

# THE AVIATION CORPORATION

420 LEXINGTON AVENUE  
NEW YORK 17, N. Y.

## TO THE STOCKHOLDERS OF THE AVIATION CORPORATION:

In view of the fact that relatively few of the Corporation's 47,000 stockholders attended the postponed Annual and Special Meeting on July 25 at Wilmington, Delaware, it seems appropriate to send you this brief report of the meeting and important developments since that time.

Holders of approximately 65 per cent of the total outstanding common shares were present in person or by proxy at the meeting. The stockholders elected the following directors of the Corporation: George E. Allen, Irving B. Babcock, C. Coburn Darling, Floyd B. Dean, Victor Emanuel, L. I. Hartmeyer, Arthur W. Harrington, John D. Hertz, Carlton M. Higbie, Benjamin H. Namm, Thomas A. O'Hara, R. S. Pruitt, A. N. Williams and William F. Wise.

The management appreciates this vote of confidence as evidenced by the practically unanimous vote in favor of its nominees for directors. We desire to extend our thanks and appreciation to all stockholders who sent in their proxies for the meeting, and to those who wrote letters of commendation regarding the annual report and the work of the Corporation and its associated companies.

In addition to the election of directors, the stockholders re-appointed Arthur Young & Company as independent auditors for the present fiscal year.

In response to specific questions, a number of matters were discussed by the Chairman of the meeting, Mr. Irving B. Babcock. He stated that of the newly authorized Cumulative Convertible Preferred Stock offered to stockholders, 80 per cent was purchased by the stockholders through the exercise of subscription rights and the balance was sold through underwriters to the public.

The Chairman further indicated that the Frozen Food Products, Inc., in which The Aviation Corporation owns a 40 per cent interest, will distribute through department stores a 3-cubic foot holding unit designed for the storage of frozen foods. These units will be manufactured by an Avco associated company. The Aviation Corporation is also a member of Frozen Food Foundation, a non-profit organization formed by the leading department stores to investigate and develop improved methods of freezing and distributing foods.

With reference to ACF-Brill Motors Company, control of which was recently acquired by Consolidated Vultee Aircraft Corporation, it was reported that the Corporation has a backlog of unfilled orders for its products representing approximately two years' production with its expanded facilities.

The Chairman also stated that at the present rate of production incompleting Navy work will be sufficient to operate the yard of New York Shipbuilding Corporation well into 1947. No commercial type vessels have been scheduled for production up to the present time because of the difficulty under existing conditions of determining the price for products to be delivered several years in the future.

Net income of The Aviation Corporation and consolidated subsidiaries for the six months ended May 31, 1946, amounted to \$12,723,233, equal after preferred dividends to \$2.09 per share on the 5,938,334 common shares then outstanding. Net income for the six months includes extra-

ordinary profits of \$12,720,000, after taxes, on the sale of 211,000 shares of American Airlines, Inc. and \$350,000 representing estimate of federal income and excess profits tax refund resulting from "carry-back" provisions of the Internal Revenue Code. Net sales for the period amounted to \$1,982,552.

The Chairman, in commenting upon operating results of the Avco group of companies, pointed out that shortages of essential materials and continued labor difficulties have handicapped efforts to attain normal manufacturing levels in the various plants of the Corporation and its associated companies. Despite these obstacles, however, Mr. Babcock reported that the management has been successful in reducing operating losses, and it is felt that major reconversion difficulties are being overcome.

It is with deep regret that we report the untimely death of Mr. Henry Dalzell Wilson, who as a director had served the interests of the Corporation faithfully since 1941. His passing is an irreparable loss to the Corporation.

#### *NEW DEVELOPMENTS SINCE ANNUAL MEETING*

The world's largest land-based bomber, the Consolidated Vultee XB-36, successfully completed initial test flights during August. It is estimated that this plane is capable of flying non-stop 10,000 miles with a 10,000-pound load, and is more than twice as large as a Superfortress. Consolidated Vultee holds both experimental and production contracts for building a fleet of this 160-ton aircraft.

The Federal Communications Commission has approved two major moves by The Crosley Corporation. First, the agency has approved the formation of a new organization to be known as The Crosley Broadcasting Corporation, comprising WLW and all other broadcasting properties formerly operated as a part of The Crosley Corporation of Cincinnati. The FCC also has approved the sale of WINS in New York to the new Corporation, and immediate plans for integrating the new facilities are being placed in operation.

Plans for WLW and WINS include linking the two by direct wire, such as network stations use, and will include a news wire to Washington. Over the direct wire the best programs of WLW and WINS will be exchanged, thus strengthening the program structure of both outlets. WINS, currently operating on 10,000 watts, has a construction permit for a 50,000 watt transmitter. Work on the new outlet virtually is completed and will be placed in operation as soon as possible.

The management appreciates the continued interest of the stockholders in the progress of The Aviation Corporation.

Very truly yours,

VICTOR EMANUEL

*Chairman of the Board*

New York  
August 29, 1946.