$15 per share to December 31, 1954 when the warrants expire (Note 1)	160,464 warrants	58.1	581,682	160,464
6% income debentures due December 31, 1969....	\$100,000	2.3	92,500	48,000
			<u>\$ 7,001,059</u>	<u>\$ 3,440,105</u>
Other Security Investments			6,671,358	9,200,374
			<u>\$13,672,417</u>	<u>\$12,640,479</u>
At November 30, 1948:				
Securities of Associated Companies:				
New York Shipbuilding Corporation:				
Founders stock, par value \$1 per share.....	107,700 shares	61.5	\$ 2,534,954	\$ 1,615,500
Participating stock, par value \$1 per share	13,900 shares	4.3	233,933	222,400
ACF-Brill Motors Company:				
Common stock, par value \$2.50 per share.....	465,124 shares	48.6	3,557,990	1,279,091
Warrants to purchase common stock at \$15 per share to December 31, 1954 when the warrants expire	160,464 warrants	58.1	581,682	160,464
6% income debentures due December 31, 1969....	\$100,000	2.3	92,500	46,000
			<u>\$ 7,001,059</u>	<u>\$ 3,323,455</u>
Other Security Investments			6,050,907	8,423,508
			<u>\$13,051,966</u>	<u>\$11,746,963</u>

(*) Equivalent to 24.3% of total equity stock, i.e., founders stock (voting) and participating stock (non-voting).

Reference is made to the accompanying notes.

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statements of Consolidated Income

FOR THE YEARS ENDED NOVEMBER 30, 1949 AND NOVEMBER 30, 1948

	<i>Year ended Nov. 30, 1949</i>	<i>Year ended Nov. 30, 1948</i>
Net sales.....	\$137,398,554(*)	\$140,515,462(*)
Cost of sales.....	<u>114,971,586</u>	<u>113,950,415</u>
Gross profit from sales.....	<u>\$ 22,426,968</u>	<u>\$ 26,565,047</u>
Expenses:		
Selling and advertising.....	\$ 11,016,532	\$ 7,379,689
General and administrative.....	<u>5,120,114</u>	<u>4,855,159</u>
	<u>\$ 16,136,646</u>	<u>\$ 12,234,848</u>
	<u>\$ 6,290,322</u>	<u>\$ 14,330,199</u>
Other income:		
Dividends received.....	\$ 564,216	\$ 388,236
Interest earned.....	174,028	33,776
Miscellaneous.....	<u>44,096</u>	<u>210,037</u>
	<u>\$ 782,340</u>	<u>\$ 632,049</u>
	<u>\$ 7,072,662</u>	<u>\$ 14,962,248</u>
Income deductions:		
Interest paid.....	\$ 261,708	\$ —
Provision for amount payable under extra compensation plan (Note 3).....	<u>260,488</u>	<u>1,048,512</u>
	<u>\$ 522,196</u>	<u>\$ 1,048,512</u>
	<u>\$ 6,550,466</u>	<u>\$ 13,913,736</u>
Provision for Federal income tax.....	<u>2,400,000</u>	<u>6,000,000</u>
Net income for the year.....	<u>\$ 4,150,466</u>	<u>\$ 7,913,736</u>

Provision for depreciation charged to income amounted to \$2,015,244 for the year ended November 30, 1949 and to \$1,698,106 for the year ended November 30, 1948.

(*) Includes sales to associated company (ACF-Brill Motors Company): 1949 — \$3,518,699; 1948 — \$7,992,612

Reference is made to the accompanying notes.

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statements of Consolidated Surplus

FOR THE YEARS ENDED NOVEMBER 30, 1949 AND NOVEMBER 30, 1948

	<i>Year ended</i> <u>Nov. 30, 1949</u>	<i>Year ended</i> <u>Nov. 30, 1948</u>
CAPITAL (PAID-IN) SURPLUS:		
Balance at beginning of year.....	\$10,337,406	\$10,280,556
<i>Add:</i>		
Excess of stated value of \$2.25 Cumulative Convertible Preferred Stock purchased over cost thereof (1949 — 10,350 shares; 1948 — 5,065 shares).....	117,983	36,785
Excess of stated value of 620 shares of \$2.25 Cumulative Convertible Preferred Stock over par value of 3,645 shares of Common Stock into which converted.....	—	20,065
Balance at end of year.....	<u>\$10,455,389</u>	<u>\$10,337,406</u>
 EARNED SURPLUS SINCE DECEMBER 31, 1932:		
Balance at beginning of year.....	\$19,602,641	\$14,908,561
<i>Add:</i>		
Net income for the year.....	<u>4,150,466</u>	<u>7,913,736</u>
	<u>\$23,753,107</u>	<u>\$22,822,297</u>
<i>Deduct:</i>		
Dividends:		
On \$2.25 Cumulative Convertible Preferred Stock (\$2.25 per share per year)....	\$ 560,187	\$ 572,875
On Common Stock (1949 — 30 cents per share; 1948 — 40 cents per share).....	1,985,496	2,646,781
	<u>\$ 2,545,683</u>	<u>\$ 3,219,656</u>
Balance at end of year (Note 4).....	<u>\$21,207,424</u>	<u>\$19,602,641</u>

Reference is made to the accompanying notes.

Notes to Financial Statements

Note 1: \$3,000,000 of the non-current notes receivable from ACF-Brill Motors Company at November 30, 1949 are subordinate to the latter's notes payable to banks aggregating \$1,600,000. The agreement with such banks provides that, without the consent of a majority of the banks, Avco will not dispose of any of its present investment in common stock and warrants of ACF-Brill Motors Company.

Note 2: Property, plant and equipment and reserves for depreciation and amortization include \$7,342,228 at November 30, 1949 in respect of emergency facilities acquired for war production which are fully reserved for as the result of accelerated amortization provided during the war years and the majority of which are being used in postwar business.

Note 3: Under the plan approved by stockholders in 1942 (voluntarily suspended by the Board of Directors during the war years 1942 through 1945), there is payable as extra compensation 10% of the amount by which the consolidated manufacturing profit (computed before deduction of Federal income tax and provision for extra compensation) exceeds 6% of the consolidated manufacturing capital. As provided in the plan, the total payable for the 1949 fiscal year has been determined by Avco's independent auditors and amounts to \$260,488. This amount was distributed in January 1950 to 176 officers and employees. The total payable for the 1948 fiscal year, as determined by Avco's independent auditors, amounted to \$1,048,512 which was distributed in January 1949 to 240 officers and employees.

Note 4: The 3¾% Notes are payable \$325,000 semi-annually until April 1, 1964 when the final balance of \$900,000 is payable.

The agreements relating to the Notes provide, among other things, that cash dividends may be paid on the common stock only to the extent of 70% of consolidated net income (as defined in the agreements) since December 1, 1948 plus \$2,000,000 minus the sum of dividends on preferred stock and amounts expended for the purchase of common or preferred stocks since December 1, 1948. The portion of consolidated earned surplus at November 30, 1949 not subject to this restriction amounted to \$1,960,126.

Note 5: At November 30, 1949 there were outstanding options on 312,542 shares of common stock, the option

prices varying between \$5.75 per share and \$8.69 per share and the options expiring at varying dates from May 31, 1950 to September 30, 1953. In addition, 89,667 shares of common stock are reserved for options which may hereafter be granted by the Board of Directors. No options were exercised during the 1948 and 1949 fiscal years.

Note 6: Based on final audited statements Avco's equity in the net assets of New York Shipbuilding Corporation at December 31, 1949, the end of the latter's fiscal year, was \$1,926,358 more than the amount at which Avco's investments therein are carried in the accompanying balance sheet and Avco's proportionate interest in the net income of New York Shipbuilding Corporation for the year ended December 31, 1949 was \$11,324 less than dividends received therefrom. Based on preliminary unaudited statements Avco's equity in the net assets of ACF-Brill Motors Company at November 30, 1949 was \$2,147,017 less than the amount at which Avco's investments therein are carried in the accompanying balance sheet and Avco's proportionate interest in the net loss of ACF-Brill Motors Company for the eleven months ended November 30, 1949 amounted to \$832,982.

For the year 1948 Avco's proportionate interest in the net income of New York Shipbuilding Corporation was \$53,467 more than dividends received therefrom and its proportionate interest in the net loss of ACF-Brill Motors Company was \$1,608,143.

Note 7: There are pending against Avco various suits for unspecified amounts brought by certain stockholders of Consolidated Vultee Aircraft Corporation who allege in their complaints that contracts with respect to the manufacture by Consolidated for Avco during 1946 and 1947 of gas and electric kitchen ranges and frozen food storage cabinets were unfair to Consolidated and that the consideration received by Consolidated from Avco in November 1947 for stock of The Nashville Corporation was inadequate. Avco denies such allegations and is defending itself in these suits. Accordingly, no provision has been made in the accompanying financial statements in respect of this litigation.

A minor portion of Avco's sales during the 1949 fiscal year are subject to the provisions of the Renegotiation Act of 1948 and the Vinson Act and to price redetermination clauses in certain contracts but it is not anticipated that any refunds will be required thereunder.

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TULSA

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
1 CEDAR STREET
NEW YORK 5, N. Y.

CANADA
ENGLAND
FRANCE
VENEZUELA

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
AVCO MANUFACTURING CORPORATION:

We have examined the consolidated balance sheet of Avco Manufacturing Corporation and Consolidated Subsidiaries at November 30, 1949 and the related statements of consolidated income and surplus 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.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Avco Manufacturing Corporation and Consolidated Subsidiaries at November 30, 1949, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
January 26, 1950

ARTHUR YOUNG & COMPANY



PRODUCTS

Crosley Division

Radios

Table – Portable –
Phonograph – Console

Television Receivers

Table – Console

Refrigerators

Residential – Apartment
– Farm

Electric Ranges

Electric Water Heaters

Home and Farm Freezers

Kitchen Sinks and Cabinets

New Idea Division

Corn Pickers

Power Take-off Mowers

Manure Spreaders

Hay Rakes and Loaders

All-Steel Farm Wagons

Grain and Baled-Hay Elevators

Corn Husker-Shredders

Transplanters

Hand Corn-Shellers

American Central Division

Kitchen Sink Cabinets Single – Double

Refrigerator Cabinets

Kitchen Wall Cabinets

Kitchen Base Cabinets

Waste Disposer

Lycoming-Spencer Division

Aircraft Engines

Heating Boilers

Industrial Engines

Castings

Precision Machine Parts

Nashville Division

Home Freezers (for Crosley)

Electric Ranges (for Crosley)

New York Shipbuilding Corporation

Naval Vessels

Commercial Vessels

ACF-Brill Motors Company

Transit Buses: City – Suburban – Inter-City

Trackless Trolleys

Hall-Scott Motor Division

Bus Engines

Truck Engines

Marine Engines

Industrial Engines

ANNUAL MEETING

The Annual Meeting of Stockholders of Avco Manufacturing Corporation will be held at the statutory office of the corporation at 927 Market St., Wilmington, Delaware, at 11 a.m., Eastern Standard Time, on April 13, 1950. All stockholders are urged to attend the meeting, as well as visit the plants and facilities of the corporation whenever possible.

